

Enterprise M3 Board

27 July 2017

Fawley Waterside – Visit prior to Board - Item 5

Enterprise M3 Board Members are asked to:

NOTE that a small group of board members will be shown around the site prior to the board meeting. Details of this visit are enclosed within your papers for the meeting.

NOTE the proposals set out by Fawley Waterside Limited to redevelop the Fawley Power Station site into a large mixed use development that could create up to 1500 new jobs in advanced manufacturing, marine and aerospace industries, and other services.

DISCUSS at our board meeting how Enterprise M3 might wish to be engaged further in this activity

1. Background

- 1.1. Fawley Power Station is located on the western side of Southampton Water, between the villages of Fawley and Calshot in Hampshire. It has a noticeable 198m chimney which is renowned as a navigationally useful landmark.
- 1.2. Built by Mitchell Construction for the Central Electricity Generating Board (CEGB – later dissolved following electricity privatisation), Fawley Power Station was commissioned in 1971 as a 2,000 megawatt (MW) power station, with four 500 MW generating units, oil-fired, powered by heavy fuel oil. In its latter years, Fawley Power Station was owned and operated by RWE Npower, prior to its closure in 2013.
- 1.3. With a pipeline that connected the station to the nearby Fawley oil refinery, Fawley Power Station was also connected to the National Grid with circuits going to Nursling and a tunnel under Southampton Water to Chilling, then to Lovedean with a local substation at Botley Wood. A dock was included in the construction to allow for the delivery of oil by sea, however this facility remained disused after trialling just one ship-delivery.
- 1.4. Due to the higher cost of oil compared to other fuels, in 1995 two of the 500 MW generating units were mothballed allowing the station to produce goods upon demand instead of on a continual basis. This left the station with a capacity of only 1,000 MW but ensured its production capability remained if needed.
- 1.5. In October 2001, the 'Large Combustion Plant Directive' (LCPD) was issued by the European Union. The directive required member states of the EU to legislatively limit flue gas emissions from combustion plant having thermal capacity of 50 MW or greater.
- 1.6. Under the terms of the directive, combustion plant built before 1987 had to either comply with specific emissions limits or 'opt out'. Plant which opted out were limited to a maximum of 20,000 hours of further operation, and had to close completely by the end of 2015.

- 1.7. On 18 September 2012, RWE Npower announced they would be shutting down Fawley power station by the end of March 2013, due to the EU Large Combustion Plant Directive. The power station was duly shut on 31 March 2013.
- 1.8. Across Europe, 205 plants have opted out, with Britain having the largest proportion of opted-out plant in terms of total capacity.
- 1.9. In 2015 Fawley Waterside Limited, founded and managed by Aldred Drummond and owner of the neighbouring Cadland Estate, alongside local well established Investors, purchased the Fawley Power Station site from RWE Npower with the ambition to create something transformational for the Southern Waterside.

2. **The Future of Fawley Power Station: 'Intelligent Merchant City'**

- 2.1. Fawley Power Station is a 300 acre site and is one of the largest brownfield sites in Southern England. It sits within an area of relative declining prosperity and jobs and is considered a dormitory area for Southampton.
- 2.2. The site is situated within New Forest District Councils administrative area within the Fawley, Blackfield and Langley ward. It borders the Holbury and North Blackfield ward which is within the 20% most deprived wards in England.
- 2.3. However, the power station, which is effectively an 'island', is surrounded by the New Forest National Park Authorities administrative area that includes Tom Tiddlers Ground, a 5 ha area of rough grass pasture running parallel to the sea road; and land surrounding the site including Lepe Country Park which covers 7.35 ha in a SPA and attracts people from a wide area.
- 2.4. Enterprise M3 is already supporting the Lepe Country Park project with a £0.88m Growth Deal investment that aims to create a new flagship visitor centre overlooking the Solent.
- 2.5. Fawley Waterside have been developing discussions with both local planning authorities and wider agencies to ensure proposals are sensitively applied to consider the wider context of the site.
- 2.6. The vision for the site is to develop an 'Intelligent Merchant City'; a large mixed use development that includes approximately 2 million sq. ft of residential and 1 million sq. ft. of commercial space.
- 2.7. The development could create up to 2000 new jobs in advanced manufacturing, marine and aerospace industries, construction and other services. It is too early to outline when these jobs will be created, however:
 - There are currently anywhere between 20 and 100 jobs already onsite engaged in demolition Works. This is expected to increase by a further 100 into 2018 as demolition Works gather momentum;
 - MHI Vestas Offshore Wind have submitted a planning application to the local authority for permission to use the site for storage of wind blades and also as a paint spray workshop. This is expected to create at least 40 jobs on site once operational. The lease will be for 10 years;
 - Planning applications for other commercial schemes that will create jobs, both interim and long term, will be submitted as and when these come forward.

- 2.8. The vision includes:
- 1500 homes over 15 years;
 - Infrastructure developments including road and rail improvements;
 - Waterfront access including a fast ferry service;
 - Marine facilities that include a dry marina for 600 boats, a wet marina and a new canal;
 - A primary school, healthcare, retail, food and drink, leisure and hotel facilities.
- 2.9. Major environmental enhancements and protection of landscape are an essential element in taking forward proposals. Consultation adopting a multi-agency approach have highlighted a number of initiatives that include:
- 100 acres of SANGs;
 - 200 acres of New Forest landscape;
 - Connecting New Forest to Sea;
 - Public access;
 - Major new saline lagoon;
 - Restored and reconnected heathland.
- 2.10. In terms of the existing structure, proposals are aimed at retaining the chimney and basement to create:
- Chimney: a viewing platform, restaurant, iconic feature;
 - Basement: car park for 2,500 cars and a canal;
 - Glass tower modelled on façade of existing deaerator building.
- 2.11. The site presents a number of funding challenges, mostly transport:
- Improving access to the site which will probably mean improvements to the Fawley Bypass (B3053);
 - Improving the railway line and station at Fawley;
 - Canal providing access to the harbour at a cost of c£20m;
 - Clearance of the site is a major task particularly the removal of the power lines and potential decontamination works.
- 2.12. The New Forest District Council have been keen to point out that the site provides a great opportunity in terms of both its economic and residential potential to meet the many needs of the New Forest and on this basis both Enterprise M3 and Solent LEP have been working closely with the local authority to understand how this project could be taken forward.
- 2.13. On 20 January 2017 Bob Jackson, NFDC Chief Executive, arranged for a Public Sector Workshop to be hosted at the site which brought together all public and other agencies that are currently or will in the future be involved in discussions about the future of the site.
- 2.14. The workshop's aim was to provide the opportunity for each agency to set out their current requirements or support mechanisms that they may have available including regulatory requirements, comments on the desired content of the scheme and information about possible access to funding which could assist with future infrastructure needs of the development.
- 2.15. The result was a very successful discussion on the potential of the site and shared understanding of the issues which need to be addressed and a collective desire to find the appropriate solutions.

2.16. Following on from the event a framework will be established whereby the agencies involved can operate in a co-ordinated way to assist us in developing our proposals. This is under development.

3. **Conclusion**

- 3.1. In summary, the proposed developments for Fawley Waterside appear to align with the needs of the area in terms of addressing areas of deprivation by creating a mixed use development that will attract new businesses, new jobs, new homes and increase tourism to the area.
- 3.2. The development aims to create an 'Intelligent Merchant City' which builds on a sustainable system requiring both digital and mechanical systems, and creates a place where people want to live.
- 3.3. Proposals align with Enterprise M3's key priorities and objectives as outlined in our existing SEP.
- 3.4. Proposals are being developed in consultation with a wide group of stakeholders which aims to ensure that any developments taken forward fully take into account environmental concerns.
- 3.5. Both Solent LEP and Enterprise M3 are already engaged with both planning authorities and with Fawley Waterside Limited and we await further information as planning applications are processed.
- 3.6. In terms of timescales the following provides an indicative outline:
 - An agreed policy between the two planning authorities and Fawley Waterside Limited by end of 2017 before final submission of local plan for approval to Secretary of State;
 - Planning approval process beginning 2018 and completing by end of 2018;
 - First commercial building completed by 2020;
 - Body of demolition completed by 2020;
 - First tranche of homes built and occupied by early 2021.
- 3.7. It is worth noting that Aldred Drummond, founder of Fawley Waterside Limited, has over a decade of experience in UK residential real estate across all stages of a transaction, be it acquisition or development. He is a Director of Real Estate and a member of the Investment Committee of Long Harbour Ltd., a private equity real estate firm that invests in high quality, asset backed opportunities. The company was established in 2009 to help bridge the gap between illiquid asset classes, often with high barriers to entry, and institutional investors seeking to deploy capital into long-term income generating assets.

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20 July 2017