

The Crown Estate Commissioners Terms for Rents and other lease terms for Oil and Gas Pipelines within the Territorial Waters of England, Wales & Northern Ireland.

1. Introduction

- 1.1 The following are the terms of The Crown Estate for rents and certain other lease related terms for the construction of new offshore pipelines for the transportation of oil and gas within the territorial waters of England, Wales & Northern Ireland.
- 1.2 These terms are intended to cover leases granted during the period from 1 January 2020 to 31 December 2029, subject to paragraph 2.5. However, The Crown Estate reserves the right to withdraw the terms at any time.
- 1.3 These terms have been established by The Crown Estate following a review of current market conditions. They will apply on an open and non-discriminatory basis.
- 1.4 The Crown Estate will also have regard to the rents set out in these terms at Open Market Rent Reviews occurring during the period 1 January 2020 to 31 December 2029 under leases that were granted for offshore pipelines before 1 January 2020.

2. Rent

- 2.1 The Principal Rent payable for an operational pipeline is dependent on the diameter of the pipeline. The table below sets out the annual rates charged for respective pipeline sizes:

Pipeline Diameter (inches)	Principal Rent at 1 January 2020 * <i>subject to indexation as set out in clause 2.3</i>
16	£104,022
18	£114,777
20	£127,683
22	£145,507
24	£165,945
26	£183,305
28	£206,967
30	£231,551
32	£260,745
34	£288,402
36	£316,212
38	£349,861
40	£380,592
42	£362,616
44	£448,198

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

2.2 During the agreed construction period the Principal Rent will be reduced to £50,250 per annum (as at 1 January 2020). The same reduced rate will apply following the tenant giving notice that use of the pipeline has been permanently taken out of operation (see paragraph 4.2). In the lease this non-operational rate will be expressed as a percentage reduction in the operational rate referred to in paragraph 2.1 (to ensure that the non-operational rate is subject to the same proportionate increase as the operational rate following any indexation or open market review referred to below)

2.3 To fix the initial operational rate of the Principal Rent under a lease, the operational rate set out in paragraph 2.1 will be subject to upwards only indexation in accordance with the Index of Producer Prices for Output of Manufactured Products (Code JVZ7) ("the Index") using the following formula:

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

Where:

"IR" is the indexed operational rate;

"SR" is the starting value for the relevant operational rate as set out in paragraph 2.1;

"LIF" is the Index figure for the month that is two months prior to the month of the term start date of the lease

"IIF" is the Index figure for November 2019

2.4 The lease will provide for annual upwards only indexation reviews of the operational rate using the Index on each anniversary of the term start date of the lease. In addition there will be an open market rent review on 1 January 2025 and each subsequent fifth anniversary of that date. At the open market rent review the operational rate will be revised to the higher of the passing, indexed and open market rent.

2.5 At the time of the open market review on 1 January 2025, The Crown Estate intends to revise the rates set out in paragraph 2.1 and 2.2, in accordance with the principles in paragraph 2.4, and republish these terms with the revised rates inserted.

3. Ancillary facilities

3.1 Any facilities which are constructed or installed exclusively to serve the pipeline will be treated as ancillary to the pipeline and no additional rent will be payable for such ancillary facilities under these terms.

3.2 The following are categorised as ancillary: secondary or associated facilities to the pipeline including valves and manifolds, control lines, fibre optic cables used only to monitor pipeline condition, chemical or gas injection lines and matting.

3.3 The following are not categorised as ancillary: well heads, production platforms, telecommunications apparatus used for purposes other than just monitoring pipeline condition and electricity generation or transmission apparatus other than control cables.

3.4 The lists in paragraphs 3.2 and 3.3 are not exhaustive.

4. Cessation of operation and decommissioning

- 4.1 The lease will provide that, if the pipeline is permanently taken out of operation and the tenant gives at least 6 months written notice, expiring on a rent payment date, that the pipeline has been permanently taken out of use then, on expiry of the notice, the Principal Rent payable will reduce on the basis set out in paragraph 2.2 until the lease ends.
- 4.3 The works of removal and making good to the pipeline and ancillary works ("Decommissioning Works") which The Crown Estate can require a tenant to carry out at the end of the lease shall be limited to the works required under the decommissioning programme under statutory requirements, except for any sections of the pipeline that are not covered by the statutory decommissioning programme (such as sections under the foreshore). Where statutory decommissioning requirements do not apply, The Crown Estate may require removal of that section of the Pipeline.
- 4.4 At any time after the tenant has completed the Decommissioning Works, The Crown Estate or tenant may give to the other at least 12 months' notice, expiry on a rent payment date, terminating the lease.
- 4.5 After the Decommissioning Works have been carried out, the tenant will remain responsible to The Crown Estate for complying with all post-decommissioning maintenance and monitoring under the decommissioning programme, whether the lease has ended or not.
- 4.6 The tenant will also 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.

5. Restriction Zones

- 5.1 The Lease will grant rights to lay the pipeline in a Designated Area which is a corridor 30m wide.
- 5.2 The Lease will provide a Non-Dredging Zone extending to 235m either side of the Designated Area in which The Crown Estate will not grant rights to or carry out dredging activities.
- 5.3 The Lease will provide a Works Restriction Zone extending to 135m either side of the Designated Area in which The Crown Estate will not grant rights to or carry out any works without prior permission from the Tenant (not to be unreasonably withheld).
- 5.4 The zones will cease to apply once the Decommissioning Works have been completed

6. Miscellaneous

- 6.1 Nothing in these terms implies any obligation on the part of the Commissioners to grant a lease.
- 6.2 These terms shall not affect the construction or interpretation of any lease (whether a new Lease or an existing Lease).
- 6.3. These terms are provided to assist operators in planning future infrastructure and are not intended to create any legally binding obligations. They are subject to contract and completion of formally executed legal documents.