

# Crown Estate rent demands 'threat to energy security'

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Plans to develop urgently needed gas storage under the North Sea could be scrapped because the Crown Estate is insisting on huge rent increases, according to energy industry sources this weekend.

The plans, expected to cost billions, have already been delayed by a year and now companies say the entire project is being threatened by 'excessive' demands from the Crown Estate.

As the UK battles arctic weather conditions with gas reserves for only six days, managers of the Queen's property empire, which hands all its profits to the Treasury, are demanding a 300 per cent increase in revenue from energy companies that plan to use depleted gas fields as huge storage facilities.



**The Crown Estate expects to get £250 million in rent from wind farm developers every year from 2015**

The Crown Estate has a £6 billion property portfolio and made a profit of £226.5 million last year.

Now the companies spearheading eight storage projects are accusing the Crown Estate of abusing its monopoly position - it owns the seabed up to 14 miles offshore. They say the already fragile viability of potential projects is being threatened by 'intrusive and excessive' rent demands.

After more than 18 months of negotiations there is frustration and anger among the energy companies, which claim they are being blocked as the Crown Estate uses its 'unregulated monopoly position to maximise revenues'.

There is also resentment at what they regard as the Crown Estate's 'arrogance'. One company official said: 'They told us, "If you don't like our terms, why don't you develop onshore?".'

Crown Estate Commissioners are required by law to obtain best value for its assets, but not when they have a monopoly.

The industry believes that the Crown Estate is failing to follow these requirements with demands that jeopardise Government policy on gas storage and risk the security of supply.

One energy official said: 'They tell us they are like a landlord entitled to charge a rent, but at least a landlord has bought his house. What is really being proposed is a tax as they [the Crown Estate] are not providing any economic value.'

Now the industry is pinning its hope on Government intervention.

At stake for the Crown Estate is tens of millions in revenue every year - much less than the £250 million it expects in rent from wind farm developers every year from 2015.

Over the next two decades more than 6,000 wind turbines are being built offshore.

The stakes have been raised by the big freeze, which has exposed the UK's vulnerability to foreign energy sources. An interruption in Norwegian gas supplies last week led to calls to traditional gas operators to boost supplies.

The UK normally has gas reserves for only 16 days compared with 88 in France and 77 in Germany. The cold weather has reduced that to six.

The Department of Energy declined to comment and the Crown Estate was unable to answer enquiries from Financial Mail.