

## **Policy: Option Period Extensions Beyond 10 Years**

**This policy sets out how we will consider requests for extensions to Option Periods within Energy & Infrastructure Agreements for Lease (AfLs) and Option Agreements (OAs) where the extension request will provide development rights to the tenant for more than 10 years since the original rights were awarded.**

### 1. Background

This policy sets how we manage requests for extensions to Option Periods that take the development agreement rights beyond 10 years taking into account our Framework Document<sup>1</sup> requirements and relevant laws.

Extensions beyond ten years will be an exceptional step rather than a routine one. This policy enables a consistent and transparent approach to be taken in such exceptional cases. Application of tests for projects seeking to extend beyond 10 years reflect the various factors and legal requirements which relate to maintenance / enhancement of the Scottish Crown Estate.

### 2. Tests and conditions for applicable projects

A number of tests will be applied to any request to extend development rights in an agreement(s) beyond 10 years – a legality test, a technology maturity test, a need test, a commitment test, a readiness test and a test of the prospects of financial close based upon a project and resourcing plan. These tests will allow Crown Estate Scotland to assess whether an extension could be granted.

Appropriate conditions will be incorporated into all agreement(s) when an extension is granted for a period beyond 10 years. These conditions will seek to track and manage progress and development expenditure for any extension period beyond 10 years. If a tenant fails to achieve a milestone, Crown Estate Scotland has the right to terminate the agreement.

### 3. Commercial Considerations

The rental fee for any tenant extending their option period beyond 10 years will be set based on market value at the point that the option is exercised. Similarly, the option fee for extending an option period will reflect any special value as required by the Scottish Public Finance Manual<sup>2</sup>. We will adopt a suitable valuation approach in line with our legal requirements and accepted practice.

### 4. Public Notification

Once tests have been satisfied and conditions and fees agreed, then Crown Estate Scotland will post a notification on our website ([www.crownestatescotland.com](http://www.crownestatescotland.com)) regarding our intention to decide to extend the option agreement.

Following consideration of any responses received in regard to the public notice within 12 weeks, Crown Estate Scotland would then decide either to implement the extension or not.

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<sup>1</sup> [Framework Document for Crown Estate Scotland \(2020\)](#)

<sup>2</sup> [Scottish Public Finance Manual](#)

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This policy is valid at the point of publication; Crown Estate Scotland reserves the right to review this policy.