



Scottish Council for
Development and Industry

POLICY SUBMISSION

THE SCOTTISH AFFAIRS COMMITTEE
THE CROWN ESTATE IN SCOTLAND

June 2011

SCDI is an independent and inclusive economic development network which seeks to influence and inspire government and key stakeholders with our ambitious vision to create shared sustainable economic prosperity for Scotland.

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The Crown Estate in Scotland

1. SCDI is an independent membership network that strengthens Scotland's competitiveness by influencing Government policies to encourage sustainable economic prosperity. SCDI's membership includes businesses, trades unions, local authorities, educational institutions, the voluntary sector and faith groups.
2. SCDI has an established track record of undertaking research and analysis. Our policy and issues work is based on a combination of qualitative and quantitative research that utilises our existing membership base, access to industry and business experts from across Scotland supported by desk based analysis.
3. SCDI organised business seminars for members, in conjunction with the Scottish Government, in Inverness and Aberdeen earlier this year to input into its recent consultation on *Securing the Benefits of Scotland's Next Energy Revolution*, and arranged a recent event in Dingwall for members in the Highlands and Islands where the speaker was the Chairman of The Crown Estate, Sir Stuart Hampson.

Executive Summary

- SCDI members have differing views on whether there is a need to reform the legal framework within which the Crown Estate Commissioners operate. Feedback from business in a range of sectors suggests that they are, broadly, content with the improvements which have been made in their relationships with the Crown Estate and - so far as increasing sustainable economic growth is concerned - they do not believe that a strong case for change has been made
- SCDI appreciates that there can be real community concern about accountability
- The question of reform of the legal framework for the Crown Estate may be considered separately from the question of retention of its Scottish revenues. SCDI would support retention of this revenue stream in Scotland, whether or not the legal framework in which the Crown Estate Commissioners operate changes
- The Crown Estate should continue to strengthen its presence in Scotland and its partnerships, nationally, regionally, locally and with leading industries. SCDI has suggested that it might consider reinstating a "principal officer for Scotland"
- The public interest in Scotland would be best served by The Crown Estate maximising its support for sustainable economic growth and employment
- For Scotland to benefit from the opportunities which would be created by the development of its renewable and low carbon energy sources its immediate priority must be offering the support and long-term stability which investors and developers are looking for in a highly competitive, yet relatively immature industry

- The most significant way of enabling communities to benefit is through a strong local supply chain, and the Crown Estate, the enterprise agencies and partners should continue their work and consider new ways to encourage this to develop
- SCDI supports the principle of capturing a share of the value of developing offshore renewable energy and Carbon Capture Storage to create a long-term legacy for Scotland. But this must be no disincentive to investment in Scotland

Do the Crown Estate Commissioners serve a useful purpose in Scotland?

4. The most useful purpose for the assets which are managed by the Crown Estate in Scotland is in maximising investment and creating employment opportunities, particularly in key growth sectors such as renewable energy and food and drink.
5. Feedback from a range of sectors suggests that they, generally, consider that, in recent years, The Crown Estate has been a positive enabler for sustainable economic growth. Examples cited include the simplification of leases for the aquaculture sector and the development of technical expertise and preparatory environmental studies to support and reduce the risks for the marine renewables industry. In the debate around the usefulness of existing or alternative structures, ensuring that the legal framework has a fully functioning and positive approach to leasing the seabed for sustainable economic development must be a key priority.

What is/should be the role of the CEC in investing in Scotland?

6. The Crown Estate has a unique role and states two main objectives of benefiting the UK taxpayer by remitting surplus revenues to the Treasury, and investing in and managing its estate to grow its value and financial contribution. Its broad property portfolio and wide role mean it a key player in encouraging sustainable economic prosperity for local communities and the nation as a whole. SCDI is keen that it continues to enhance its partnership work to enable and nurture productive commercial opportunities and the economic benefits for communities.
7. The Crown Estate is investing significant funding in key sectors of the Scottish economy, especially for rural Scotland, for example in research for aquaculture, forestry, tourism/ marine leisure infrastructure, and to support rural tenants. The highest priority for economic, employment and environmental benefit is investment in Scotland's low carbon energy sector. The immediate focus has to be on attracting and minimising risks for investors, and to date, the Crown Estate has invested more than £100 million to deliver the Round 3 offshore wind developments to the consent stage. The Crown Estate is also investing in the skills infrastructure for these offshore projects by offering bursaries of up to £3,600 to students who want to take a marine renewable energy master degree.
8. Looking to the future, The Crown Estate has committed to £123 million over the next 10 years from its UK-wide portfolio, mainly property, for future investment in the initial stages of the offshore renewable energy programmes. With tidal and

wave schemes, it is providing an enabling actions fund of £5.6 million to help see the projects through to consent. SCDI understands that, in total, The Crown Estate is committed to investing some £20 million over the next five years to support the growth of the offshore renewables sector in Scotland, while its best estimate is that the revenues from offshore wind around Scotland and adjacent UK waters will be about £250,000 per year for the next five years. There would appear to be a risk of a near-term reduction in the revenues available for investment in Scotland if The Crown Estate's revenues and expenditure were to be fully devolved. Forecasts for offshore wind revenues thereafter are said to be variable, with a mid-range estimated scenario delivering £29.5 million per annum.

9. The question of reform of the legal framework for the Crown Estate may be considered separately from the question of retention of its Scottish revenues. SCDI would support retention of this revenue stream in Scotland, whether or not the legal framework in which the Crown Estate Commissioners operate changes.
10. SCDI believes that there may be scope to gain even greater community benefit from The Crown Estate's investment. For example, it may be possible, particularly following the European Union's ongoing review of procurement rules, to structure leases in such a way which promotes more local business content. It may also be possible to consider linking community benefit statements to marine licensing of offshore renewable energy and Carbon Capture and Storage projects, if the existing separation of licensing and marine planning is maintained.

What is the legacy of the CEC in Scotland?

11. The Crown Estate has supported the development of a number of traditional and new industries which have grown in value and provide vital jobs for local people and income for communities, especially as public sector employment is expected to fall. However, it is recognised that some businesses and communities have strongly differing views on its legacy. SCDI believes that The Crown Estate is clearly working to provide a legacy for future generations through its investment in industries, communities and people, particularly in relation to the economic, employment and environmental benefits of offshore green energy developments.

Are the current management, administration and accountability arrangements of the CEC appropriate?

12. SCDI members have differing views on whether there is a need to reform the legal framework within which the Crown Estate Commissioners operate. This is an issue which is of interest to a range of important industries for Scotland. Feedback from business in a range of sectors suggests that they are, broadly, content with the improvements which have been made in their relationships with The Crown Estate and - so far as increasing sustainable economic growth is concerned - they do not believe that a strong case for change has been made. SCDI appreciates that there can be real community concern about accountability.

13. It is widely recognised that The Crown Estate has improved its accountability in Scotland in the last five years. It now publishes an annual Scottish Report which is presented to the Scottish Parliament and its Edinburgh office has strengthened communication with MSPs, local authorities, industry and organisations such as SCDI. The office has also established a Scottish Industry Liaison Committee.
14. It would be helpful if there was greater clarity and transparency about the Crown Estates accounts - revenues, profits and investments - in Scotland. The Crown Estate has said that the size of the surplus revenue delivered to HM Treasury for the year to 31 March 2010 was £210 million of which under £9 million was generated in Scotland. In its recent consultation, the Scottish Government quotes a figure of £13 million for The Crown Estate's revenues in Scotland for 2009/10.
15. As economic opportunities grow, the pace of delivery speeds up and the need for close relationships increases, The Crown Estate must continue to strengthen its presence in Scotland and its partnerships, nationally, regionally, locally and with leading industries. SCDI has suggested that The Crown Estate might consider reinstating a "principal officer for Scotland" to head up the organisation and act as the main point of contact for the Scottish Government and key stakeholders.
16. It would be worth considering whether the administration of The Crown Estate in Scotland could include an Advisory Group on community benefit. The Crown Estate and local authorities could draw up joint community benefit action plans.

How could the CEC best act in the public interest in Scotland?

17. The public interest in Scotland would be best served by The Crown Estate maximising its support for sustainable economic growth and employment in local communities and the nation as a whole. SCDI believes that the low carbon economy and internationalisation will be the greatest opportunities for Scotland. It is therefore especially important that The Crown Estate enables key sectors such as renewable energy, food and drink, and tourism to achieve their growth targets. Given the opportunities for growth in renewable energy, aquaculture and ports, The Crown Estate should have a role in resolving any conflicts for marine space.
18. For Scotland to benefit from the opportunities which would be created by the development of its renewable and low carbon energy sources its immediate priority is its global competitiveness in attracting the significant and sustained investment amounting to billions of pounds which this development will require. At current costs, the 10GW of awarded capacity for offshore wind development in Scotland are estimated to involve some £30 billion to deliver completed projects over the next ten years and beyond. The Crown Estate's recent publication *Wave and Tidal Energy in the Pentland Firth and Orkney Waters* showed by 2020 about £4 billion could be invested in manufacturing devices, moorings, cabling and off-shore sub-stations, and that a further £2 billion could go into installation. Beyond installation, there will be a need for the ongoing operation and maintenance of up to 1,600 devices, requiring an estimated £100 million a year.

19. Scotland's resources and the UK's existing regulatory incentives have created a world leader of an offshore wind market in the UK, but developments will not simply happen. Scotland and the UK must continue to offer the support and long-term stability which investors and developers are looking for in a highly competitive, yet relatively immature industry, market its comparative advantages globally, and identify sources of public and private funding for investment in infrastructure, facilities, engineering and technical skills, the supply chain and research and development. Economic diversification, inward investment, a globally successful supply chain and new jobs in installation and operations are the greatest potential benefits. The most significant way of enabling communities to benefit from the transition to a low carbon economy is through a strong local supply chain, and The Crown Estate, Scotland's enterprise agencies and partners should continue their work and consider new ways to encourage this.
20. SCDI supports the principle of capturing a share of the value of developing offshore renewable energy and Carbon Capture Storage to create a long-term legacy for Scotland. This was a recommendation of our *Blueprint for Scotland*. One lesson from oil funds is that to maximise the benefits of these revenues, they should be targeted and not spread too thinly, and they should mainly be used to support long-term, sustainable economic and community development.
21. The emerging offshore low carbon energy sector will, at best, be marginally profitable initially and requires significant public investment and subsidy. Sustaining high levels of investment and continuing to secure its benefits by maintaining an attractive market for development must be the over-riding priority in considering options for revenue generation. There must be no disincentive to investment in Scotland, which would reduce the economic and employment benefits and make it harder for Scotland to achieve its climate change targets.

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