

1. Context

Crown Estate Scotland manages property – including buildings, land, coastline and seabed – on behalf of the Scottish people.

We work in a way that:

- Generates prosperity and value for all of Scotland;
- Supports the growth of sustainable business and industry in Scottish seas and on the coast;
- Makes places better for those who live, work and visit there;
- Promotes sustainable ways of producing energy, food, and other products; and
- Creates opportunities for people to use and benefit from the Scottish Crown Estate.

The Scottish Crown Estate Act 2019 requires us to manage the assets in a way that is likely to contribute to the promotion of improvement of economic development, regeneration, social wellbeing and environmental wellbeing. To do this, we need to understand the wider value delivered by the assets and our management activities.



Asset profiles have been developed for the Estate's 21 asset classes. The profiles include information on financial returns, the public benefits delivered through our management activities, and our view of the opportunities for wider value creation.

The analysis has been undertaken in-house, using qualitative assessment and expert judgment.

2. Asset summary

We provide licences to give developers the property rights they need to lay, maintain and operate cables and pipelines on the seabed up to 12 nautical miles from the shore. This includes oil and gas pipelines, electricity and telecommunication cables. We currently have 23 hydrocarbon pipeline agreements and 19 existing cable agreements.

Pipelines are licensed as a single category, and telecoms cables are defined as either those that run from Scottish landfall to other destinations or that transit Scottish waters without making landfall.

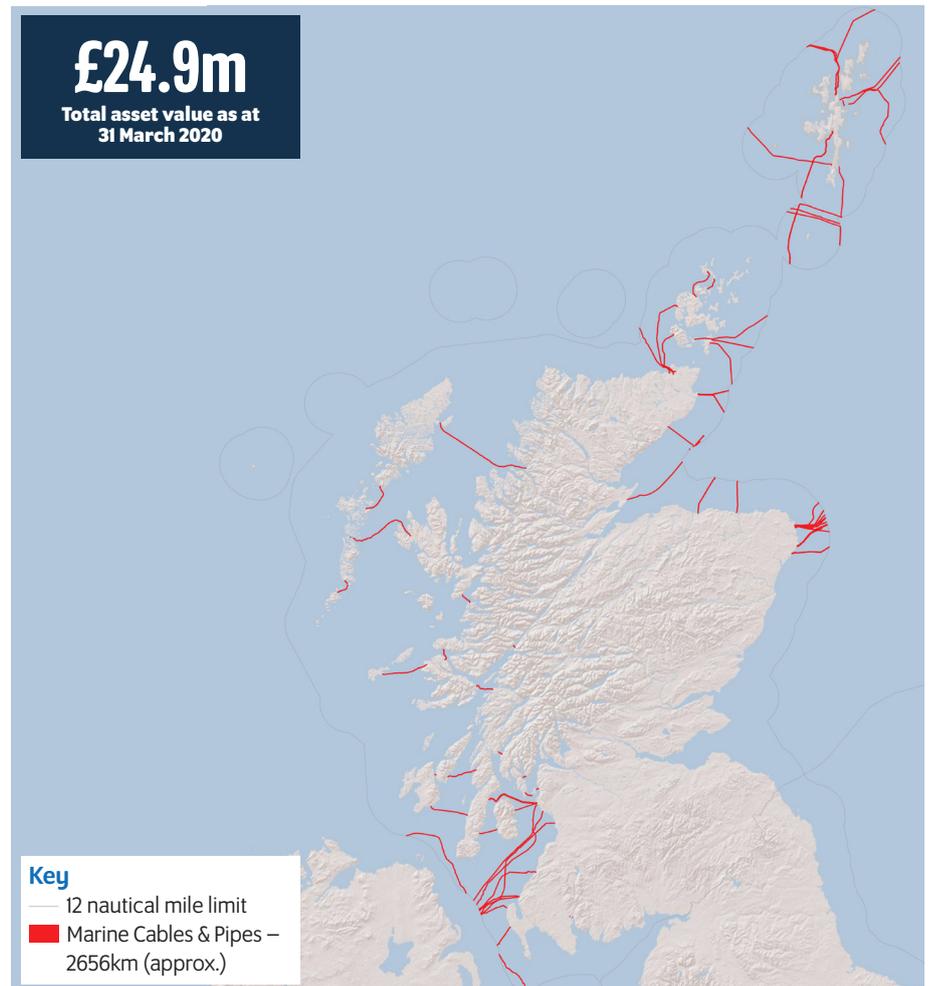
Asset information

No of agreements	26
No of tenants	29

Financial information

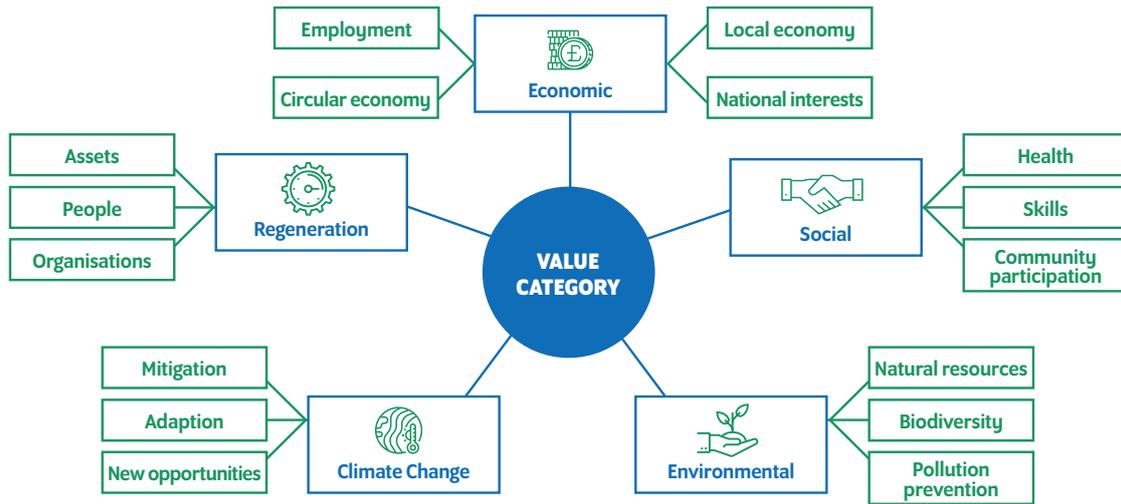
Value (March 2020)	£24.9m
Value share (% of total Estate value, March 2020)	5.8
Yield (net revenue + valuation change, 2018/19-2019/20)	13.5
Contribution (% of Crown Estate Scotland net revenue, 2019/20)	21

Marine Cables & Pipelines asset map



Map is correct as of November 2020. An up to date map is available on our website: <https://www.crownestatescotland.com/what-we-do/map>

3. Understanding Value



Five value categories have been identified:

- Economic;
- Social;
- Environmental;
- Climate Change; and
- Regeneration.

Each value category has a set of three or four indicators. The indicators are relevant for all Scottish Crown Estate asset classes and also align with Scotland’s National Performance Framework and the UN Sustainable Development Goals.

Measures of success

Economic

- Employment** – jobs created or safeguarded
- Local economy** – local businesses are active in the supply chain and provide local employment
- National interests** – benefiting Scotland’s national economy / showing leadership
- Circular economy** – increasing efficiency / reducing waste in processes and products

Social

- Health** – reflects / promotes good health at local or national level
- Skills** – stakeholders gain valuable skills
- Community participation** – community is an active stakeholder and participant

Environmental

- Natural resources** – resources used / maintained in a sustainable way
- Biodiversity** – biodiversity is protected/strengthened
- Pollution prevention** – pollution is decreased / not increased

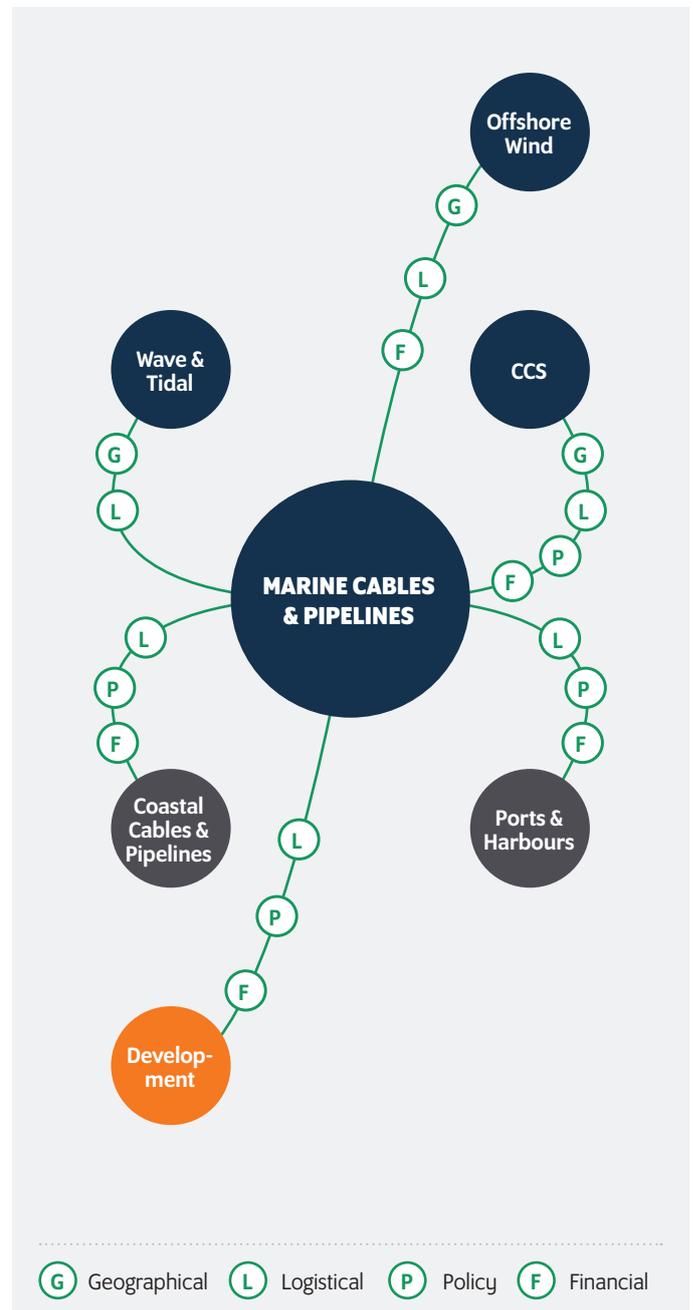
Climate change

- Mitigation** – low or zero emissions
- Adaptation** – actions increase resilience / reduce risk
- New opportunities** – new, low or net zero emissions activities/ businesses/products pursued

Regeneration

- Assets** – positive impacts on associated assets
- People** – people are enabled or empowered
- Organisations** – activities involve collaboration with other organisations

Connected assets



4. Potential for Wider Value

The diagrams below demonstrate the wider value currently generated by the asset class as a whole and indicate where we consider there is potential to deliver increased wider value. This is influenced by a range of factors including the inherent value of the assets, tenant activity, regulator activity and other external factors. For marine cables & pipelines, key areas identified with potential for increased wider value include:

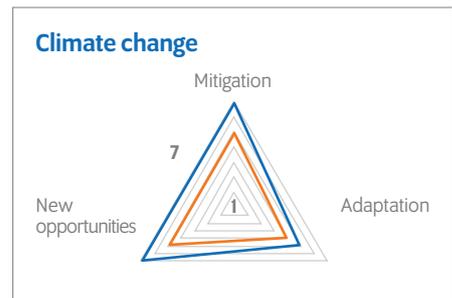
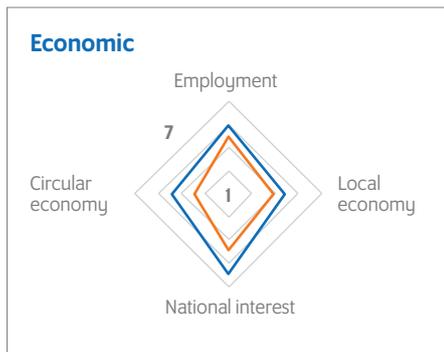
- **Economic** – significant potential for national interest in relation to energy interconnectors, pipelines for hydrogen transport and gas storage, and data centres. Employment and local supply chain opportunities could also be supported by these sectors. Oil and gas jobs likely to decrease in the medium-term. Circular economy potential where existing pipelines can be reused for hydrogen transport and gas storage.
- **Environment** – potential opportunities relating to reuse and removal of equipment from the seabed.

Opportunities

- Reuse of pipelines for new non hydrocarbon gas transport;
- Increased potential demand from renewables to evacuate capacity for other purposes;
- Increased demand for subsea fibre optic cables as demand for internet capacity grows; and
- Increased broadband delivery to islands and remote locations which delivers economic growth.

Threats

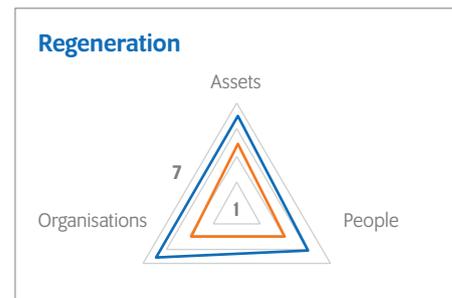
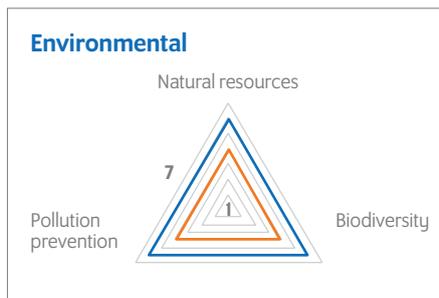
- Declining oil and gas sector will lead to decommissioning of assets in the North Sea.



Key
— Potential — Current

Assessment key

1. Damaging	5. Very Good
2. Poor	6. Matching Best Practice
3. Fair	7. Setting New Best Practice
4. Good	



This full value potential is indicated by the blue line. The actual average performance of the assets as currently managed is shown by the orange line. The opportunity for delivering enhanced value is the stretch between the orange line and the blue line.

Where potential and actual performance are the same the orange line will hide the blue line beneath it. No weighting has been applied to any indicator.

5. Benefits delivered by Crown Estate Scotland

Our latest Corporate Plan sets out our four roles:

Investor

Investing in, for example, property development, as well as building external partnerships and supporting staff.

Asset Manager

Careful management of leases and agreements, as well as direct management of forestry and mountain bike trails.

Co-ordinator

Supporting other Scottish Crown Estate managers by, for example, coordinating spatial information.

Enabler

Empowering others by supporting local plans and projects, providing access to property and helping address barriers to sector growth.

For marine cables & pipelines, some examples of our activities include:

Asset Manager

- Leasing agreements that enable digital connectivity across remote and rural parts of Scotland.

Enabler

- Completed a study with Scottish Enterprise and Scottish Futures Trust to identify potential sites for data centres.

The table below presents our assessment of the significance of the benefits that we currently deliver through these four roles. Our Corporate Plan sets out actions against these four roles. Over time, we expect the significance of benefits to increase as considerations regarding wider value are embedded into decision making.

MARINE CABLES & PIPELINES	Investor	Asset manager	Enabler	Coordinator
Economic				
Employment	Inactive	Medium	Low	Inactive
Local economy	Inactive	Medium	Low	Inactive
National interests	Inactive	Medium	Medium	Inactive
Circular economy	Inactive	Low	Low	Inactive
Social				
Health	Inactive	Low	Low	Inactive
Skills	Inactive	Low	Low	Inactive
Community participation	Inactive	Low	Low	Inactive
Environmental				
Natural resources	Inactive	Low	Low	Inactive
Biodiversity	Inactive	Low	Low	Inactive
Pollution prevention	Inactive	Low	Low	Inactive
Climate change				
Mitigation	Inactive	Medium	Medium	Inactive
Adaptation	Inactive	Medium	Low	Inactive
New opportunities	Inactive	Medium	Medium	Inactive
Regeneration				
Assets	Inactive	Medium	Medium	Inactive
People	Inactive	Medium	Low	Inactive
Organisations	Inactive	Medium	Medium	Inactive

Key

- Inactive
- Low
- Medium
- High

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