

**Crown Estate Terms for  
Rents and other lease terms for Oil and Gas Pipelines within United Kingdom Territorial Waters**

**1. Introduction**

- 1.1 The following are the terms of the Crown Estate Commissioners ("the Commissioners") for rents and certain other lease terms for offshore pipelines for the transportation of oil and gas within the territorial waters of Great Britain.
- 1.2 These terms are intended to cover the period from 1 January 2005 to 31 December 2019. However the Commissioners may vary these terms from time to time during this period.
- 1.3 These terms have been established by the Commissioners following a review of current market conditions. They will apply on an open and non discriminatory basis where requested by tenants and prospective tenants to existing leases and new leases.

**2. Rentals**

- 2.1 *Base Rent.* This rent is payable at all times. It is £32,700 per annum for all sizes of pipeline (except as provided in paragraph 7.4) and is subject to indexation in accordance with paragraph 2.3.
- 2.2 *Additional Rent.* This rent is payable in addition to the Base Rent from the time the pipeline is ready for use. This rent depends upon the size of the pipeline as follows:-

**12 mile lease of easement**

Diameter (inches)	Additional Rent (£)	Total Rent (£)
16	35,000	67,000
18	42,000	74,700
20	50,400	83,100
22	62,000	94,700
24	74,000	106,700
26	86,600	119,300
28	102,000	134,700
30	118,000	150,800
32	137,000	169,700
34	155,000	187,700
36	173,100	205,800
38	195,000	227,700
40	215,000	247,700
42	236,000	268,700
44	259,000	291,700

**3 mile lease of easement**

Diameter (inches)	Additional Rent (£)	Total Rent (£)
18	10,500	43,200
20	12,600	45,300
22	15,500	48,200
24	18,500	51,200
26	21,600	54,300
28	25,500	58,200
30	29,500	62,200
32	34,300	67,000
34	38,800	71,500
36	43,300	76,000
38	48,800	81,500
40	53,800	86,500
42	59,000	91,700
44	64,800	97,500

The Additional Rent for any pipeline of a diameter not listed above will be discussed individually between the parties but having regard to the range of considerations set out above.

- 2.3 *Indexation.* The figures for the Base Rent and Additional Rent in paragraphs 2.1 and 2.2 are the values at 1 January 2005. Both the Base and Additional Rents are subject to upwards only indexation in accordance with the Index of Producer Prices for Output of Manufactured Products (Code PLLU) ("the Index"). Indexation is to be computed using the following formula:

$$IR = \frac{LIF}{IIF} \times SR$$

Where:

"IR" is the indexed rent

"SR" is the 1 January 2005 value for the relevant rent set out in paragraph 2.1 or 2.2

"LIF" is the Index figure for the month which is 2 months prior to the month up to which the rent is being indexed

"IIF" is the Index figure for November 2004

### 3. Existing Leases

- 3.1 In these terms references to an "Existing Lease" are to a lease of an offshore pipeline granted prior to 1 January 2005 and include any variation of the provisions of that lease which may have been made before 1 January 2005.

- 3.2 If requested by the tenant, the Commissioners will apply these terms to an Existing Lease for the period covered by these terms as follows.

3.2.1 The Base Rent and Additional Rent will continue to be payable at the rates applicable under that Existing Lease at 30 December 2004 until revised as provided in paragraphs 3.2.2 and 3.2.3.

3.2.2 The Base Rent will be increased with effect from the third anniversary of the last review date prior to 31 December 2004 under that Existing Lease. The increased Base Rent will (subject to the phasing in allowances referred to in paragraph 3.3) be £32,700 indexed in accordance with paragraph 2.3 up to that third anniversary date.

3.2.3 The Additional Rent will be increased with effect from the third anniversary of the last review date prior to 30 December 2004 under that Existing Lease. The increased Additional Rent will (subject to the phasing-in allowance referred to in paragraph 3.3) be a sum equal to the appropriate Additional Rent under paragraph 2.2 indexed in accordance with paragraph 2.3 up to the same third anniversary date.

- 3.3 During the first two years covered by these terms (2005 and 2006) a phasing in allowance will apply. The amount of any increase in the Base Rent and Additional Rent ascertained under paragraphs 3.2.2 and 3.2.3 will be adjusted as follows:-

3.3.1 during 2005 only 33.3% of the increase applies;

3.3.2 during 2006 only 66.6% of the increase applies; and

3.3.3 from 1 January 2007 the full increase applies.

For example: Base Rent increased with effect from 1 July 2005

Base Rent payable under Existing Lease upto 1 July 2005 = £25,000 (figure for purposes of illustration only)

Increased Base Rent (assuming for illustrative purposes only a 2% increase in the Index November 2004 – May 2005) = £33,354 per annum (ie, £32,700 plus 2%)

Increase = £8,354 (£33,354 – £25,000)

Base Rent 1 July 2005 – 1 January 2006 = £27,757 per annum (£25,000 + 33% of £8,354)

Base Rent 1 January 2006 - 1 January 2007 = £30,514 per annum (£25,000 + 66% of £8,354)

Base Rent 1 January 2007 onwards = £33,354 per annum

3.4 The new rents referred to in paragraphs 3.2 and 3.3 will be documented in a new deed of variation ("the New Deed of Variation") supplemental to the Existing Lease. The New Deed of Variation will provide for three yearly reviews of the Base Rent and Additional Rent, such reviews to be by way of indexation in accordance with paragraph 2.3. After the period covered by these terms, rent reviews will revert to an open market basis. The New Deed of Variation will also, where relevant, contain the provisions referred to in paragraphs 6 and 7 below.

#### 4. New Leases

4.1 References in these terms to a "New Lease" are to a lease for an offshore pipeline granted during the period covered by these terms.

4.2 If requested by the prospective tenant, the initial Base Rent and Additional Rent payable under a New Lease will be fixed in accordance with the rates set out in paragraphs 2.1 and 2.2 and indexed upto the start of the lease in accordance with paragraph 2.3. During the period covered by these terms, rent reviews under the New Lease will be three yearly by way of indexation in accordance with paragraph 2.3.

4.3 During the first two years covered by these terms (2005 and 2006) a phasing in allowance will apply to rents under New Leases on the same basis as for Existing Leases under paragraph 3.3.

4.4 If the rent fixed under these terms is not acceptable to a prospective tenant then it may require the Valuation Office Agency to determine the rent.

#### 5. Ancillary facilities

6.1 Any facilities which are constructed or installed exclusively to serve the pipeline will be treated as ancillary. The following are ancillary: secondary or associated facilities to the pipeline including valves and manifolds, control lines, [cables], chemicals or gas injection lines and matting [intra field gas and oil gathering pipelines which feed into the pipeline]. The following are not ancillary: well heads, production platforms, provision of third party telecommunications services, [provision of third party] electricity generation or transmission apparatus and interfield pipelines. This list is not exhaustive.

6.2 No additional rent is payable for ancillary apparatus where the rent is fixed under these terms.

#### 6. Minerals

6.1 This paragraph 6 applies to both Existing Leases and New Leases but only during the period covered by these terms.

6.2 If a pipeline or ancillary facility (as referred to in paragraph 6 below) passes or is intended to pass through an area which contains mineral deposits then, in addition to the rents in paragraph 3, the tenant shall pay yearly payments by way of compensation for any measurable loss of the right to win minerals on the part of the Commissioners.

6.3 The yearly compensation payments referred to in paragraph 6.2 shall be an additional and appropriate yearly payment in respect of the extent to which the yearly value of the loss of the right to win minerals exceeds the aggregate of the Base Rent and Additional Rent payable for the time being in respect of the pipeline. The yearly compensation payments will not exceed 25% of such aggregate of the Base Rent and Additional Rent.

6.4 These compensation payments shall only be paid to the extent that the Commissioners are able to show:-

6.4.1 the existence of mineral deposits in commercial quantities in the area affected by the pipeline or ancillary facility; and

6.4.2 the presence of the pipeline or ancillary facility would prevent the Commissioners from securing income from the exploitation of those mineral deposits.

#### 7. Suspension of use and decommissioning

- 7.1 This paragraph 7 applies to both Existing Leases and New Leases but only during the period covered by these terms.
- 7.2 If use of the pipeline is temporarily suspended and appropriate notice is given to the Commissioners, payment of the Additional Rent will be suspended from expiry of the notice until the pipeline is brought back into use.
- 7.3 The works of removal and making good to the pipeline and ancillary works ("Decommissioning Works") which the Commissioners can require a tenant to carry out at the end of the lease shall be limited to the works required under statutory requirements and such further Decommissioning Works as the Commissioners may require in order to ensure the interests of the Commissioners are not adversely affected.
- 7.4 If a tenant wishes to remove parts of the pipeline and ancillary works which it is not required to remove in accordance with paragraph 7.3 then this will only be permitted if the tenant satisfies the Commissioners that there are no dangers to navigation in respect of the additional works of removal and there will be no adverse affect on the Commissioners' interests.
- 7.5 If a tenant has completed the Decommissioning Works it may give notice terminating its obligation to pay the Additional Rent and reducing the Base Rent to one peppercorn with effect from the next rent payment date under the Lease. Once this notice has been given the Tenant's right to operate the pipeline ceases permanently.
- 7.6 A tenant may terminate a lease on 12 months notice given at any time but the notice will only take effect if the tenant has carried out the Decommissioning Works required under paragraph 7.2 prior to expiry of the notice.
- 7.7 The tenant will indemnify the Crown Estate in respect of any parts of the pipeline and ancillary works which are not removed at the end of the lease and this indemnity will continue in force after the end of the lease.

## 8. Miscellaneous

- 8.1 Nothing in these terms implies any obligation on the part of the Commissioners to grant a lease.
- 8.2 These terms shall not affect the construction or interpretation of any lease or deed of variation (whether a New Lease, an Existing Lease or a New Deed of Variation).