House of Commons Select Committee for Scottish Affairs
The Crown Estate Operations in Scotland
Submission by the Islay Energy Trust

1. Executive Summary

1.1. The community-owned Islay Energy Trust presents options for investing potential Crown Estate revenues of over £200 million per annum from offshore renewable energy in local projects which will yield sustainable benefits to coastal communities. IET believes a significant proportion of such funds should be administered and distributed locally, with the remainder going to a national fund.

2. Background

2.1. As part of its review of the operations of the Crown Estate in Scotland, the Committee has invited submissions specifically related to the following questions:

- "How revenues raised by the Crown Estate Commissioners in Scotland could be best used for the benefit of local communities in Scotland?
- At what level might those revenues be best administered: UK Treasury, Scottish Government or local authority level?
- What processes might be put in place for the distribution and allocation of those revenues, in order to secure the maximum benefit for the people of Scotland?"

3. Introduction

3.1. The Islay Energy Trust (IET) is a community-owned charitable company whose objectives are to develop renewable energy projects for the benefit of the community and to reduce Islay's carbon footprint. The Trust will distribute dividends from projects to local voluntary and charitable organisations in line with criteria agreed with the community. IET is currently developing wind, hydro and solar PV projects on the island, and has a joint development agreement with ScottishPower Renewables for the 10MW Tidal Energy Project in the Sound of Islay which received consent from the Scottish Government in March 2011.

3.2. The seas around Islay contain some of the main tidal, wave and offshore wind energy resource areas in the UK, and IET wishes to participate with project developers in exploiting these resources so as to maximise socio-economic benefits to the local community.

4. Community versus National Perspective

4.1. The views expressed in this submission represent those of a typical island community. Whilst the regional and national contexts are obviously important, local communities often feel their voices are not "heard", and this submission is unashamedly community-biased. Notwithstanding that, IET acknowledges two important principles: 1) inland communities will also have some entitlement to the benefits from the exploitation of what is a national resource; and 2) the proportion of revenues from projects paid in lieu of Crown Estate rentals should not be at a level which compromises the commercial viability of projects.

4.2. The questions posed by the Committee for consideration do not include an option for local administration and distribution of the funds. IET believes this is an important omission. The view on Islay is that a large proportion, if not all, of the Crown Estate revenues generated from exploitation of local resources should be available for distribution and use locally. Revenues which go to local and national government will be absorbed into the general revenue pot and local spending will not be recognisable. Also, the Treasury proposal for a Lottery-administered Coastal Communities Fund is unlikely to acknowledge the prior claim of communities affected directly by offshore developments.

5. How large are potential revenues?

5.1. Whilst the Committee's study may be concerned with principles, it is important to have some idea of the scale of revenues involved. *A Valuation of the UK Offshore Renewable Energy Resource* (The Offshore Valuation Group Study; May 2010) suggested that Scotland has a potential 206 GW of tidal, wave and offshore wind resources. If one-third of this potential is realised (68 GW), and with average load factor of 35%, annual yield of electricity would be 2.08 TWh. Assuming Crown Estate offshore leases yield around £1/MWh, potential annual revenues from Crown Estate leases could total over £200 million , of which some £10-20 million may result from current projects, *viz.* the Scottish Territorial Waters round for offshore wind and the Pentland Firth wave and tidal concessions.

5.2. Locally around Islay, Jura and Colonsay (all attached to the same electricity grid spur), the long-term potential yield from wind, wave and tidal could be around £4 million per annum.

6. How revenues raised by the Crown Estate Commissioners in Scotland could be best used for the benefit of local communities in Scotland?

6.1. IET believes it is important that such revenues are used for investments in projects that fully engage the local community and that will yield sustainable benefits, rather than substitute for existing statutory programmes.

6.2. On Islay - designated a fragile economy by HIE - the community would like to see provision of energy efficiency measures and renewable energy equipment to alleviate fuel poverty, support for local renewable energy and micro-generation schemes, support for small businesses, schemes to help young people, e.g. post-school training, apprenticeships etc., which would be part of a package of job/career creation on the island, better quality affordable housing, assistance with provision of local care for vulnerable people, etc. What the community "would like to see" will be best achieved if the community itself determines its priorities and the management of the revenue stream.

7. At what level might those revenues be best administered: UK Treasury, Scottish Government or local authority level?

7.1. In so far as Crown Estate revenues represent "rent" for use of local land (or sea-bed in the case of coastal communities), assets, infrastructure, resources etc., the major portion should be spent locally. The view of many communities is that revenues accruing to national and local governments get "lost" in the overall provision of statutory obligations, and direct benefits to affected communities are impossible to identify, unless the money is specifically ring-fenced. If local people are responsible for investing in as well as operating local projects, this will contribute to greater community cohesion and enrichment than the alternative top-down approach.

7.2. Locally established and elected community or development trusts would be suitable vehicles for distributing such revenues.

8. What processes might be put in place for the distribution and allocation of those revenues, in order to secure the maximum benefit for the people of Scotland?

8.1. As mentioned above, IET would like to see a major part of, if not all, the revenues being administered locally, with the possibility of a cap on maximum revenues with the surplus going to a national fund. Various options are described below.

8.2. HM Treasury have announced that 50% of Crown Estate's rent from seabed activities would be made available to "support economic development of coastal communities". The current sum involved for the Scottish Highlands and Islands is estimated to be £1.85 million p.a. The scheme will be administered by the Big Lottery as a new "Coastal Communities Fund", and will be open for business in April 2012. Further details, e.g. for applications etc. will be published later. Whilst this scheme has superficial attractions, there is no suggestion that communities affected by offshore developments will be given priority, the Lottery application process is already complex and its criteria for awards have been criticised for failing to take into account local factors.

8.3. The Scottish Government's position is that there should be a phased devolution of control of Crown Estate properties to the Scottish Parliament. In particular, it wishes "local communities to benefit from the development of offshore renewables by the creation of a Fund for Future Generations enabling a share of the anticipated future revenues from offshore energy to be invested for the benefit of the people." This appears to be a national fund rather than local. However, full details are not yet available. IET's comments above about local distribution and use are relevant in this context.

8.4. The Crown Estate could allocate areas of the sea directly to the proximate communities in the form of a head lease. The communities would then agree (within some guidelines) terms with developers and receive lease payments directly. It would be necessary to agree on a cap on the level of return to the proximate community, with the surplus going into a general Scotland-wide fund.

8.5. Lease payments received by Crown Estate from developers/operators could be divided X% to local communities and Y% to the relevant local authority (the Argyll and Bute Council voluntary "Concordat" with some onshore wind developers has X=60% and Y=40%). This may be what the Crown Estate had in mind in their Memorandum of Understanding which has been discussed with local authorities.

9. Additional remarks

9.1. Local communities could/should be given legal rights to become investors in proximate developments, either as JV partners or via tolling/leasing model proposed in IET's shortly-to-be-published study into a Community Investment Fund. The underlying premise is that enabling local communities to take a financial stake in such projects adds value for all parties: for communities, "dividends" from projects yield socio-economic benefits; for developers, shareholder value is maintained, even enhanced; and for both, a sense of "ownership" and/or participation increases local support, and thereby facilitates the consenting process.

9.2. The term "community benefit" as used in relation to land-based wind farms is becoming devalued, and should be replaced by "social or community investment" (see *Why "Social or Community Investment" should replace "Community Benefit"*; Islay Energy Trust, June 2010, attached). This is not directly relevant to the issue of Crown Estate revenues, but the word "benefit" has associations with a handout culture which is not conducive to the sort of partnership working that adds value (para 9.1 above) and to the creation of sustainable local businesses.

Mr P H Maxwell
Chairman
Islay Energy Trust

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