

An aerial photograph of an offshore wind farm. Several blue wind turbines are visible in the distance, and a red and white supply vessel is moving across the water in the foreground, leaving a white wake. The sky is clear and blue.

Offshore Wind New Leasing Market Engagement Event 26th November 2018



Welcome

This presentation is provided for information purposes only. No party is entitled to rely on its contents. The Crown Estate makes no representation, assurance, undertaking or warranty and accepts no duty, reliability or responsibility in respect of the information in this presentation.

For the avoidance of doubt, please note that The Crown Estate's management duties in Scotland have been transferred to Scottish Government. The information contained within this presentation therefore relates to the potential leasing of new offshore wind projects in England, Wales and Northern Ireland only.

Aims of this event

- To update you on our plans for a potential new leasing round
- To share a summary of feedback received to date from market and statutory stakeholders
- To share our proposals for tender design
- To set out the engagement process and answer any questions



Introduction

Huub den Rooijen

Policy context

Yuen Cheung

BEIS



Priorities

- Tackling climate change
- Leaving the environment in a better state than when we inherited it
- Industrial Strategy
- Clean Growth
- Reliable, affordable energy for consumers



Offshore wind's role

- Costs continue to fall
- Significant appetite to develop and invest in UK
- Offshore wind is now going global
- Becoming integral part of UK electricity system
- 6.2% of annual generation in 2017, over 10% by 2020
- 14GW by 2023



Offshore wind's role

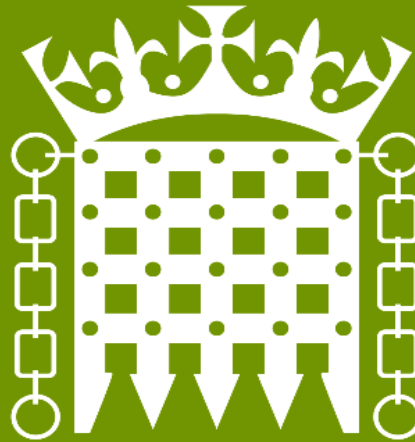
- Government providing long term certainty
- Next Contract for Difference auction start by end May 2019
- Then auctions every two years
- Depending on auction prices, could see 1-2GW of new offshore wind per annum in 2020s
- Industry says it could deliver 30GW installed by 2030

Offshore wind portfolio:

Context

Will Apps

The Crown
Estate is an
independent,
commercial
business
created by Act
of Parliament



Net revenue profit

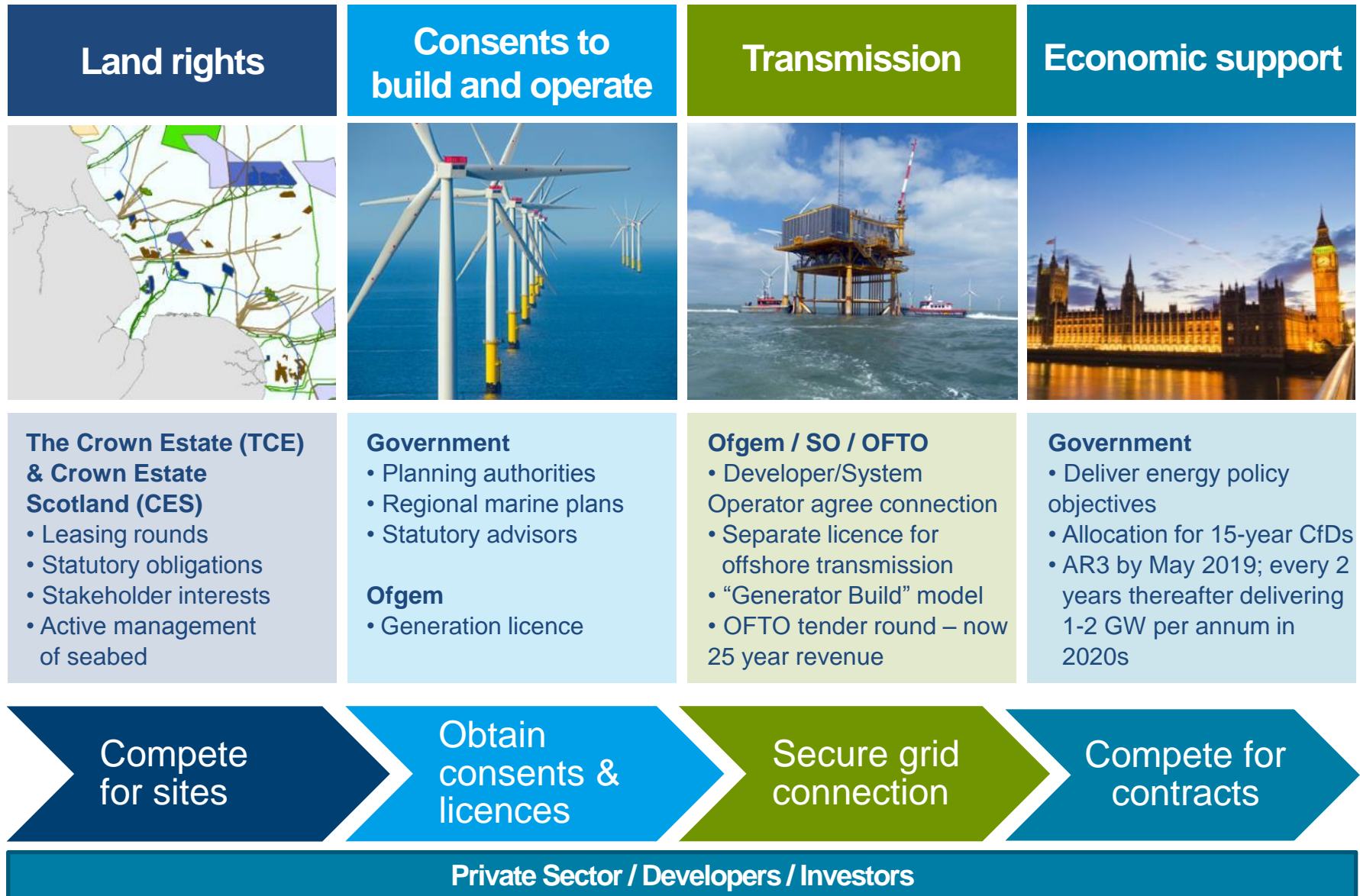
£329.4m
2017/18

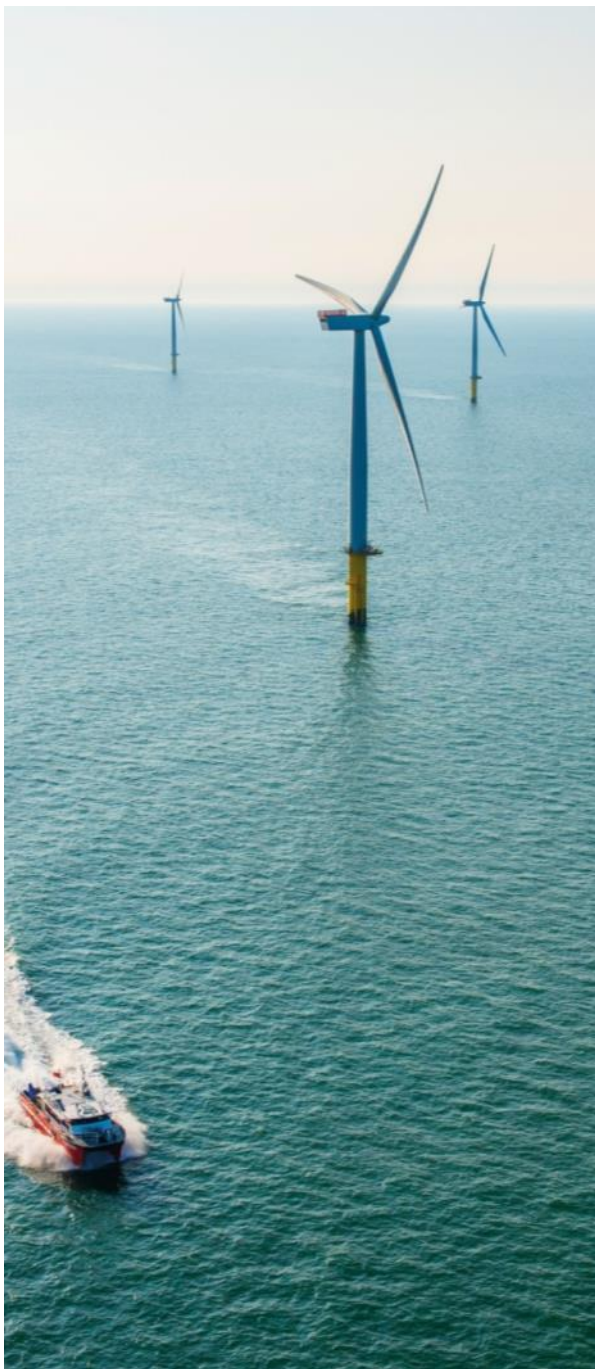


Capital value

£14.1bn
2017/18

Policy & regulatory setting: offshore renewables





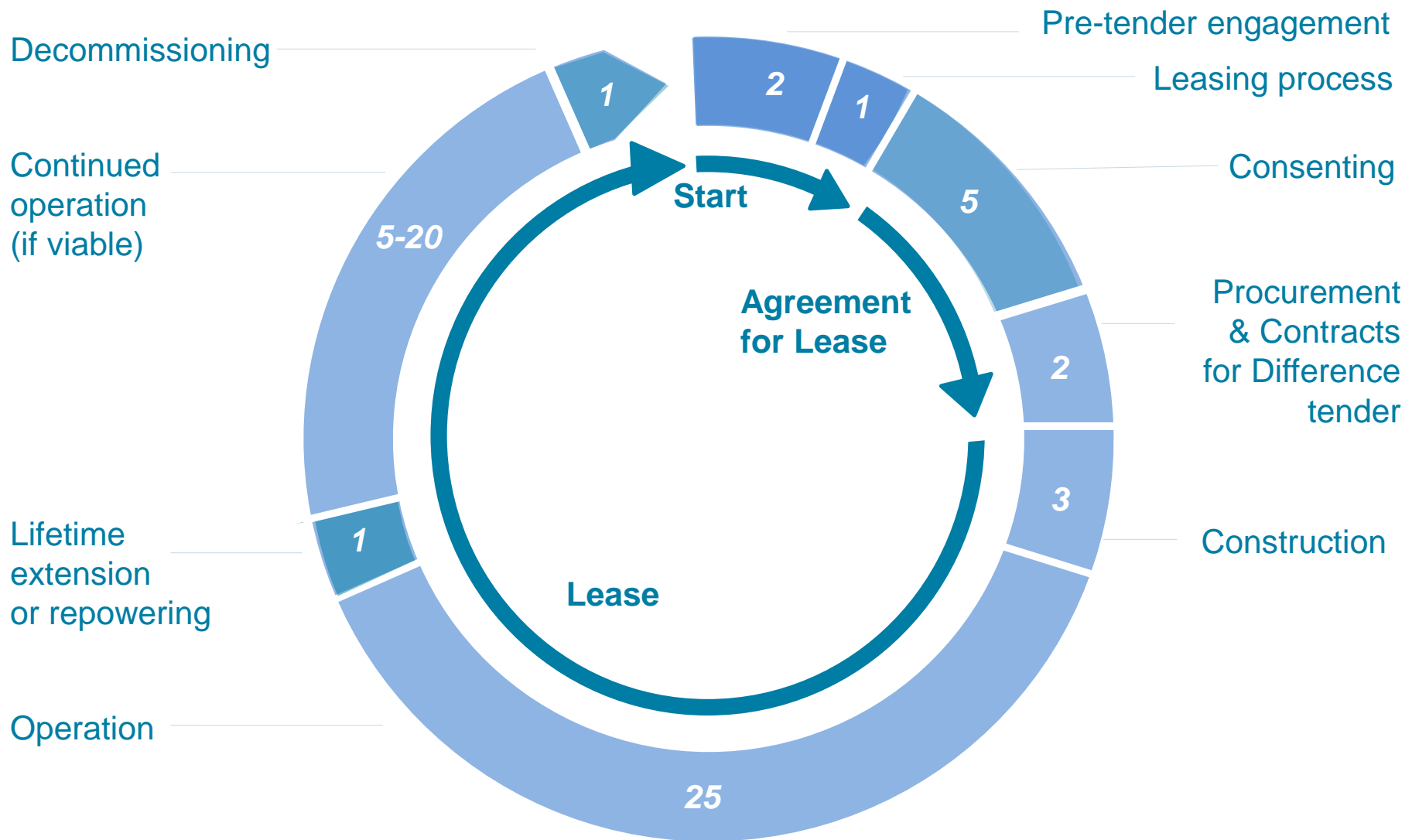
Statutory Obligations

- The Crown Estate is a Competent Authority under the Habitats Regulations*
- We must conduct a plan-level Habitats Regulations Assessment (HRA) for any leasing/licensing activity that constitutes a 'plan'
- The plan-level HRA requires us to assess the impacts on Natura 2000 designated sites before full seabed rights can be awarded
- We also contribute to the marine planning process by working with the MMO (England), Welsh Government, and DAERA (Northern Ireland)

*Habitats Regulations:

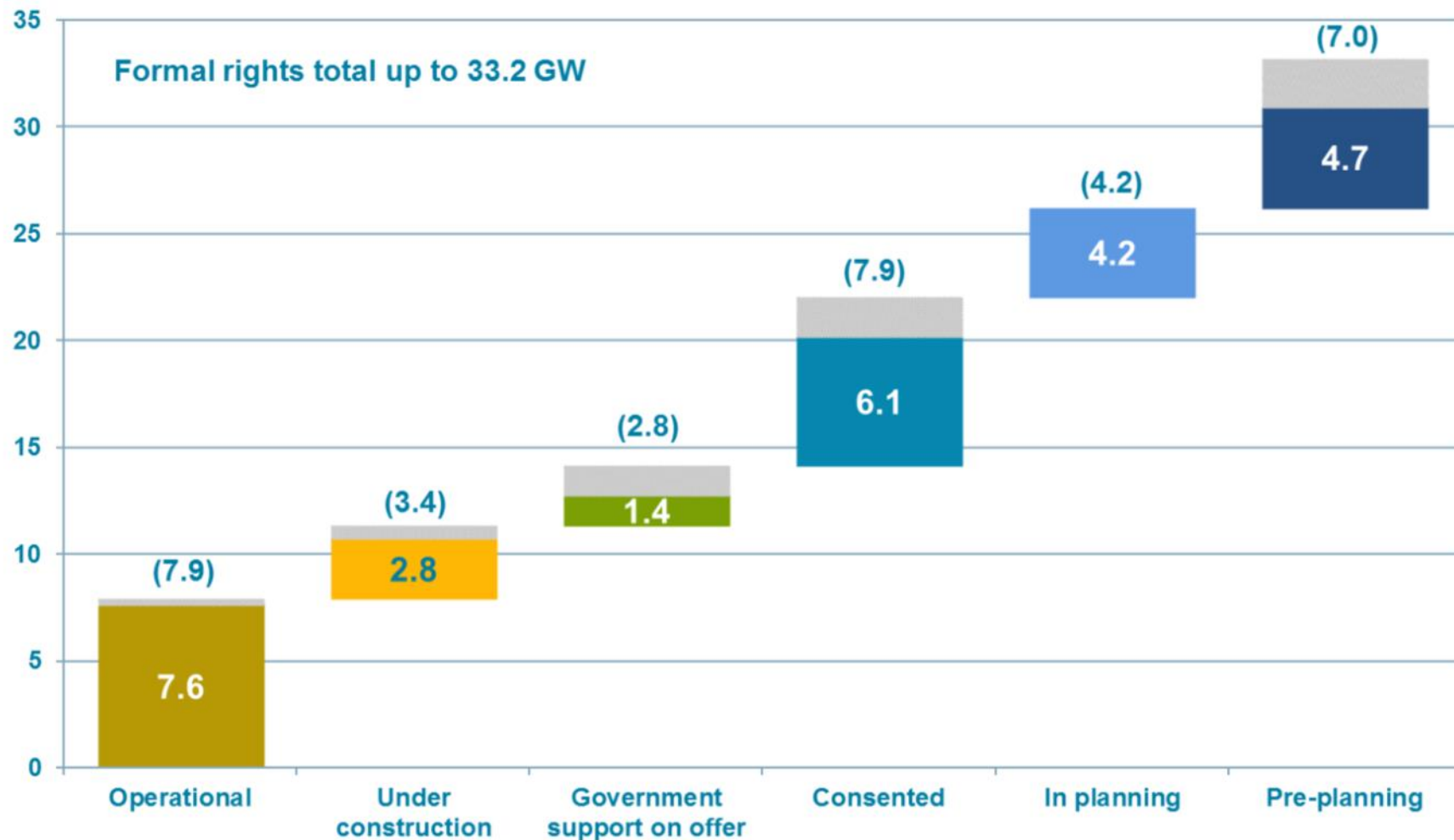
- [The Conservation of Habitats and Species Regulations 2017](#)
- [The Conservation of Offshore Marine Habitats and Species Regulations 2017](#)
- [Conservation \(Natural Habitats, etc.\) Regulations \(Northern Ireland\) 1995](#) (as amended) in Northern Ireland

The lifecycle of offshore wind leasing



Indicative time (years)

Existing UK Portfolio



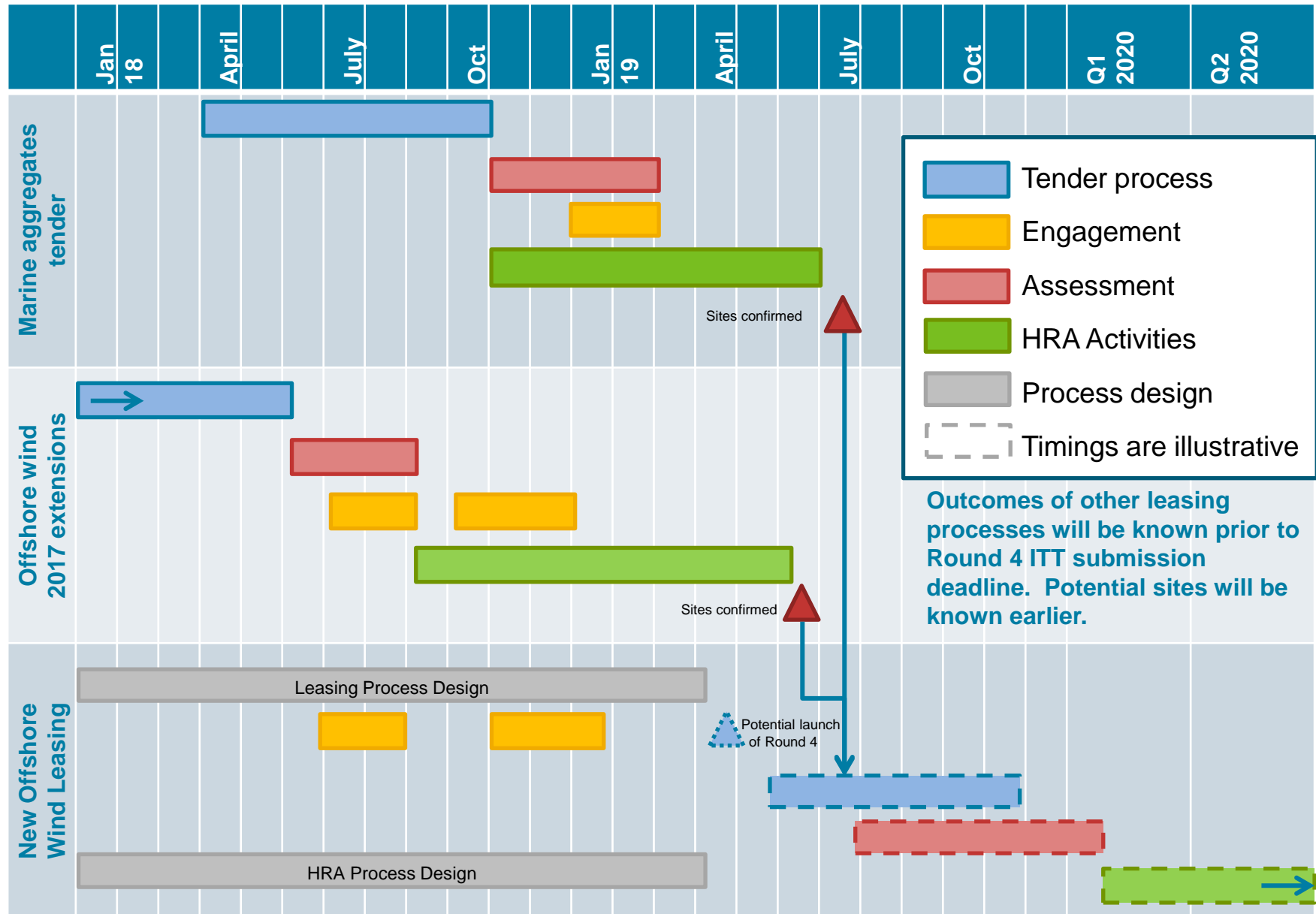
Key



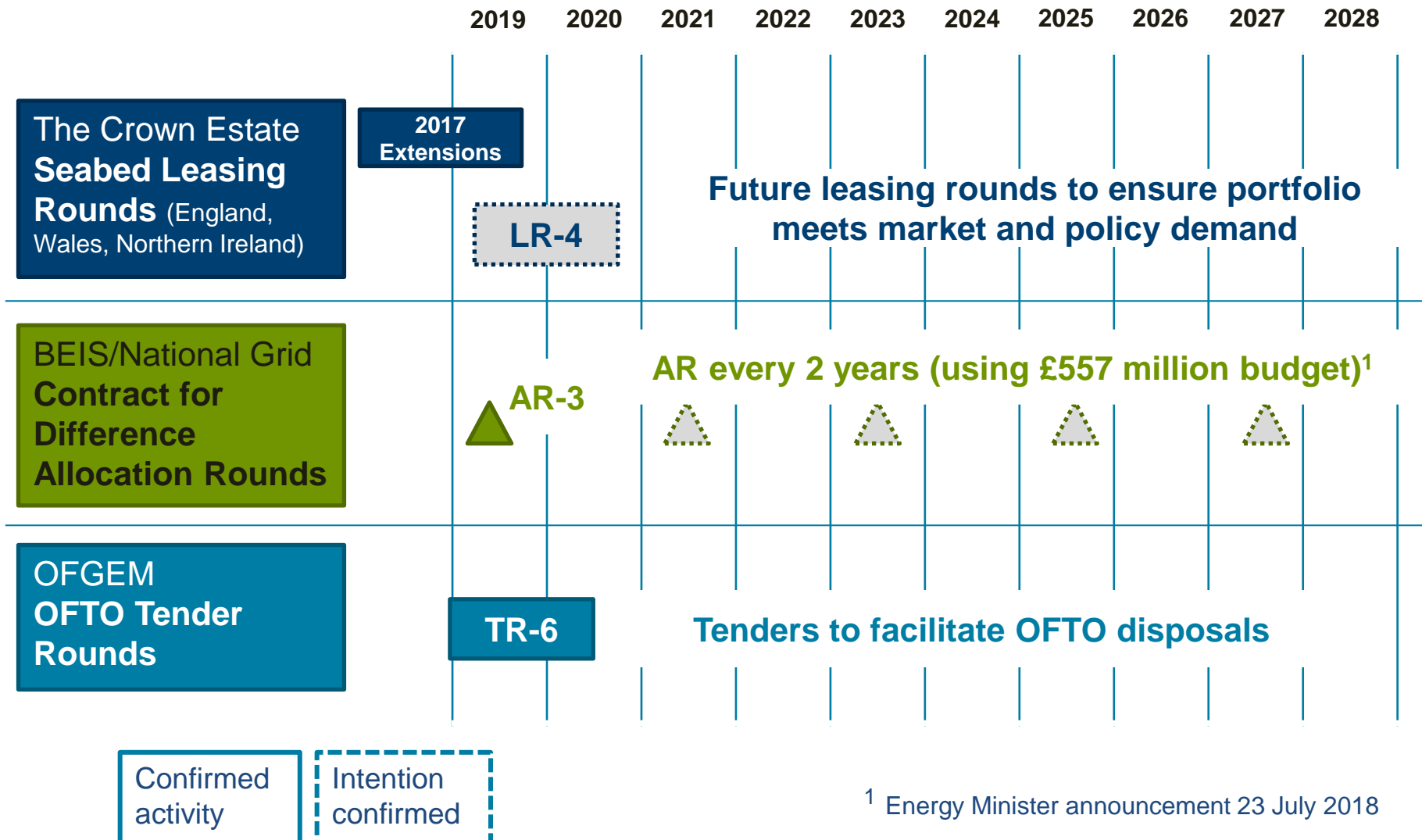
= Projects located in Scotland and managed by Crown Estate Scotland (CES)

(1.0) = Numbers in brackets represent total UK pipeline, including Scotland, at each stage of development

Key offshore leasing processes



Offshore wind processes



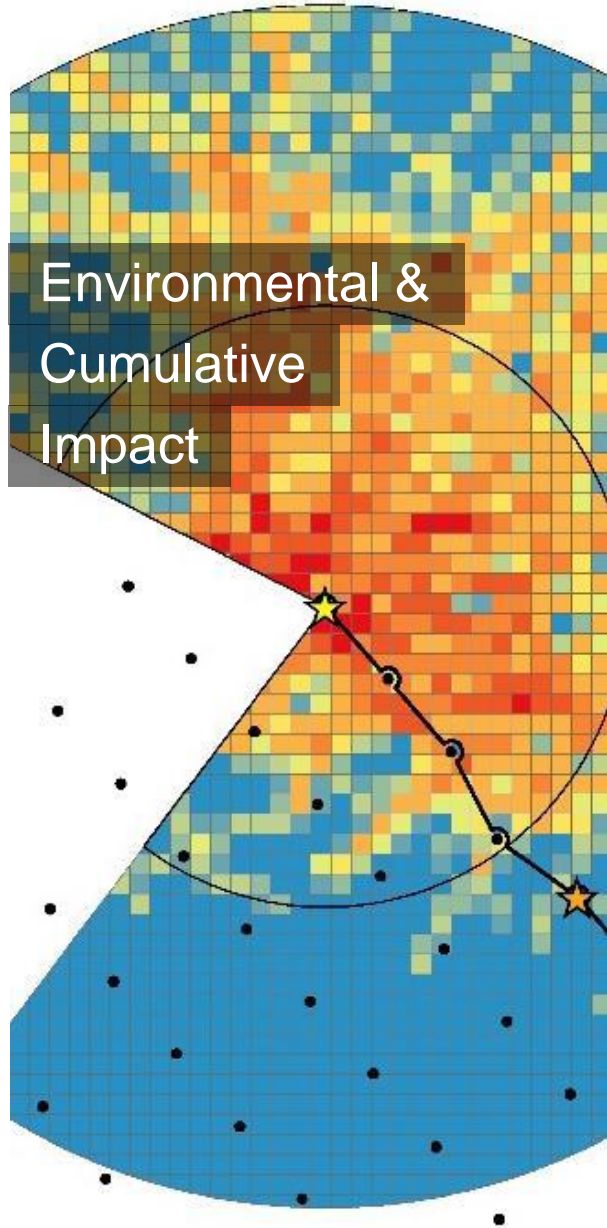
Offshore wind portfolio:

Strategic priorities

Will Apps

Key strategic issues to be addressed by the sector

Environmental & Cumulative Impact



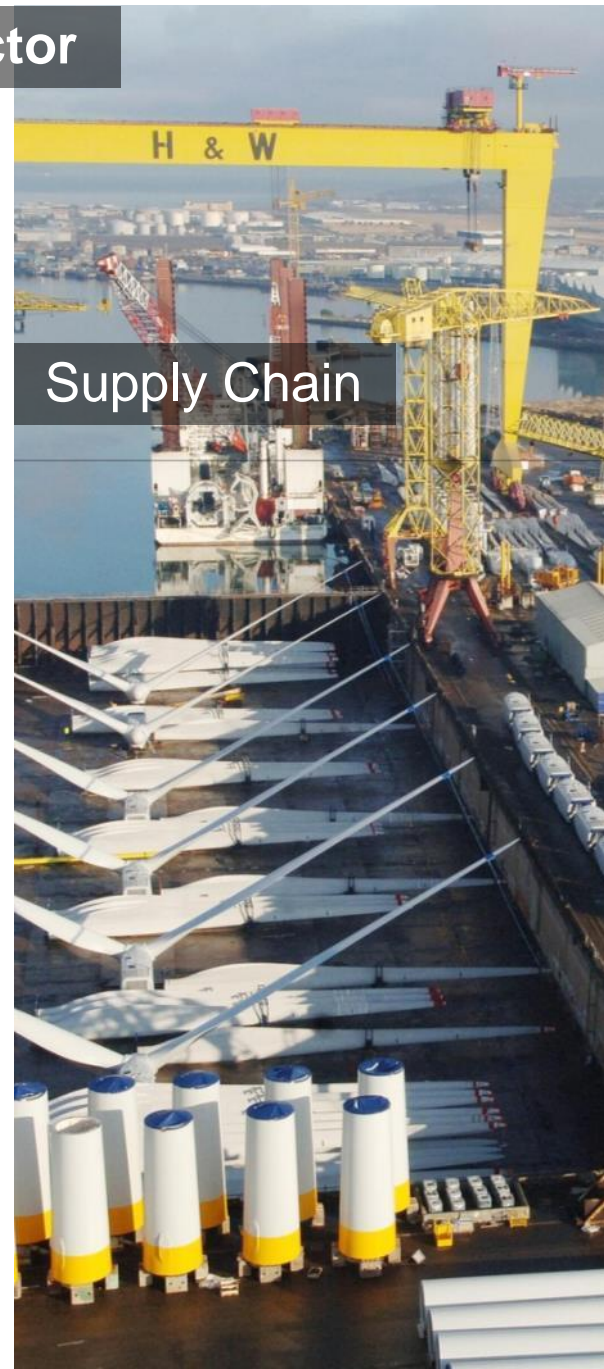
© <https://www.carbontrust.com/offshore-wind/orjip/birds/>
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Innovation & Development of Floating wind



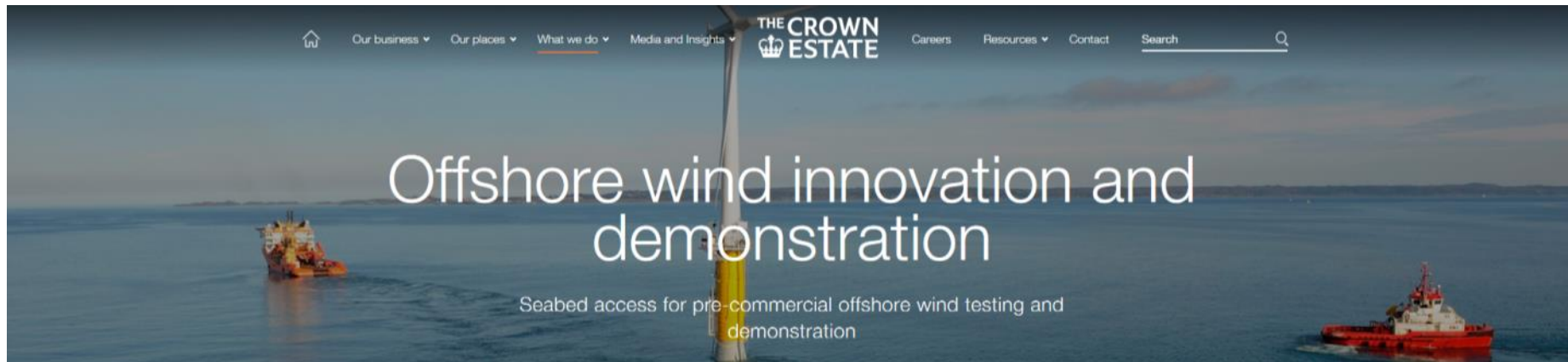
Image Credit: [@pwesten1](#)

Supply Chain



Innovation: Test & Demonstration Opportunity

- We provide an on-going opportunity to access the seabed for the testing and demonstration of emerging offshore wind technologies in English, Welsh and Northern Irish waters - including floating wind
- Open to projects up to 100MW capacity with a maximum of ten generation units using technologies which have not previously been deployed commercially
- Full details of how to apply are on our [website](#)





Innovation: Overview of our approach

Our current focus areas include:

- Providing a dedicated leasing process for pre-commercial test and demonstration projects
- Identifying potential resource areas for future opportunities
(e.g. hybrid projects and floating wind farm)
- Working collaboratively on key research priorities
(e.g. ORE Catapult, Carbon Trust and the Oil & Gas Authority)
- Offering flexibility within our commercial agreements for innovation
(e.g. hybrid components and/or demonstration of new technologies within the primary project)

Strategic initiatives

- Projects to address strategic challenges to future offshore wind deployment
- Projects to further understanding of the seabed
- Data – transparency and availability of performance and environmental data
- Further consideration of how to enable seabed access for innovation in parallel with Round 4

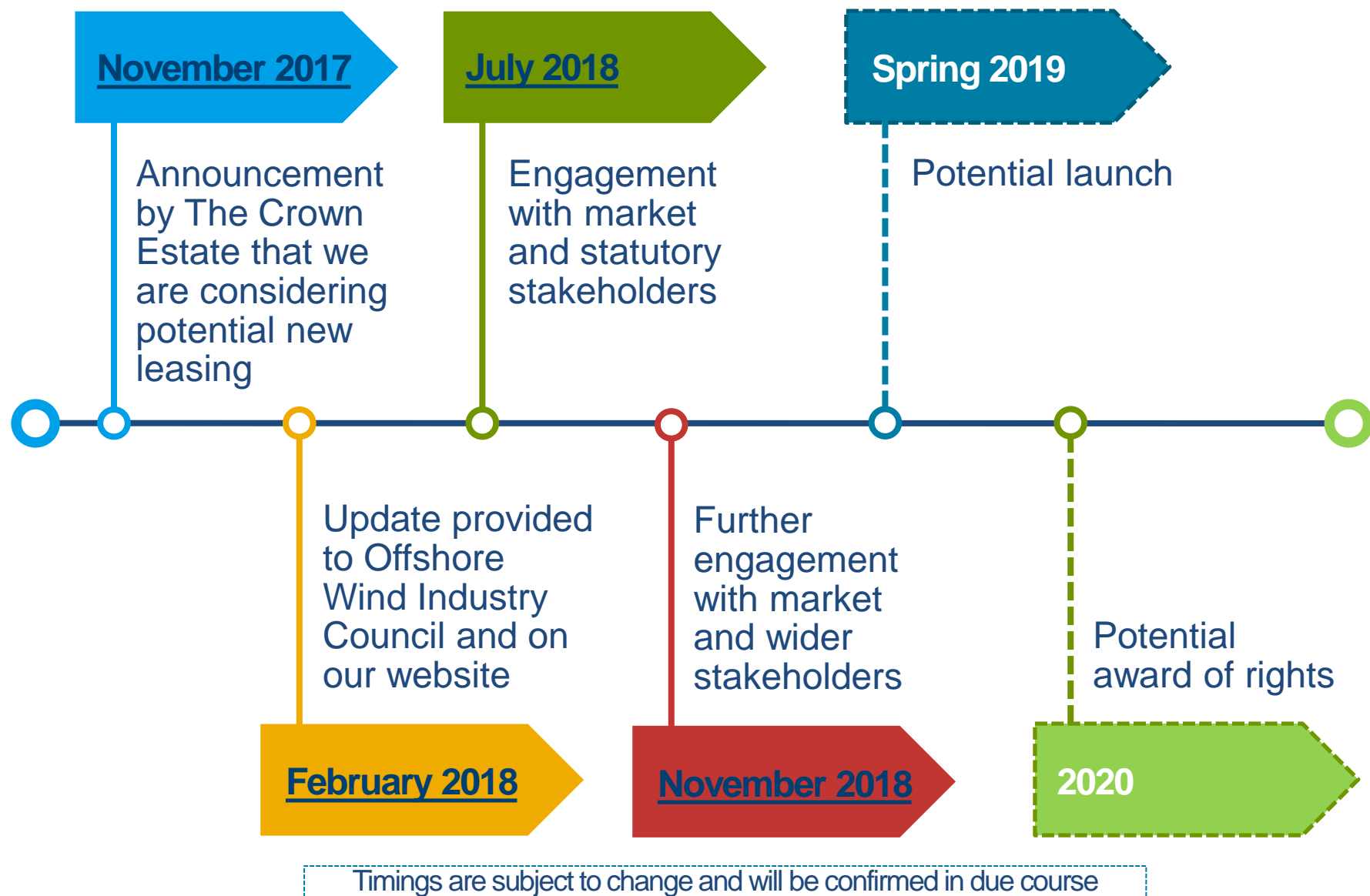


Approach to new leasing

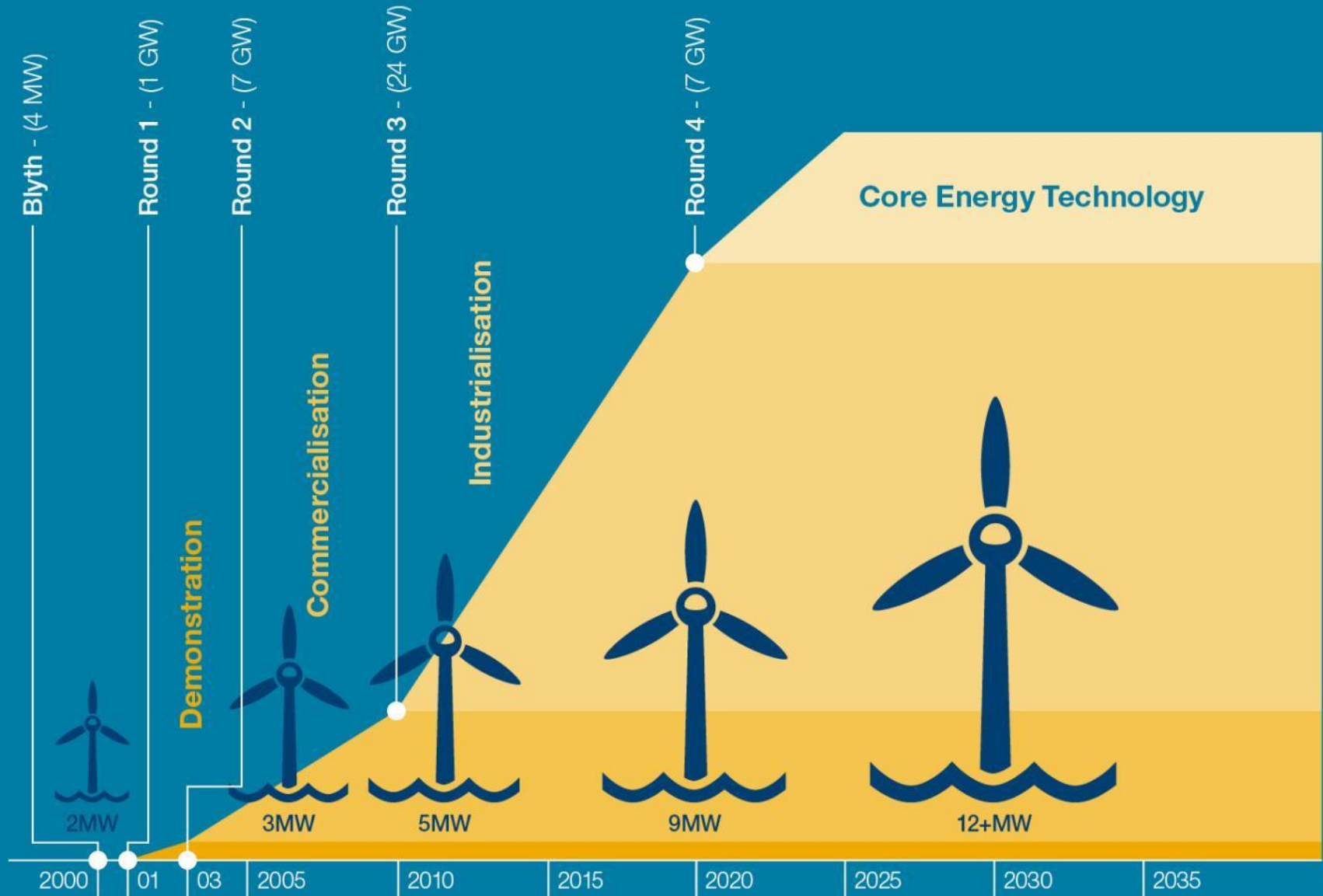
Market feedback

Jonny Boston

The engagement journey so far



Context: Previous major leasing rounds



Proposed Round 4 – different from Round 3

	Round 3	Proposed Round 4
Scale	Very large scale to enable transformation and industrialisation of the sector	At least 7GW enabled: repeatable scale enabling sustainable growth
Type of rights awarded	Zonal approach: zone exclusivity agreements awarded, enabling multiple project agreements to be created during 10 year period and developed over time	Project approach: individual project agreements awarded, to go straight into development (planning consent)
Spatial boundaries of rights awarded	The Crown Estate identified zone boundaries, and developers bid for zonal rights through the Round 3 ITT process – successful applicants selected through detailed competence assessment	Developers identify and propose individual projects into the Round 4 tender process – successful applicants selected through a process we will set out today

Key principles for Round 4

Balance a range
of interests

Repeatable
scale

Share our data &
analysis

Fair &
transparent
process

Balance our role
with that of the
market

Responsible
leasing

Refine and validate our proposals through
extensive pre-tender engagement

Common themes from market feedback

- Support for proposed leasing model (developers identifying preferred sites within regions of seabed)
- Support for The Crown Estate sharing its data and analysis to help inform developers' selection of sites
- Appetite for at least 6GW of new seabed rights
- Many advocating a flexible approach to the timing of subsequent leasing rounds
- Appetite for as many regions to be available as possible
- Support for a leasing round focussed on fixed foundation offshore wind, but stating fixed foundation wind viable in water depths > 50 metres.
- Interest in being able to accommodate innovation including hybrid projects
- A mix of views on maximum project size
- Interest in being able to bid in more than one entity





Updates to our proposals since summer 2018

- Capacity likely to be increased to 7GW, in light of strong market appetite
- Future rounds considered in light of energy policy, market demand and stakeholder views
- Refinement of regions, balancing market & stakeholder views
- Extend the regions included in the leasing offer out to 60m depth – though our data & analysis remains focused on the ‘Favourable’ resource area
- Maximum project size unchanged at 1.5GW but introduce minimum of 300MW
- Ability to participate in different bidding entities in different locations – more on this later

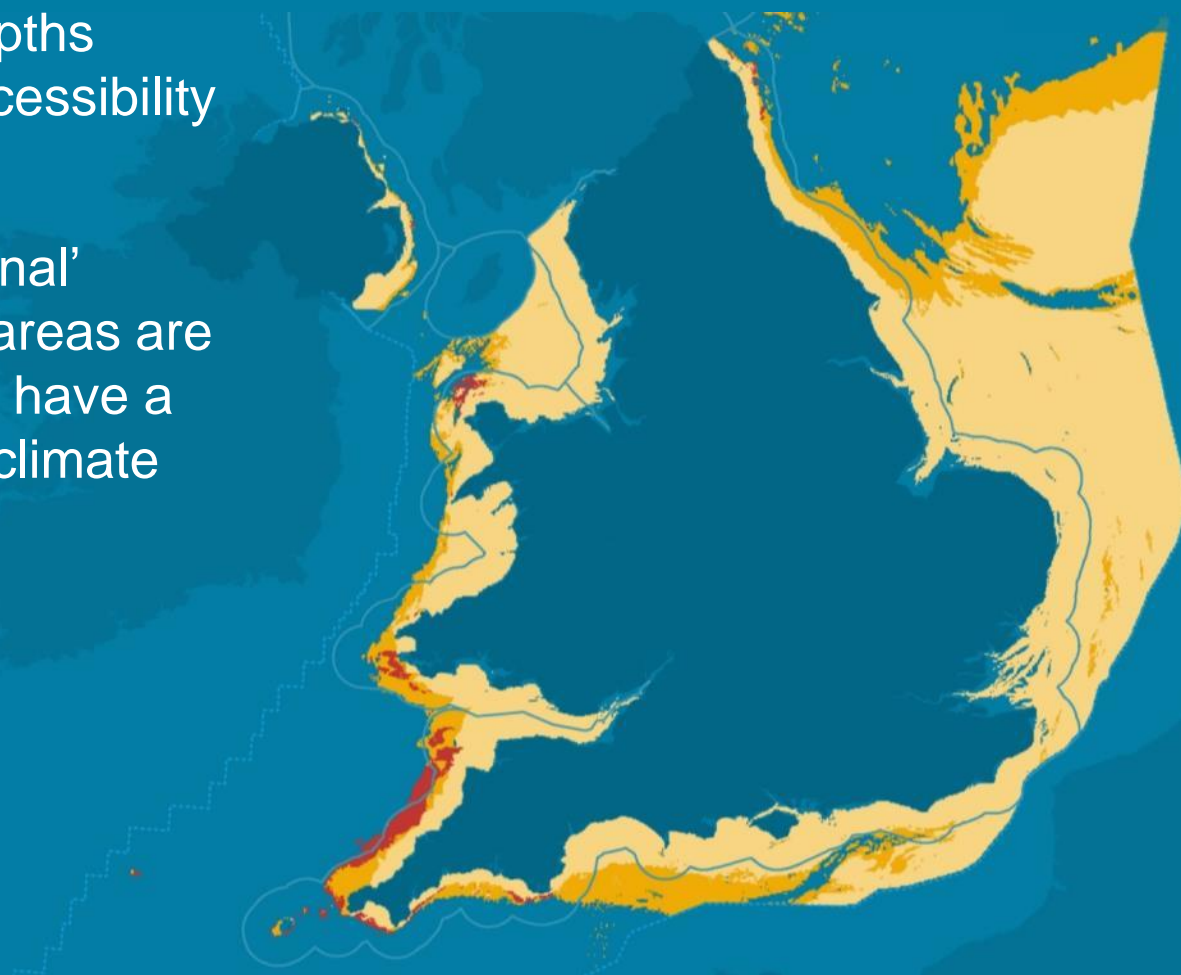
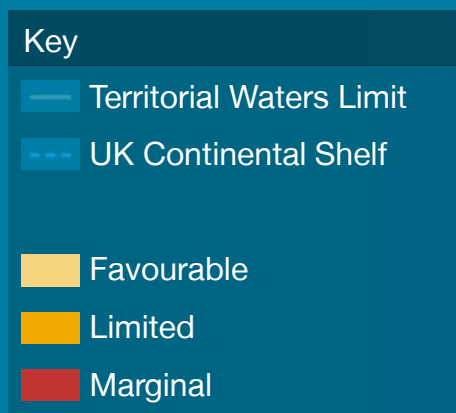
Statutory stakeholder feedback

Region refinement

Mark Hazelton

Technical resource area

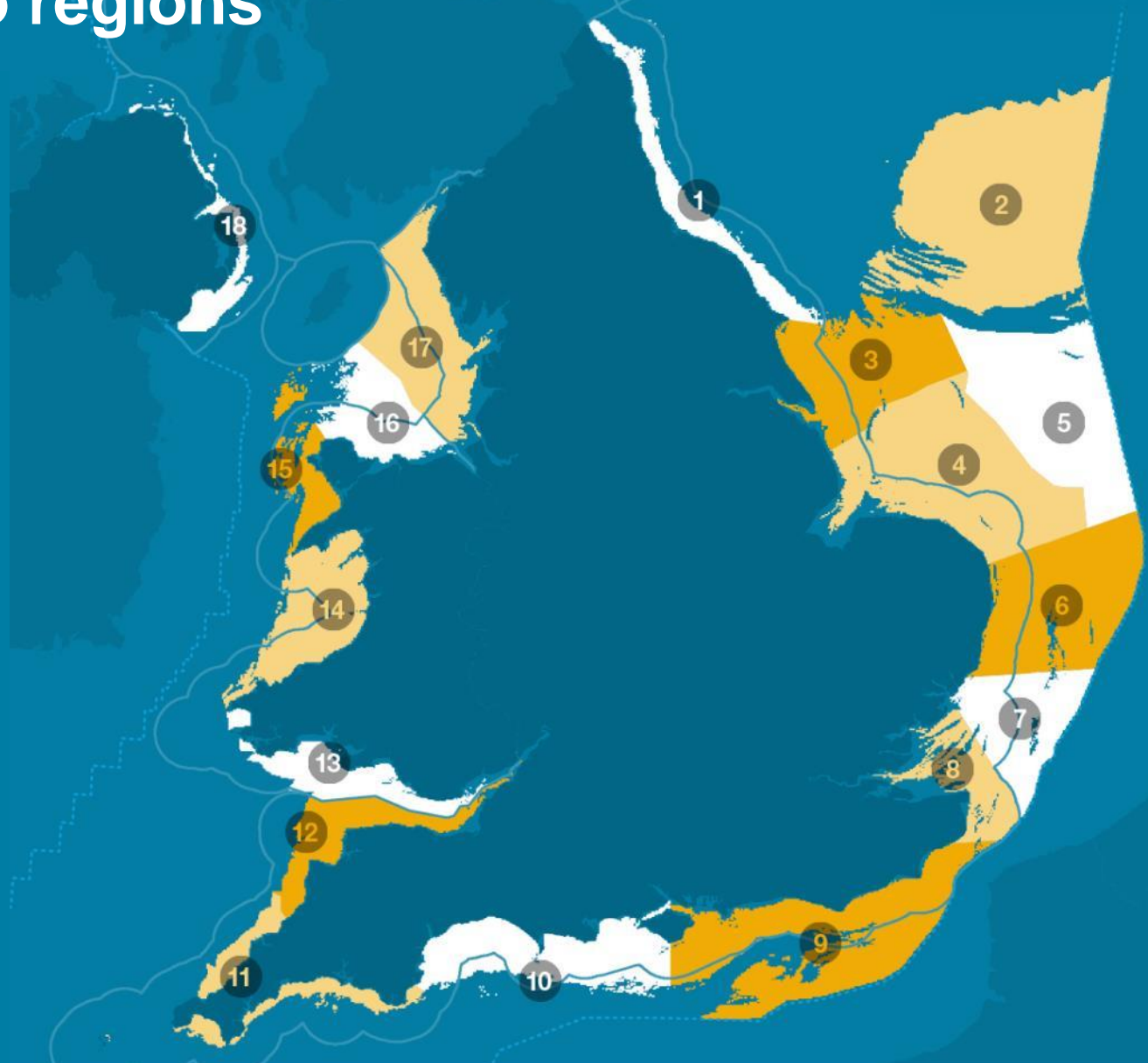
- 'Favourable' technical resource area for fixed foundation offshore wind is defined by water depths 5-50m and good accessibility (>80% @ 2.5m Hs)
- 'Limited' and 'Marginal' technical resource areas are deeper (50-60m) or have a more severe wave climate



'Favourable' resource area – Divided into regions

Regional
approach to
tender proposed

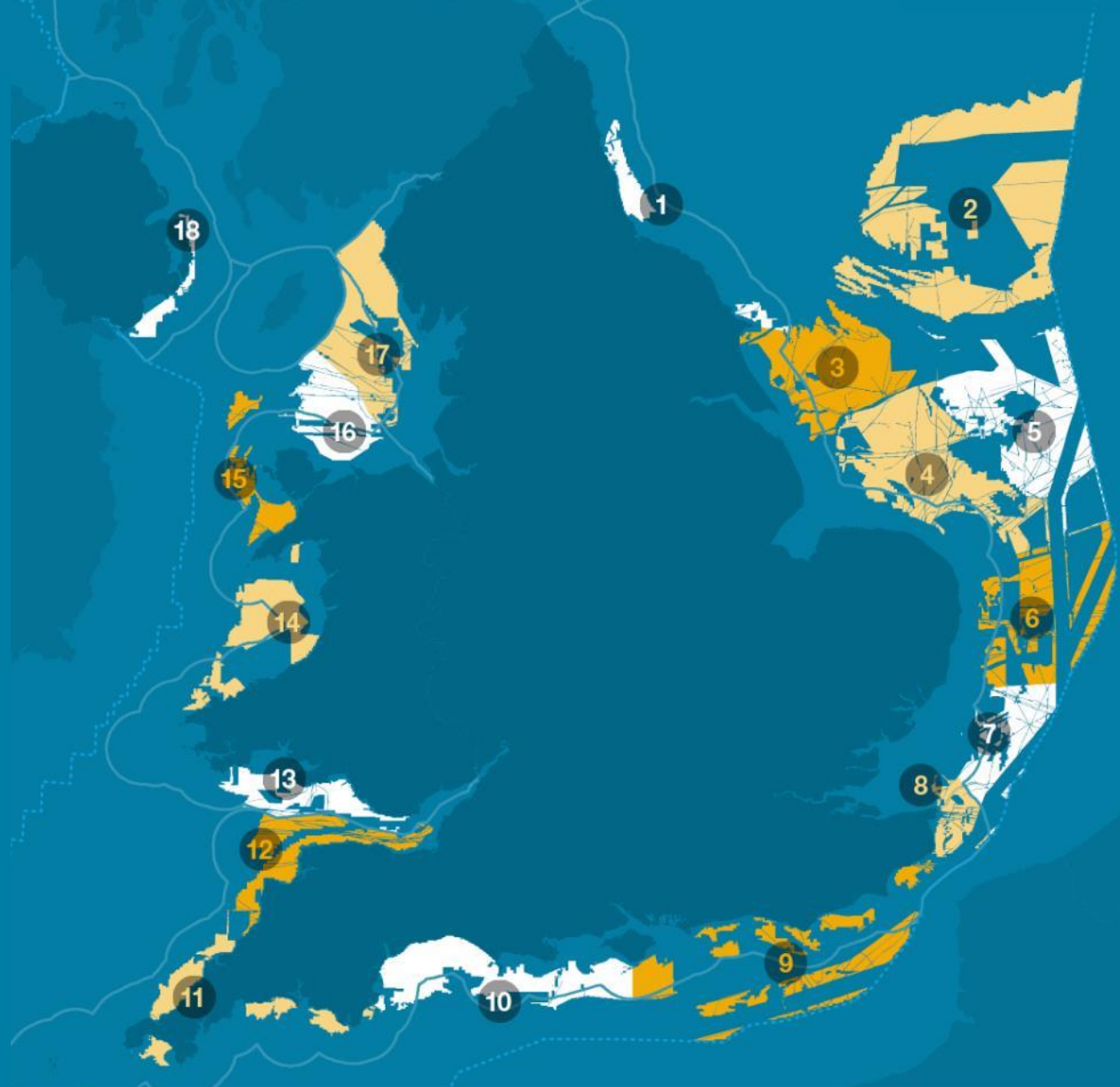
18 potential
regions identified



Characterisation areas

Characterisation areas are the less constrained parts of each region as determined by GIS model, & have an enhanced evidence base applied

Statutory stakeholders generally emphasised the high levels of constraint outside Characterisation Areas



Summary of statutory stakeholder feedback

344 individual points of written feedback from 10 organisations such as:



Historic England



Trinity House



Defence
Infrastructure
Organisation

Bilateral contributions from many others including:



Marine
Management
Organisation



Llywodraeth Cymru
Welsh Government



Department for the
Economy
www.economy-ni.gov.uk



Department for
Business, Energy
& Industrial Strategy

How we are responding to statutory stakeholder feedback

Updates to documents

The majority of feedback related specifically to documents / reports

Documents remain 'draft' works in progress

Signposting

Signpost other policies and information within the methodology and characterisation documents

Additional projects

Including:

- Sensitive Habitats to cabling
- Update of Marine Protected Area (MPA) sensitivity work
- Ornithology project
- Oil and Gas decommissioning data
- Visibility model

Ready by start of the tender process

Balancing market and stakeholder feedback

Regions have been categorised as follows:

1. **Excluded:** regions not taken forward as part of Round 4
2. **Remaining:**
 - 2a. **Propose to include:** region included at this stage and likely to be offered in the tender process
 - 2b. **Under consideration:** region included at this stage but awaiting evidence through additional projects being commissioned and wider stakeholder feedback before we reach our decision

Constraints that have determined the exclusion of regions so far:

Defence



Visual Sensitivity



Navigation



DIO feedback

Certain practice and exercise areas have been removed as hard constraints

Visual sensitivity

Region excluded in circumstances where the majority of the Characterisation Area lies within 13km from shore

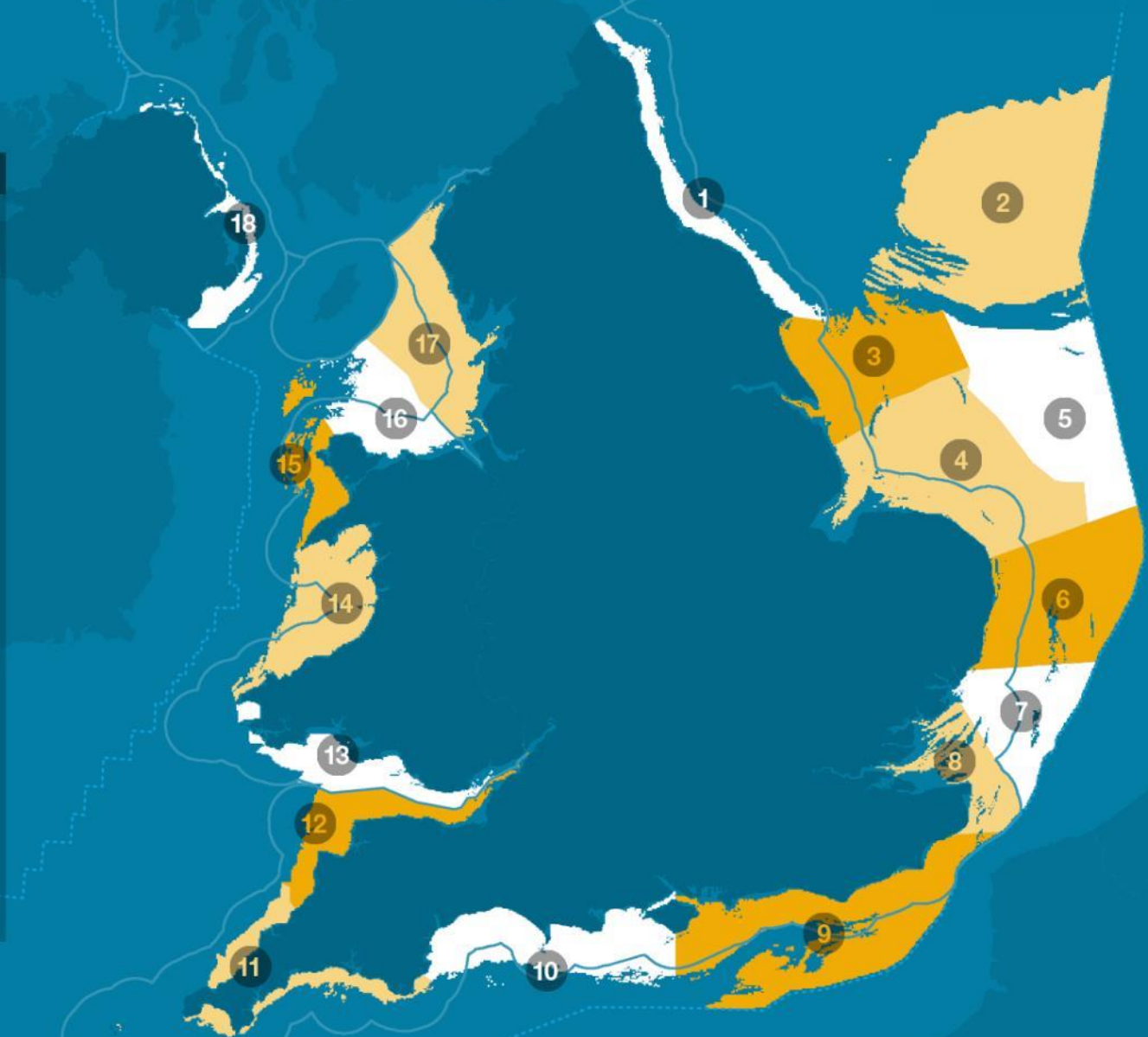
Navigation

Region excluded where the majority of the Characterisation Area overlaps with shipping density of over 1,000 ships per year

Regions initially identified

Regions

- 1 Durham Coast
- 2 Dogger Bank
- 3 Yorkshire Coast
- 4 The Wash
- 5 Southern North Sea
- 6 East Anglia
- 7 Thames Approaches
- 8 Kent Coast
- 9 South East
- 10 West of Isle of Wight
- 11 South West
- 12 Bristol Channel (English)
- 13 Bristol Channel (Welsh)
- 14 Cardigan Bay
- 15 Anglesey
- 16 North Wales
- 17 Irish Sea
- 18 Northern Ireland



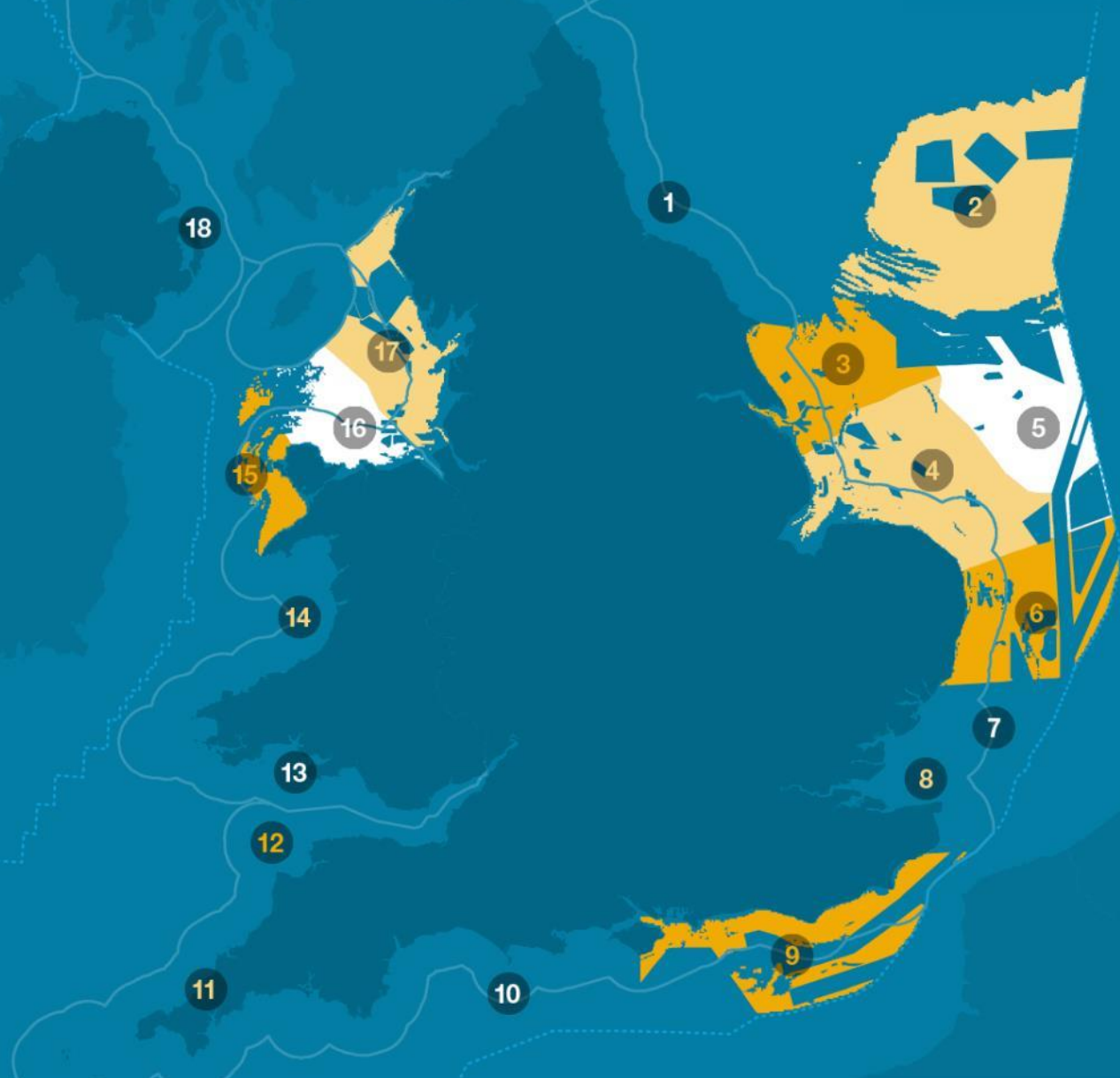
Regions refinement

Regions excluded

- 1 Durham Coast
- 7 Thames Approaches
- 8 Kent Coast
- 10 West of Isle of Wight
- 11 South West
- 12 Bristol Channel (English)
- 13 Bristol Channel (Welsh)
- 14 Cardigan Bay
- 18 Northern Ireland

Regions remaining

- 2 Dogger Bank
- 3 Yorkshire Coast
- 4 The Wash
- 5 Southern North Sea
- 6 East Anglia
- 9 South East
- 15 Anglesey
- 16 North Wales
- 17 Irish Sea



Region refinement continues

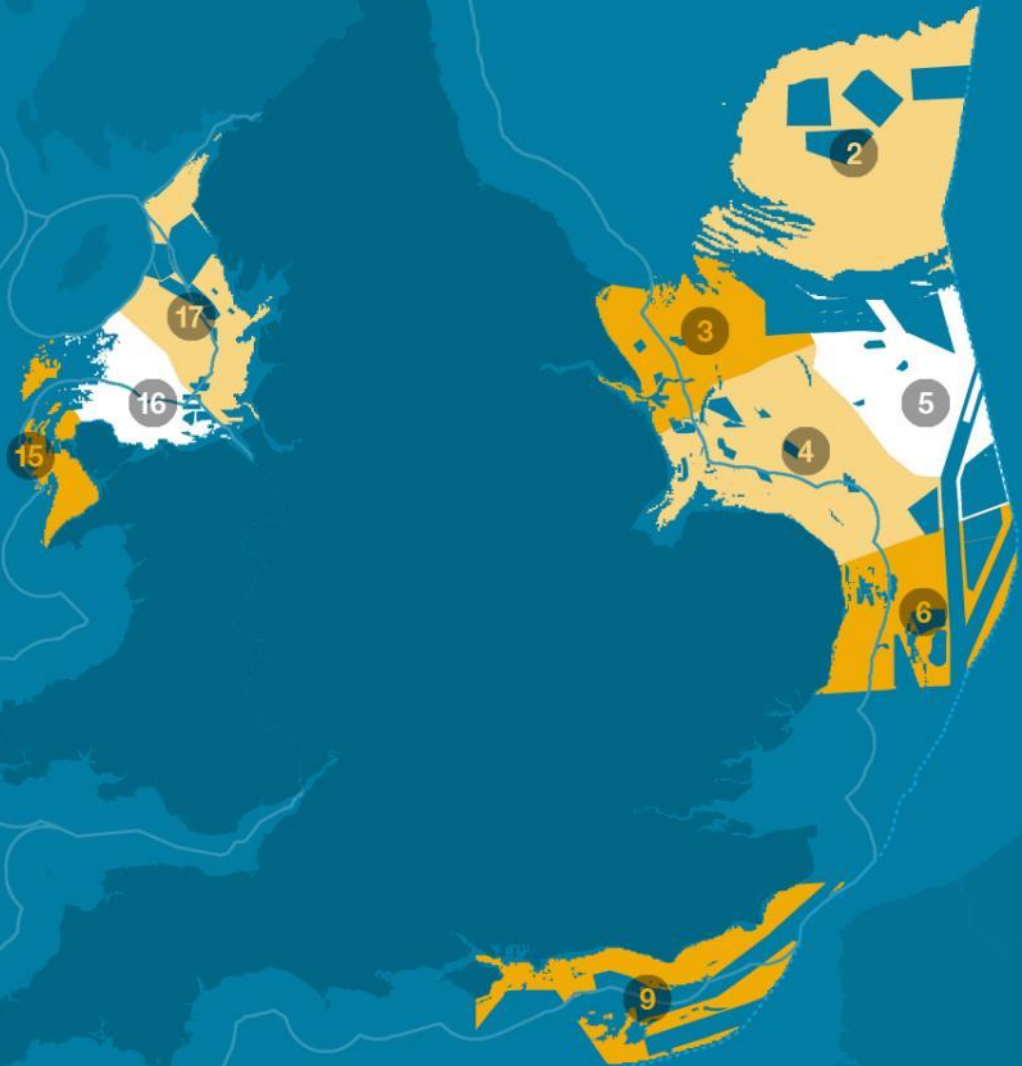
Regions remaining

Propose to include:

- 2 Dogger Bank
- 5 Southern North Sea
- 6 East Anglia
- 16 North Wales
- 17 Irish Sea

Under further consideration:

- 3 Yorkshire Coast
- 4 The Wash
- 9 South East
- 15 Anglesey



Remaining regions out to 60 metres


Regions remaining

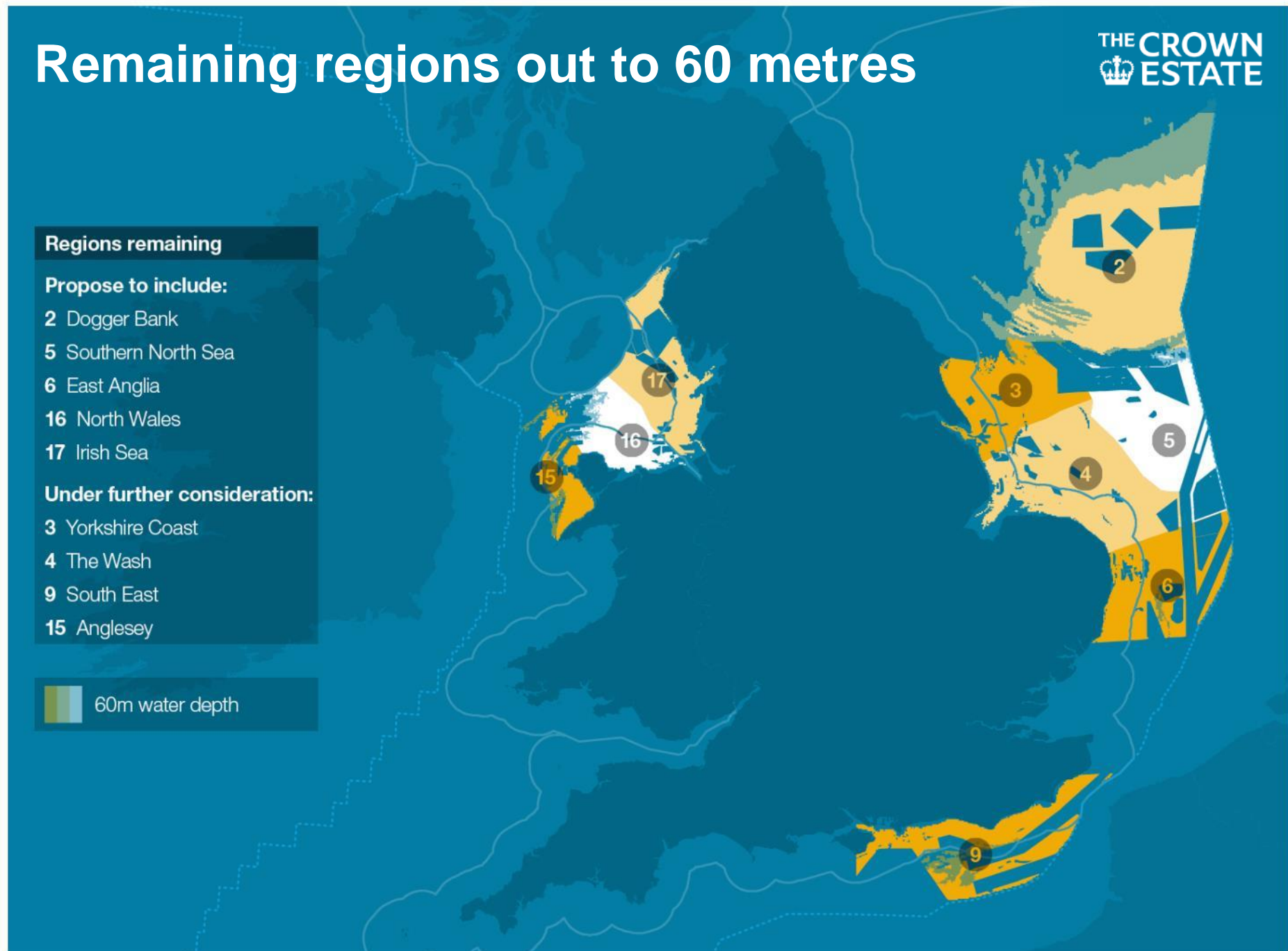
Propose to include:

- 2 Dogger Bank
- 5 Southern North Sea
- 6 East Anglia
- 16 North Wales
- 17 Irish Sea

Under further consideration:

- 3 Yorkshire Coast
- 4 The Wash
- 9 South East
- 15 Anglesey

 60m water depth



Characterisation areas within the remaining regions



Regions remaining

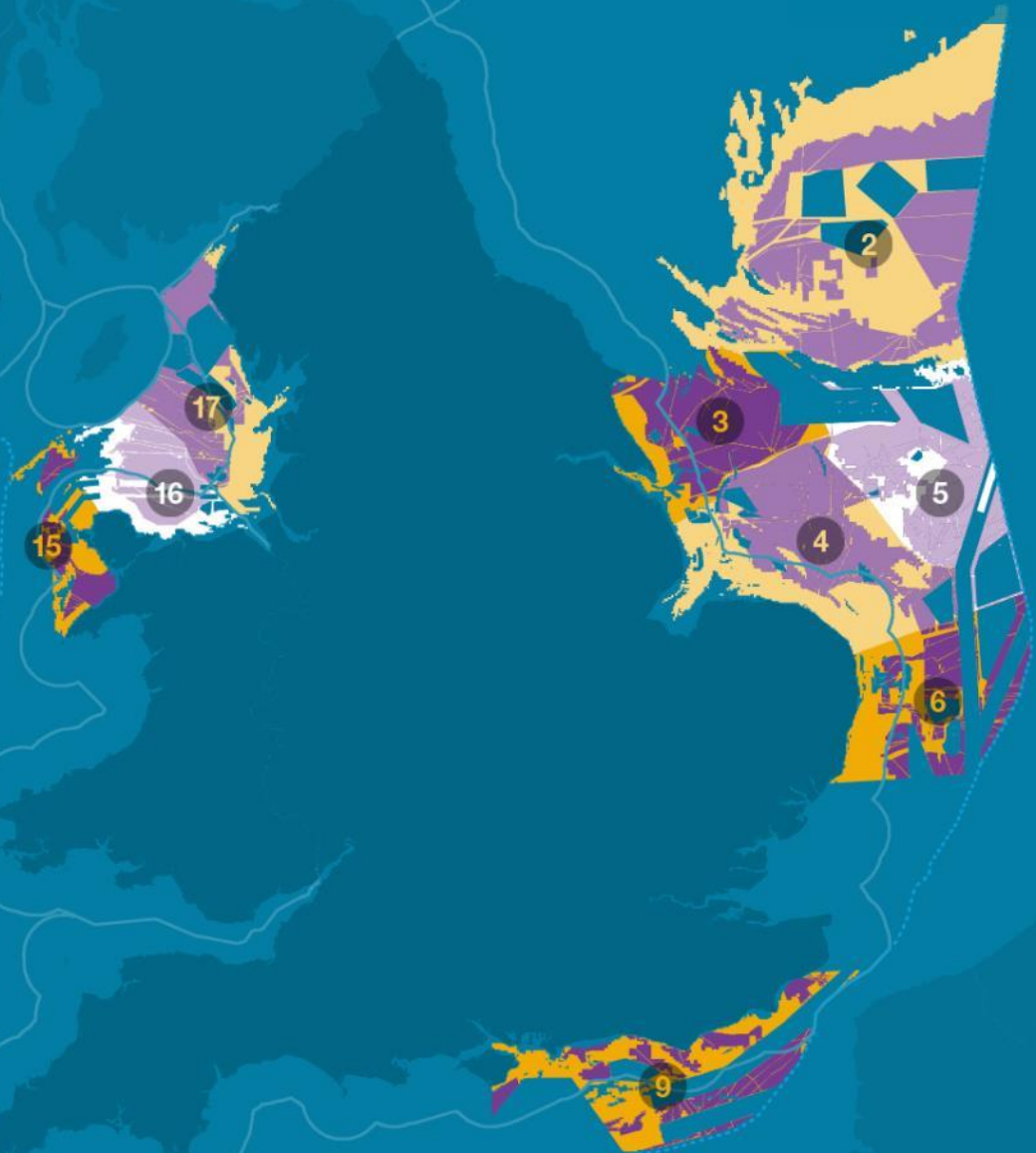
Propose to include:

- 2 Dogger Bank
- 5 Southern North Sea
- 6 East Anglia
- 16 North Wales
- 17 Irish Sea





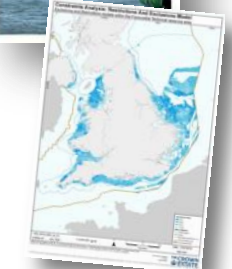
Under further consideration:

- 3 Yorkshire Coast
- 4 The Wash
- 9 South East
- 15 Anglesey

-  Characterisation area
-  Remaining regions to 60m depth



Deliverables of the analysis

Document	Description
	Describing the analysis to define characterisation areas and associated report
	Characterisation area reports for regions being taken forward in round 4
	Method of refining regions, including annex of excluded region characterisation area reports
	Feedback from stakeholders including high level clarification
	Various GIS data defining Regions, characterisation areas and other data used in the analysis process including constraint model output
<u>Download reports and shape files</u>	



Refinement and engagement continues

- Initial assessment concluded - nine seabed regions identified that will not be included in Round 4
- Nine regions remain at this stage, of which five are minded to be included in any tender – the other four are under consideration
- We are building our evidence base to continue refining regions, including commissioning additional work – final decision on regions to be taken forward prior to launch
- In parallel, we are preparing for Plan-level HRA
- Summary feedback from stakeholders will be provided in bidder information packs to help inform site identification work

Summary of our Updated proposals Jonny Boston

Round 4: updated proposals

7GW

**Developer-
led site
selection**

**Sharing
our data**

**60m max
depth**

**Flexible
approach to
future
rounds**

Remaining regions

Bidders would be able to propose projects anywhere in available regions – noting the more significant constraints characterisation areas

Regions excluded for Round 4 are not precluded for future rounds

Final decision on which regions are included is due prior to launch



Summary

- Constructive engagement to date from both market and statutory stakeholders – thank you
- This has enabled us to refine proposals and focus on key areas of concern
- Our next phase of engagement is focussed on the approach to the tender process itself
- Final decisions on our proposals will be taken after this second phase of engagement



Tender process design: Strategic approach Jonny Boston

Welcome back

The content of and positions outlined in the following slides and our presentation today reflect our current thinking and are provided for information only

The Crown Estate makes no representations in respect of and accepts no duty, liability or responsibility for the content of them

The purpose of this engagement today is for you to have a further opportunity to feedback on our current thinking

Our thinking and the content of and the positions outlined in these slides and our presentation today may change in light of further feedback from you and stakeholders and as our thoughts and positions continue to mature



Principles and priorities

Fair & transparent
process

Balance our role
with that of the
market

Responsible
leasing



Strategic approach

Pre-qualification driven by financial strength and technical competence of bidders

Main tender assessment of project (ITT) submissions driven by:

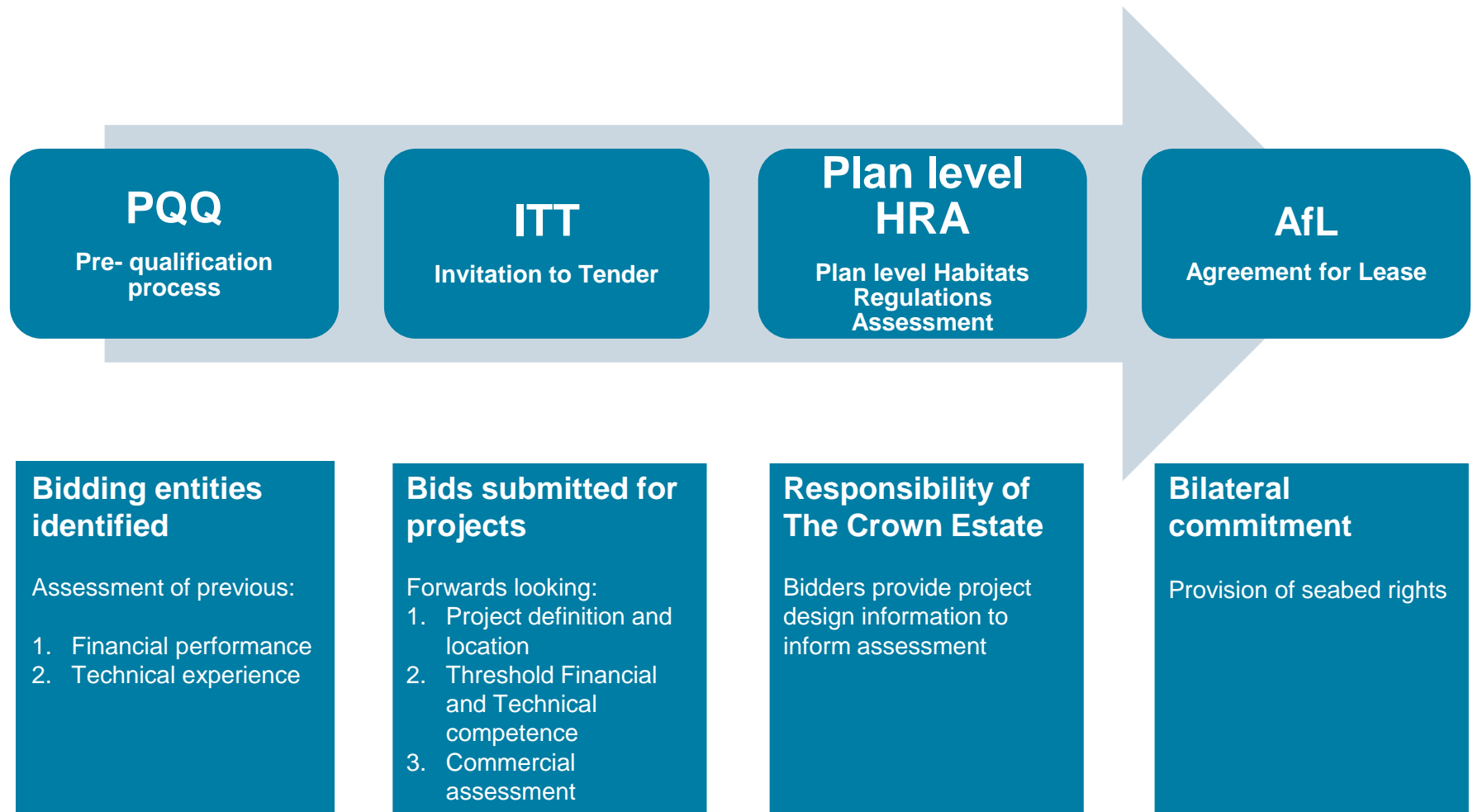
1. Compliance with key tests:
 - a. Tender parameters
 - b. Financial & technical assessment
 - c. Capacity limits (geographical and bidder)
2. Option fee proposed by bidder

Plan-level HRA will need to be undertaken prior to entering into agreements for lease

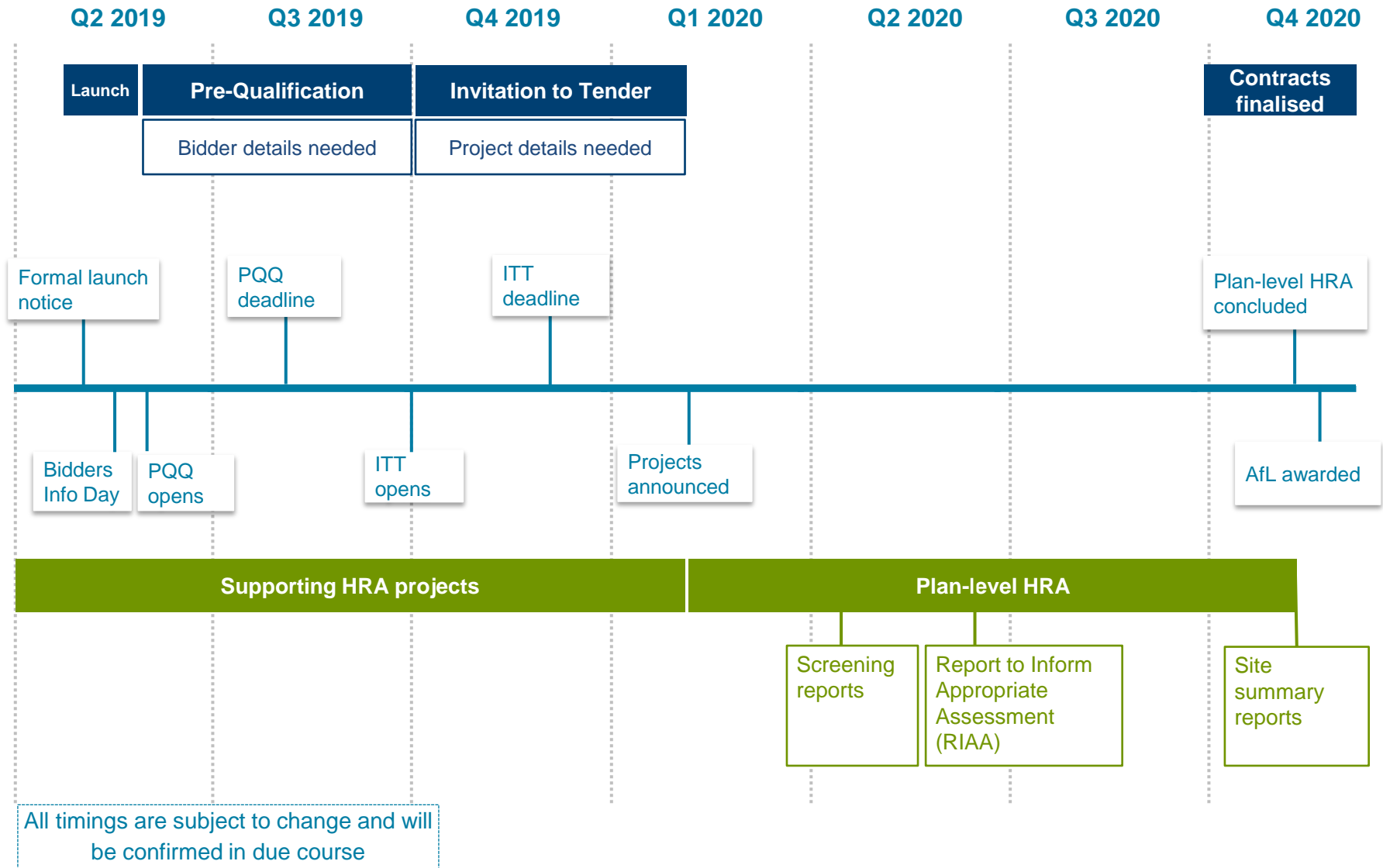


Leasing Design – Key Stages

This shows the various stages of the tender process



Indicative tender process timeline



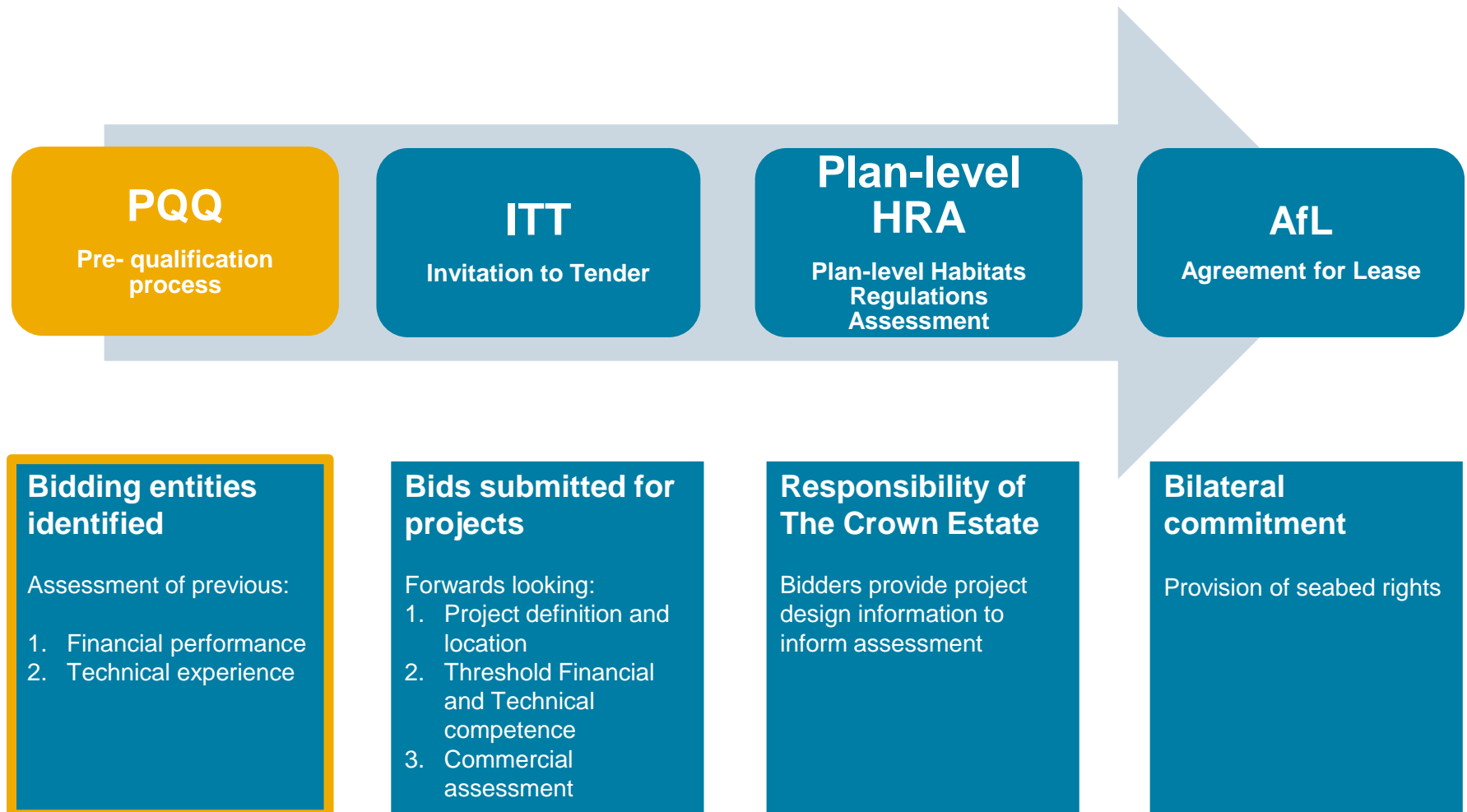
Tender process design: Applicant & PQQ criteria

Ben Barton

Helen Elphick

Leasing Design – Key Stages: PQQ

This section describes requirements for bidding entities that want to participate in the leasing process, in terms of corporate structures and PQQ requirements.





Bidding Entities and Consortia

- Bidders may bid as a single legal entity or in a consortium of legal entities
- The Crown Estate will ultimately enter into an Agreement for Lease with a single legal entity of which any consortium members are expected to be the shareholders
- A legal entity or legal entities belonging to the same company group may join different consortia in different bidding areas but may not participate in more than one bidding entity in the same bidding area
- Bidders may nominate a third party expert to help them satisfy certain technical criteria. They would not need to be a shareholder but would need to be retained during the consenting period

Pre-qualification criteria – Financial: Headlines

- The PQQ financial criteria are designed to ensure that a bidder is financially credible and capable
- We are not proposing a blanket requirement for specified credit ratings
- Instead, we propose to assess three simple metrics which tell us about a bidder's financial ability to deliver a project to consent
- The proposed metrics at PQQ stage are sized for the delivery of a minimum project size 300MW
- Further tests will be applied at ITT, appropriate to the size of project(s) being bid for



Pre-qualification criteria – Financial:

Proposed metrics

Net Assets

- Difference between total assets and total liabilities
- £70 million minimum
- From most recent audited accounts

Turnover

- From large infrastructure projects, measured over 3 years
- £600 million average per annum

Cash

- £45 million minimum cash, cash equivalents or committed undrawn credit facilities from qualifying banks
- From most recent audited accounts

Pre-qualification criteria – Financial: Consortia

- Consortium members must in aggregate meet the financial criteria on a weighted average basis, proportionate to their proposed share of the project they are bidding for
- Individual consortium members will not be required to meet pro-rata threshold amounts, as set out below

Metric	Actual data per audited accounts			Pro-rata values			Total	Total required	Score
	Company A 50%	Company B 30%	Company C 20%	Company A 50%	Company B 30%	Company C 20%	Aggregate value	Requirement Per consortium	Pass / Fail
Net assets	£500m	£100m	£300m	£250m	£30m	£60m	£340m	£ 70m	Pass
Turnover	£1,000m	£200m	£500m	£500m	£60m	£100m	£660m	£ 600m	Pass
Cash	£70m	£10m	£40m	£35m	£3m	£8m	£46m	£ 45m	Pass



Pre-qualification criteria – Technical: Headlines

The proposed PQQ technical criteria are designed to ensure that the bidder has the technical capability and experience to develop offshore wind projects:

- The criteria look at the bidder's track record of key development-phase components
- They could be satisfied through equivalent transferable experience from other relevant sectors or by direct past experience of offshore wind development
- Evidence of past experience can be provided by different members of a consortium as we recognise different members may have different strengths and play different roles

Pre-qualification criteria – Technical:

Management experience

Project Management

Can be satisfied by any Principal Shareholder

- Direct experience of project managing expenditure \geq £25m for a commercial project in any sector
- Can be a development or construction phase budget but not research & development

HSE Management

Can be satisfied by any Principal Shareholder

- Signed and up-to-date Health and Safety and Environmental (or integrated HSE) policy
- Details of existing or planned Management System(s) (certified under OHSAS 18001 and ISO 14001/EMAS, or equivalent standards) that can be applied to the project

HSE Regulatory Action

Applies to all consortium members

- Details of any regulatory action taken in past three years (including improvement notices, prohibition notices or prosecutions)
- If action has been taken, mitigations must be in place to prevent recurrence

* Several of the technical PQQ criteria can be passed by any bidder group member who is proposed to be a 'Principal Shareholder' (i.e. an entity that owns 10% or more of a company's voting shares.).

Pre-qualification criteria – Technical: Project development experience

Grid Connection

Can be satisfied by any
Principal Shareholder

- Signed grid connection construction agreement for a grid connected power project ≥ 50 MW

Consent

Can be satisfied by any
Principal Shareholder

- Owner / Largest Shareholder of a Major Infrastructure Project at the point of consent submission and award
- Consent awarded in last 10 years

Environmental

Can be satisfied by any
Principal Shareholder
and/or a Development
Services Provider

Managed a full EIA process* and submitted an Environmental Statement (ES) in last 10 years for:

- a) Wind energy project ≥ 50 MW; and
- b) Offshore Infrastructure or Extraction project

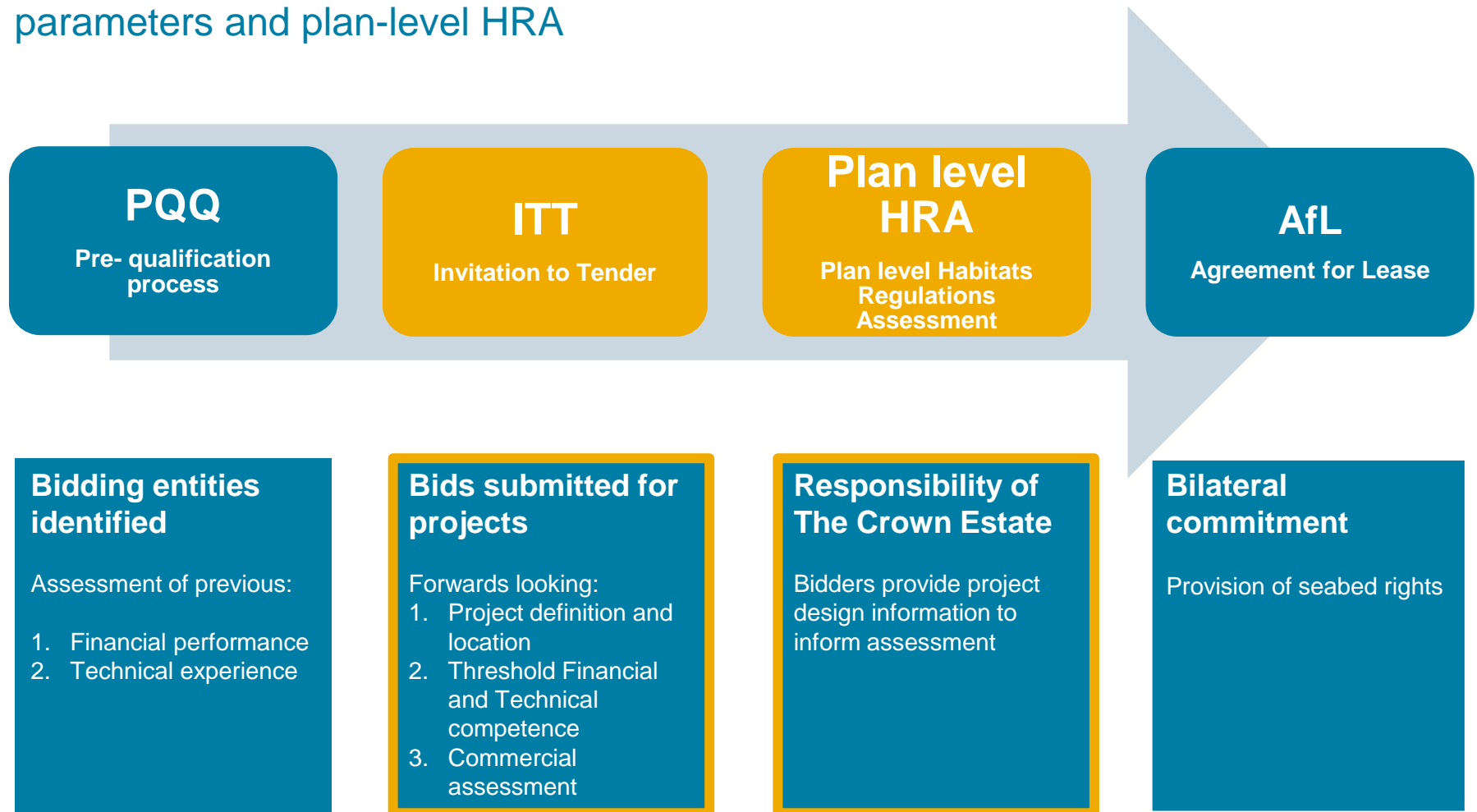
* If EIA covers only one project type, the applicant must have discharged EIA conditions and managed post-consent monitoring for the other for at least 2 years within the last 6 years.

Tender process design: ITT & Tender parameters

Helen Elphick

Leasing Design – Key Stages: ITT & Plan-Level HRA

This section describes how the ITT stage would work – including the financial and technical competence assessment, commercial assessment, potential tender parameters and plan-level HRA



Invitation to Tender: Outline approach

We are developing ITT criteria within the context of the following proposed assessment framework

Project Definition & Location

- Capacity
- Coordinates
- Density
- Compliance with locational rules
- Project type (stand-alone / hybrid, OFTO / Generator Build)

Financial & Technical Competence

- Financial metrics will test the bidder's ability to deliver project
- Technical competence assessed against threshold criteria

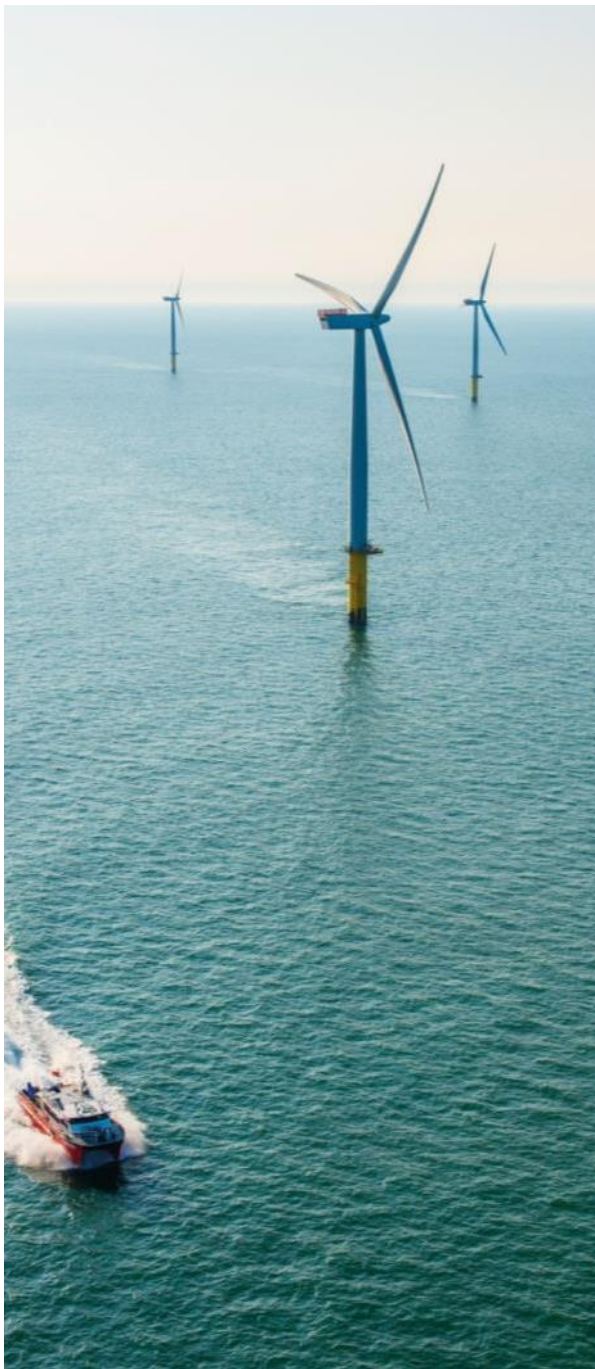
Commercial Assessment

- Bids ranked from highest to lowest in order of option fee value, measured in £/MW
- Total option fee, followed by option fee per km² used to differentiate between equal, compliant bids
- Enough projects identified in line with geographic and bidder capacity limits to reach 7GW

Project must comply with tender parameters

Reviewed against threshold criteria – pass / fail evaluation

Successful bids are taken forward into plan-level HRA

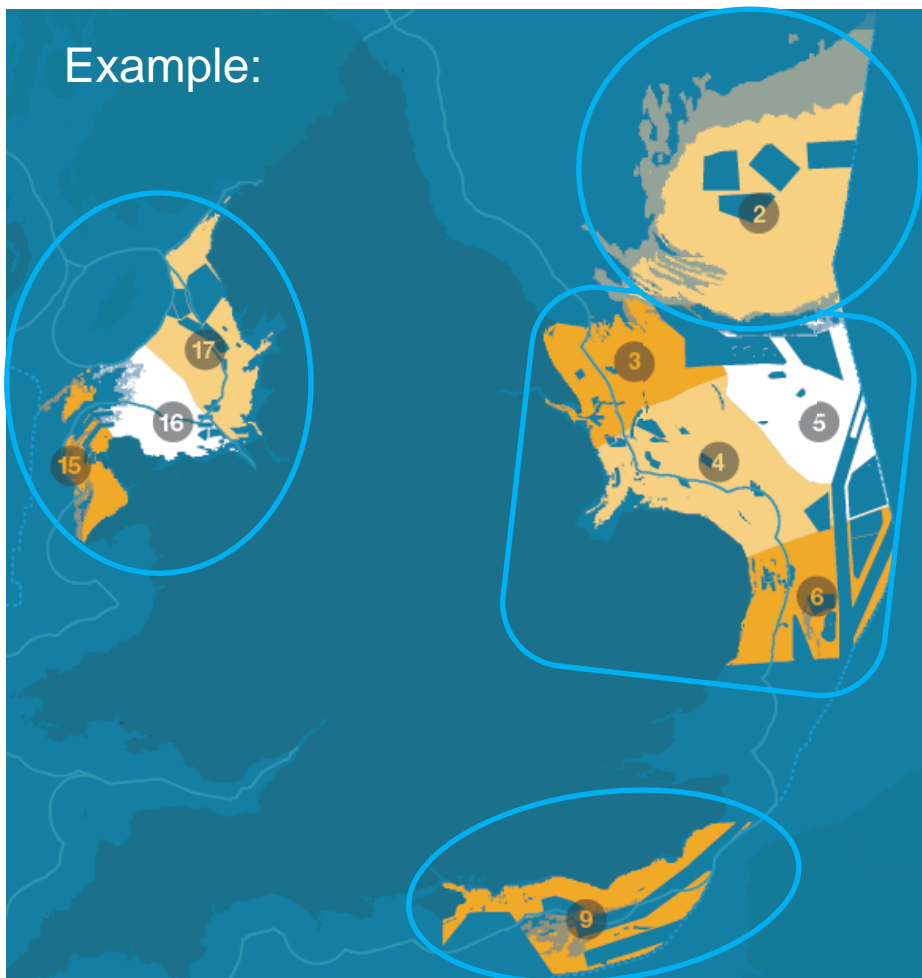


Plan-level Habitats Regulations Assessment (Plan-level HRA)

- Bidders will be asked to provide information about their proposed projects to inform the assessment (e.g. turbine sizes, offshore platforms, offshore cable corridor, landfall location, installation methodologies)
- We acknowledge that at this stage in project planning much of this information may be unknown or provisional
- If the plan as a whole has an Adverse Effect on Integrity of European Sites we may have to propose mitigation measures regarding the scale, characteristics and location of projects, or groups of projects, within the plan to avoid significant effect
- By taking HRA considerations into account and providing as much information as possible when proposing project location(s) bidders can help to achieve a successful outcome

Tender Parameters: Bidding areas & capacity

Example:



Bidding Areas:

Neighbouring open regions would be grouped to form a bidding area

The example shows which regions might be grouped into bidding areas if all nine regions were open

Proposed capacity limits:

We are seeking to identify sufficient projects to reach 7GW in total

No more than 50% of the total capacity would be awarded in any bidding area

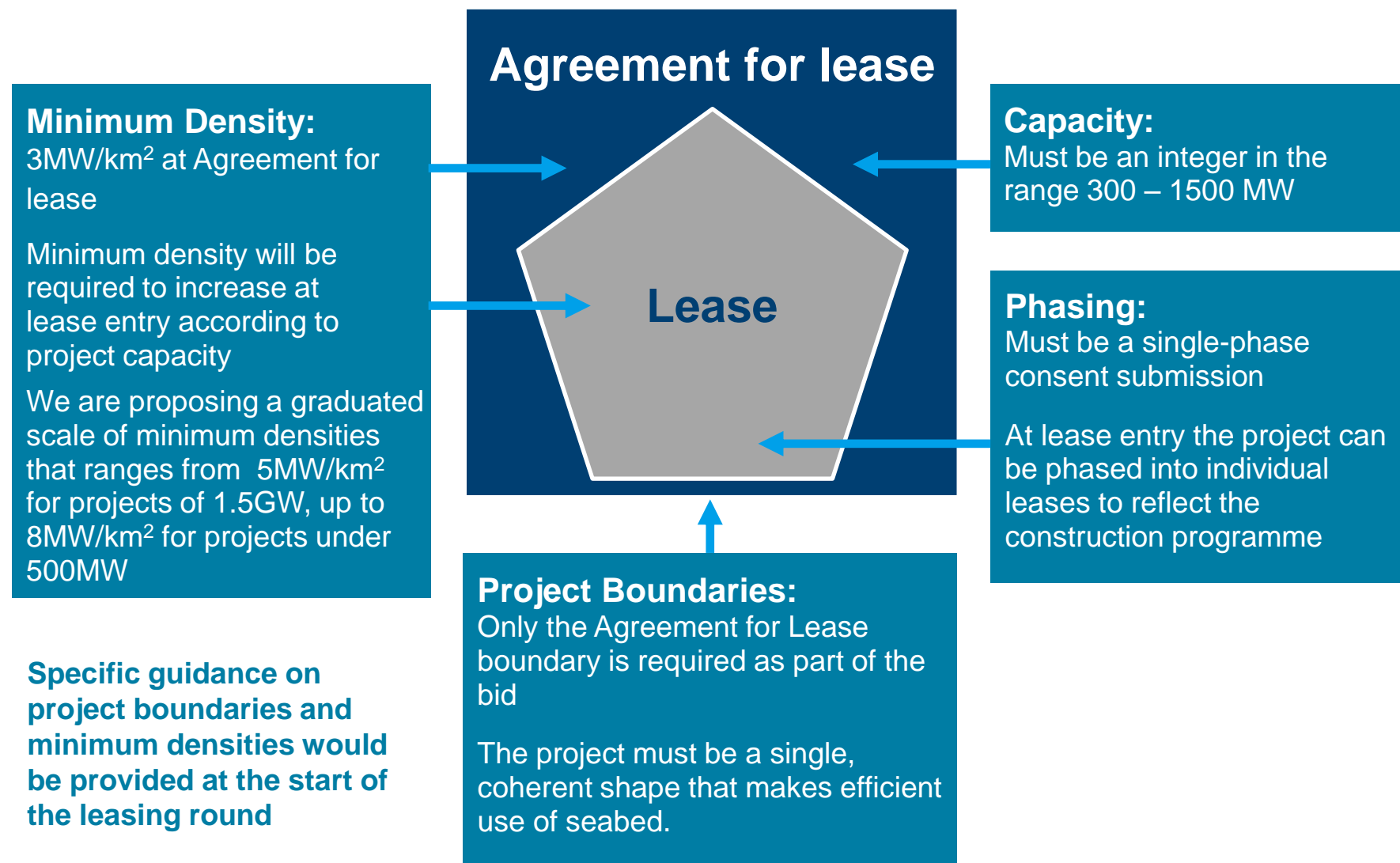
A corporate group may not be awarded an interest (of any kind or size) in project(s) totalling more than 3GW

Number of bids:

We are considering allowing each bidder to submit up to 20 unique bids in each bidding area

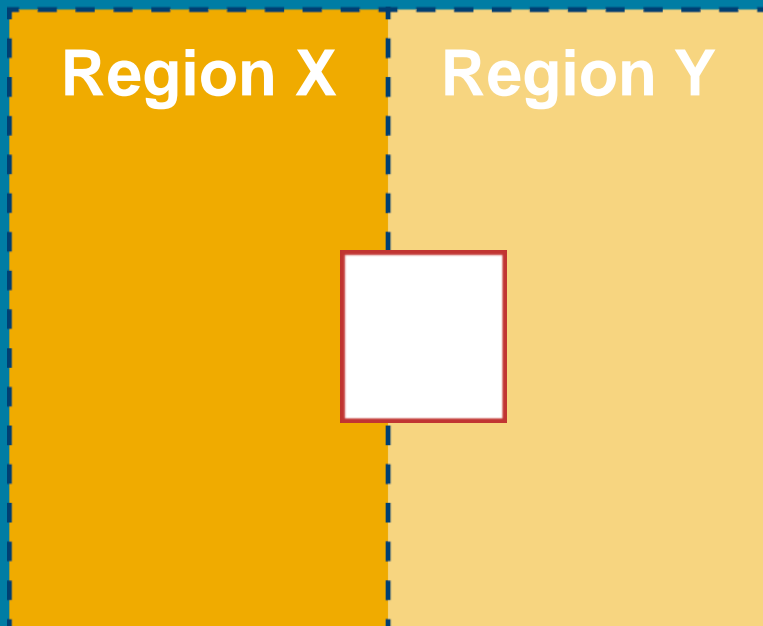
Bidding areas and capacity limits would be confirmed in due course

Tender Parameters: Project definition

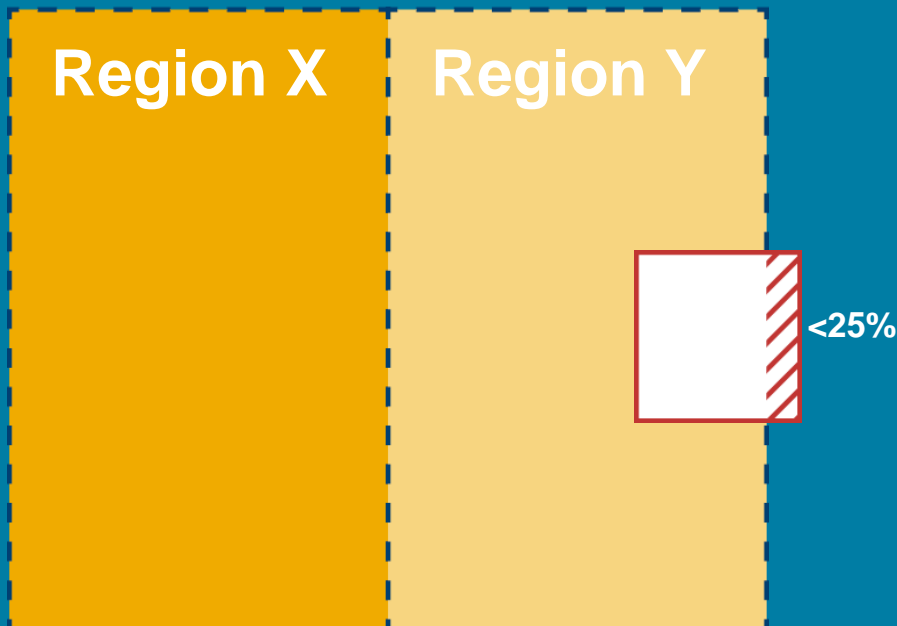


Tender Parameters – Location: Regions and Characterisation Areas

Proposed rule 1: Projects can straddle regions that are within the same bidding area



Proposed rule 2: At least 75% of the project must be within the outer boundary of the open regions, and all boundaries must be within The Crown Estate's jurisdiction



Key



Project: The outer boundary of a project (defined on the next slide)



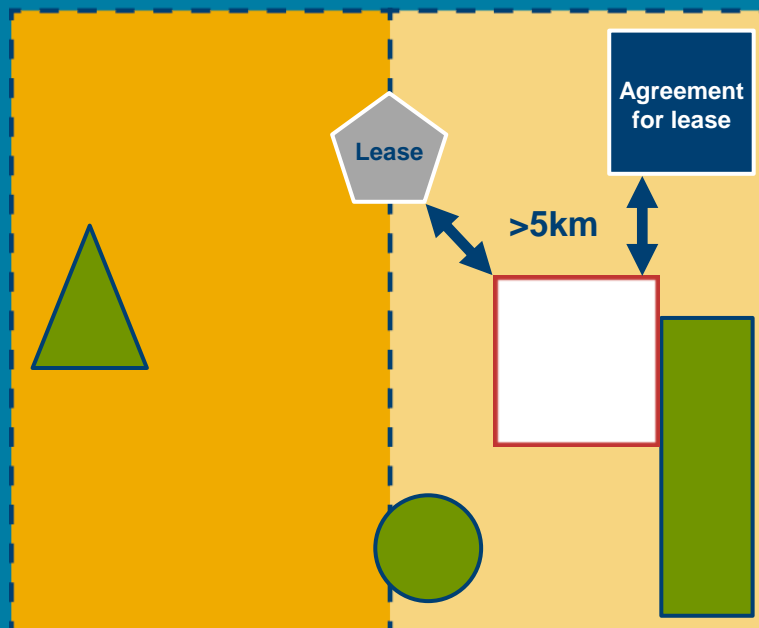
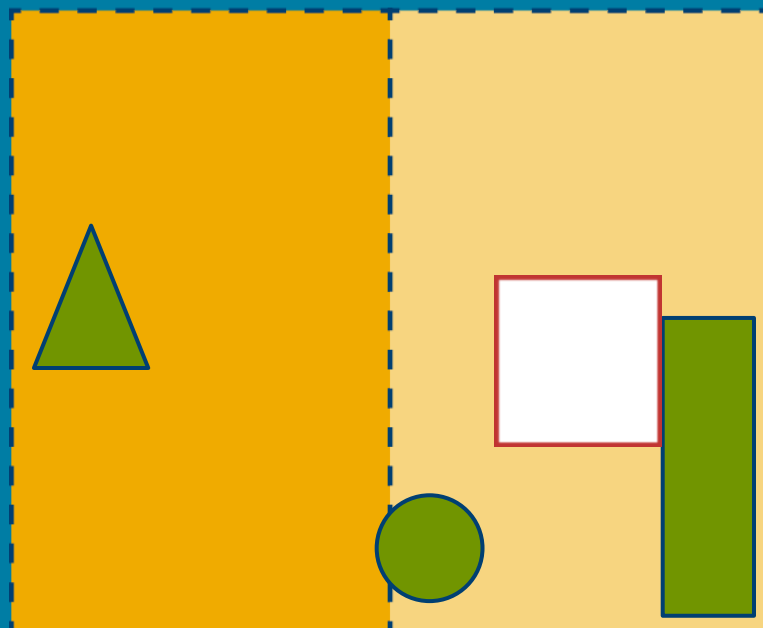
Region: A numbered Region including the Characterisation Area that sits within it

Important Disclaimer: The images and diagrams within this section of the presentation are not to scale and are intended to illustrate the tender concepts only

Tender Parameters – Location: Hard Constraints

Proposed rule 3: Projects must avoid 'hard constraints' and will need to agree appropriate separation distances through the consenting process

Proposed rule 4: Projects must be at least 5km from other windfarms unless the bidder has the current owner's written agreement



Key



Existing infrastructure (e.g. aggregate licences, oil and gas platforms, marked navigational routes, MOD firing ranges, etc)



Project: The outer boundary of a project

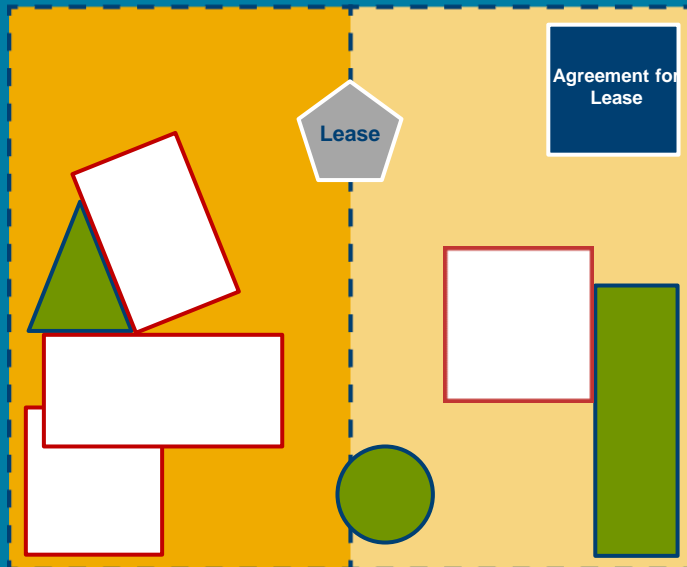
Other windfarm agreements for lease or leases

Tender Parameters – Location: Overlapping bids

As bidders can identify their own sites within bidding area, we anticipate that some bids would overlap. We are considering the following approach to overlapping bids and further guidance would be provided at the start of the leasing round

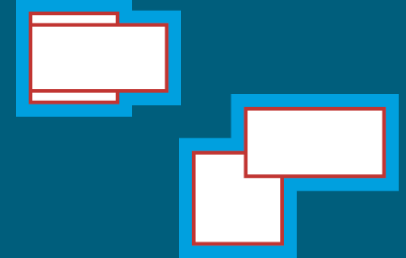
Proposed rule 5: Bids from the same bidding entity may overlap with one another but if they do, they would need to be differentiated by their commercial values

Where projects from different bidders directly overlap, the project with the highest option fee value would be awarded



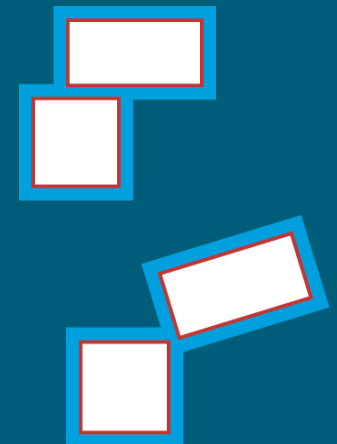
Directly overlapping:

Where any part of the project boundary overlaps with the project boundary of another bid



Proximate projects:

The default minimum separation distance between projects at Lease is 5km. If any part of the project boundary is less than 5km from another bid a mechanism will be applied to preserve the 5km separation unless both parties agree otherwise



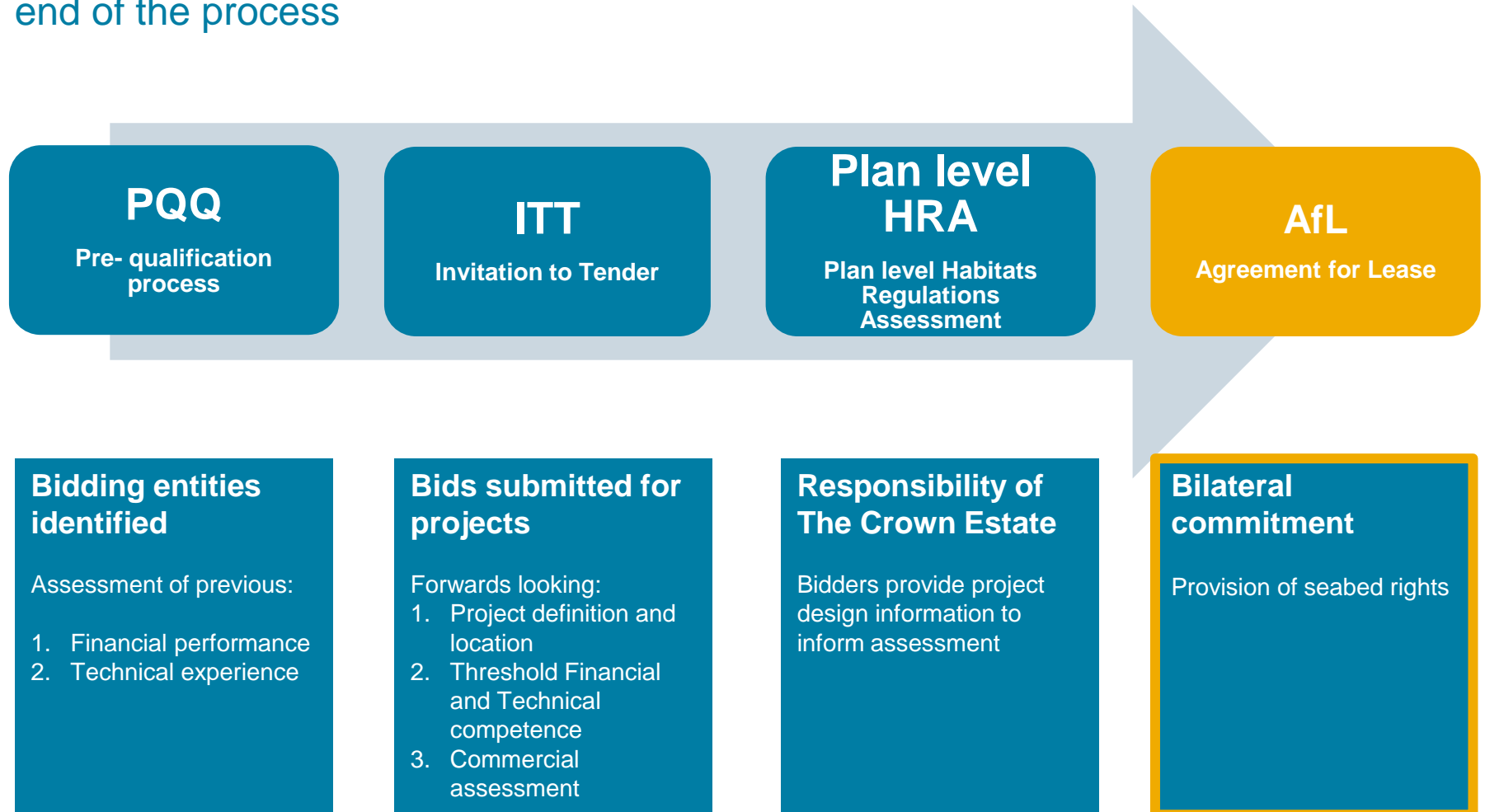
Agreements for Lease and Related Documents

Key terms

Ben Barton

Leasing Design – Key Stages: Agreement for lease

This section describes the key legal agreements which would be entered into at the end of the process



Overview of property documentation

The tender process would culminate in the following documents:

- Agreement for lease (wind farm)
 - Form of lease (wind farm)
 - Form of agreement for lease (transmission)
 - Form of lease (transmission)
 - Security documents where required
- At this stage we are focussing on AfL and lease for the wind farm
 - Key terms in relation to other documents would be provided at PQQ, & full documents to pre-qualified bidders





Agreement for lease (AfL)

Principal agreement under which seabed rights are awarded following the tender process

Key features

- Provides the option to take a seabed lease, or leases, once consent has been obtained
- Overall **10 year option** period from the start of the AfL to expiry – by which point any lease(s) would need to be entered into
- Provides rights to carry out surveys and install instruments
- Contains an obligation to apply for consent by a milestone date and may also contain other milestones prior to this – milestones and associated deadlines would be determined by The Crown Estate and set out prior to ITT
- The consortium may incorporate a new project company or form an unincorporated joint venture to sign the AfL, subject to provision of financial security
- Ownership of the counterparty to the AfL needs to reflect that of the bidding entity defined at ITT

Agreement for lease – key terms

Parameter	The Crown Estate Position (What)	Reasoning (Why)
Option Period	10 years	To allow sufficient time for consenting and CfD auctions
Milestones	Up to 5 pre-consent milestones including consent application	To maintain delivery of the project to an agreed timeline
Power density at lease	Minimum power densities will scale with project size	To optimise use of the seabed
Buffer zone	5km around AfL boundary, unless the counterparty agrees otherwise	To provide certainty around the closest proximity of future projects
Flexibility on capacity	Reduction of up to 25% by lease	To allow for flexibility resulting from the CfD process

Agreement for lease – key terms

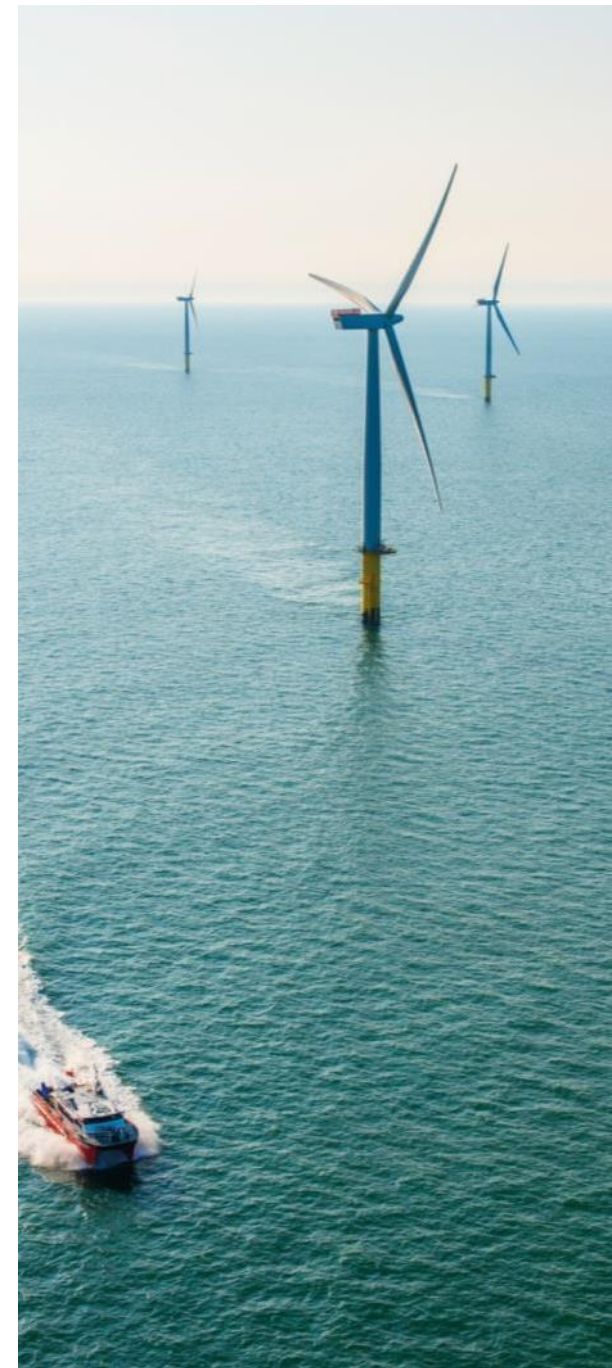
Parameter	The Crown Estate Position (What)	Reasoning (Why)
Phasing	Multiple leases can be granted from a single AfL (each phase subject to minimum density requirement)	To allow flexibility around project construction and CFDs
OFTO cable routeing	Counterparty required to apply for a transmission AfL by a deadline, subject to TCE approval of the cable route	To ensure approval of the cable route in a timely manner and to optimise use of the seabed
Change of ownership / control	During the period prior to consent, this would only be possible at The Crown Estate discretion. Ongoing compliance with PQQ & ITT criteria would be required	To preserve the counterparty's obligation to obtain consent. Any agreement of changes preserves the technical and financial requirements of the PQQ and ITT
Security	Security provider to comply with ITT financial criteria where a counterparty has insufficient covenant strength	To ensure the obligations of the AfL can be met as per the ITT financial criteria

Form of lease

Principal agreement providing seabed rights for construction and operation of the project

Key features:

- Lease term proposed to be **60 years** to enable two project lifecycles if required
- Contains a requirement to build the project against set milestones
- The Crown Estate charges rental at 2% of project revenue, subject to a minimum rent
- The AfL counterparty would be expected to sign the lease, subject to provision of financial security



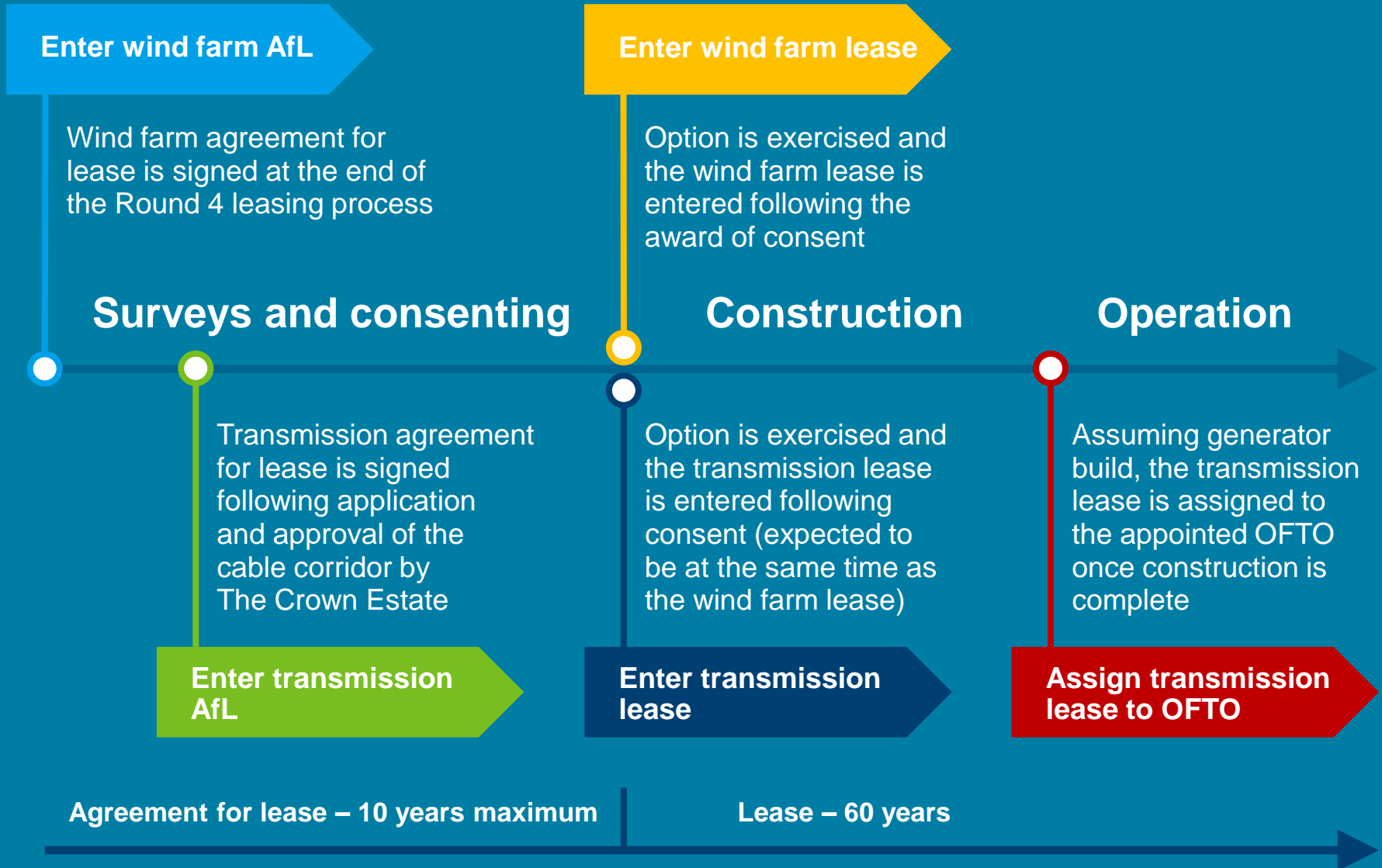
Lease – key terms

Parameter	The Crown Estate Position (What)	Reasoning (Why)
Lease term	Proposed to be 60 years	To allow for two project life cycles and decommissioning
Rent	<p>Pre-generation rent set at 1/10th of option fee, per annum</p> <p>Generation rent 2% of gross project turnover</p> <p>Minimum rental level to be confirmed</p>	Rental consideration for use of the seabed, based on all revenue streams for the project
Break rights	Restriction on counterparty break for 25 years post-works completion, 3 year rolling break permitted thereafter	To require commitment from the counterparty for a full life-cycle operation, with flexibility thereafter
Buffer zone	5km around lease boundary, unless the tenant agrees otherwise	To provide certainty around the closest proximity of future projects

Lease – key terms

Parameter	The Crown Estate Position (What)	Reasoning (Why)
Milestones	Milestones for project construction and generation start	To maintain delivery of the project to an agreed timeline
Change of control & ownership	Change of control permitted up to certain thresholds without The Crown Estate consent	To allow project divestment during the term of the lease
Security	Security to be provided where the counterparty has limited covenant strength	To ensure the obligations of the lease can be met
Decommissioning	Decommissioning to be agreed with BEIS under the Energy Act 2004 where applicable	To ensure effective project decommissioning in compliance with legislation

Property documents timeline



Summary & next steps

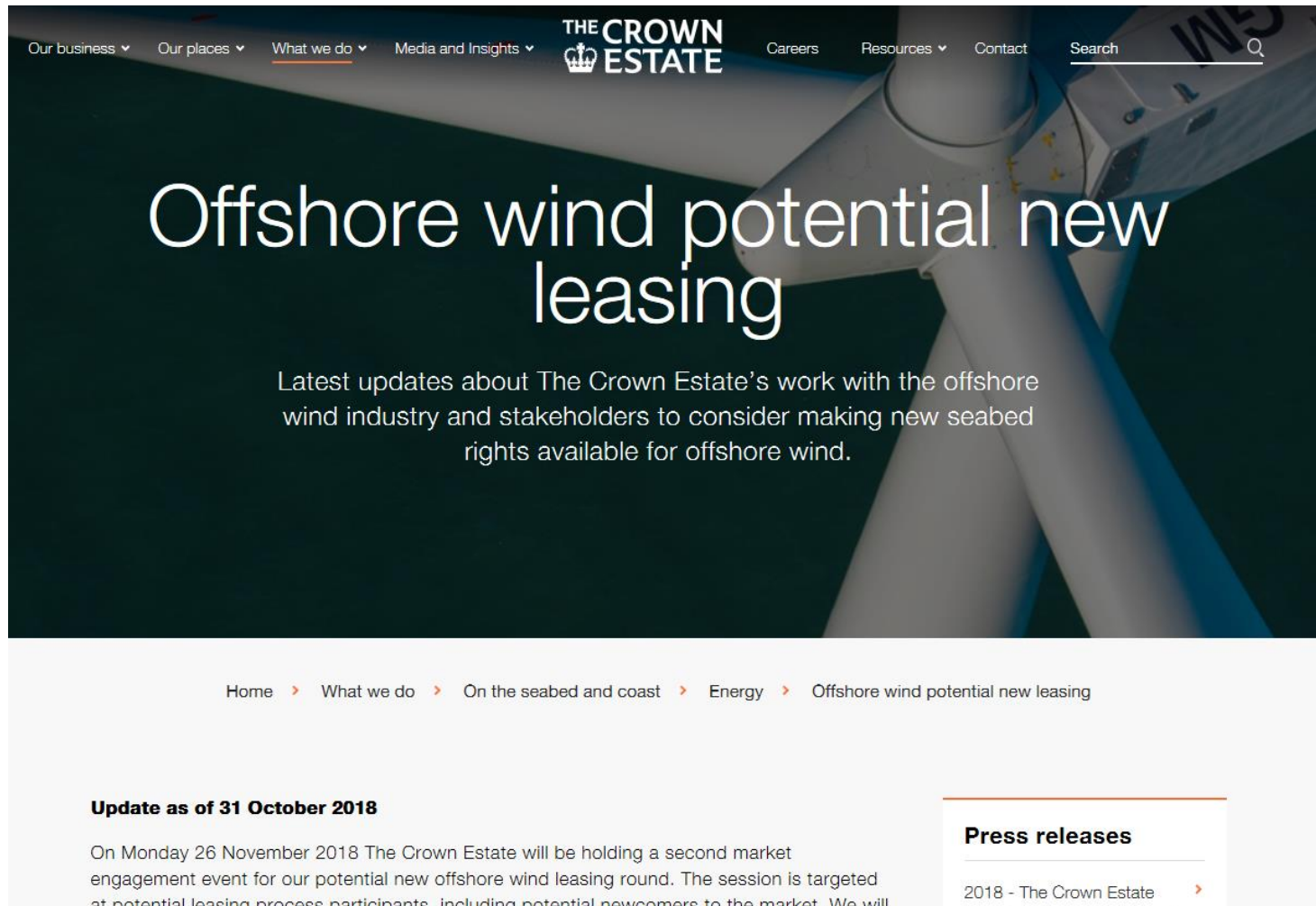
Jonny Boston

Summary

- Work continues to design a new leasing round, and we are grateful for your feedback
- Our vision is to design and run a process that is fair, transparent and that balances a range of different interests
- We have received constructive feedback on our initial proposals and welcome feedback to shape our refined proposals
- We have made our draft constraint analysis available – final version would be published alongside stakeholder feedback by the start of a new leasing process
- We will finalise our proposals in light of engagement feedback from both market and stakeholders



Stay informed



To stay informed please visit our website: thecrownestate.co.uk/potentialnewleasing
Join our mailing list at: offshorestakeholder@thecrownestate.co.uk

Thank you

