

Hornsea Offshore Wind Farm

Project Two

Ministerial Statement: Crown Estate Leases for Offshore Renewables Projects, 12 July 2011

**Appendix M to the Response submitted for Deadline II
Application Reference: EN010053**

10 August 2015

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Ministerial Statement: Crown Estate Leases for Offshore Renewables Projects, 12 July 2011 [Extract from Hansard]

Column 12WS

The Secretary of State for Energy and Climate Change (Chris Huhne): For some years, Crown Estate leases for offshore renewables projects, and agreements for lease, including leases and agreements for lease for the cables transporting the electricity to land, have contained a clause allowing the Crown Estate to determine the lease, in whole or in part, at my request, where this is necessary to enable an oil or gas project to proceed. The clause does not however make any reference to the provision of compensation to the lease holder, and this has become a matter of concern, particularly as regards the prospects of attracting finance for offshore renewables projects. Following discussions by my Department with Renewable UK and Oil and Gas UK, I would therefore like to clarify my approach on the question of my giving consent under the Petroleum Act 1998 for any oil and gas development (that is, for the drilling of any well, for the installation of production facilities, or for the construction of a pipeline), where it appears that the development can proceed only if the oil and gas clause in a renewables lease, or agreement for lease, is invoked.

First, as regards the granting of consent in general, I should note that there have been instances in which proposals for new oil and gas developments have been potentially in conflict with the development intentions of others who have existing rights in the same or in an adjacent area. It is clearly of great importance that oil and gas licensees, in planning their exploration work, and where relevant in working up proposals for producing a new field, should take full account of any potentially conflicting interests. Where it appears that the envisaged oil and gas development may in practice conflict in any degree with activities already permitted, the licensee should consult with the other rights holders and so far as possible seek an agreed way forward acceptable to both sides. Some aspects of these consultation processes are already covered by advice and guidance issued by my Department to petroleum licensees. But I have asked for advice on what further guidance on these matters, and on the procedures by which licensees have to apply for my consent under the Petroleum Act, would be appropriate in today's circumstances. I note in this context that the Petroleum Act, as amended by the Energy Act 2004, provides that in making such a consenting decision, I may have regard, specifically, to activities for or in connection with the generation of electricity, or proposals to carry on such activities.

Secondly, in any case in which an oil and gas licensee seeks consent for a development, and it appears that the development can proceed only if the oil and gas clause in a renewables lease, or agreement for lease, is invoked, I would not be prepared to request that action by the Crown Estate, or to give consent to the proposed development, unless payment of appropriate compensation to the lease

holder for the loss of value of his interests had first been assured by negotiation and commercial agreement between the two parties. In such circumstances, I would seek confirmation from the affected leaseholder that agreement had been reached on acceptable terms, before reaching any decision on consent under the Petroleum Act for the oil and gas development.

Column 13WS

Exceptionally, where the licensee has exercised all reasonable endeavours to reach such a negotiated agreement, but has been unable to do so, I may be prepared to consider requesting determination of some part of the lease or agreement for lease if the appropriate compensation for loss of value has been assessed by an independent third party and the licensee commits to appropriate arrangements to secure the payment of that compensation. The prospective loss to the lease holder should be valued by the independent third party, on the general principle of equivalence as applied in circumstances of compulsory purchase, which aims to put the claimant in the same position, so far as financial compensation can do so, as if the lease or agreement for lease had not in fact been determined.

For clarity, I reiterate that in the absence of either a commercial agreement between the parties, or of the provision of independently assessed compensation for the renewables leaseholder, I would not be prepared to request the determination in whole or in part of any renewables lease or agreement for lease, or to grant consent to the proposed oil and gas development. The lease holder would remain free to take forward his project as previously envisaged.

My officials will discuss with the interested parties suitable practical arrangements to give effect to this policy, including a process for appointing a suitable person or body to undertake the independent third party valuation where that might be necessary. Suitable guidance will be developed in consultation with leaseholders or prospective leaseholders and the oil and gas industry.

The Crown Estate are considering how this policy can be appropriately reflected in the suite of documentation for individual leases, and how the documentation of existing leases can be updated.

I should add that I do not see these issues as impacting on the granting of oil and gas licences, as these do not convey any consent for development. As at present, licence applicants or prospective applicants will have access to up-to-date information on consented developments, and on areas leased or zoned for other types of development, so that their acceptance of any licence can be based on an up-to-date understanding of potentially conflicting development intentions in the area in question.