
From **The Times**

February 11, 2008

Offshore wind farms to generate £100m windfall for Crown Estate

Robin Pagnamenta, Energy and Environment Editor

The Crown Estate will earn windfall profits of at least £100million a year from Britain's booming offshore renewable energy industry.

The estate, which owns the foreshore and seabed around the UK, has already signed contracts worth tens of millions of pounds with operators of offshore wind farms.

Rents from the siting of wind turbines are only the beginning of a vast new commercial opportunity for the Crown Estate. In addition to a huge expansion in offshore wind power and the development of tidal power, the estate will profit from the laying of subsea cables and an emerging industry in storing carbon captured from coal-fired power stations.

Rob Hastings, the Crown Estate's marine director, said that the group, which manages land and assets owned by the Queen but pays most of its revenues to the Treasury, charges offshore wind operators an annual "rent" of just under 1 per cent of the value of the electricity generated.

The Crown Estate has full ownership of the seabed for 12 nautical miles around the UK and further rights out to the extent of Britain's continental shelf, at 200 miles.

Privately, one of Britain's top six utilities estimates that the Crown Estate stands to earn upwards of £100million a year from offshore wind licences alone if the Government is to achieve its stated aim of generating 33 gigawatts of power from offshore wind energy by 2020. Further revenues could be generated from tidal energy developments, such as the Severn barrage, carbon storage opportunities and subsea cabling - for which the Crown also charges a lease. "[The seabed] is quite a valuable commodity," said Mr Hastings, who added that the group had signed its first offshore wind lease in 2001. A third round of bidding for new licences is under way and due to close in September. He emphasised that the bulk of the proceeds would go to the Chancellor, while other funds would be set aside to help with long-term management of the seabed.

Nevertheless, the windfall is raising eyebrows in the power industry. "It's not as if there is an annual maintenance charge for the seabed," one source said.

Britain's heavily subsidised wind energy industry is expected to form a key part of its efforts to meet targets on tackling climate change announced by the European Union last month. The UK has been set one of the toughest targets, amounting to an increase in electricity generation from renewable sources to 35-40 per cent, from just over 4 per cent at present. There is about 500-600 megawatts of generating capacity in existing offshore windfarms around the UK. This is expected to increase to 7,500 megawatts by 2015, but in December John Hutton, the Business Secretary, set out plans to more than quadruple this to 33,000 megawatts, or 33 gigawatts, by 2020.

Carbon capture and storage could represent an equally valuable source of revenue for the Crown Estate. Captured carbon from coal-fired power stations would be piped out into the North Sea for storage in rock formations in former oil and gasfields.

"The rights to storing it would be vested with the Crown Estate," Mr Hastings said. However, the legal framework surrounding this emerging industry is unclear and new legislation is being drawn up.

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