PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

CROWN ESTATE BILL [*LORDS*]

First Sitting

Thursday 6 February 2025

(Morning)

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not later than

Monday 10 February 2025

The Committee consisted of the following Members:

Chairs: † Gill Furniss, David Mundell

† Charters, Mr Luke *(York Outer)* (Lab)
Franklin, Zöe *(Guildford)* (LD)
† Heylings, Pippa *(South Cambridgeshire)* (LD)
Jogee, Adam *(Newcastle-under-Lyme)* (Lab)
† Jopp, Lincoln *(Spelthorne)* (Con)
† Kirkham, Jayne *(Truro and Falmouth)* (Lab/Co-op)
† Law, Noah *(St Austell and Newquay)* (Lab)
† Medi, Llinos *(Ynys Môn)* (PC)
† Moon, Perran *(Camborne and Redruth)* (Lab)
† Murray, James *(Exchequer Secretary to the Treasury)*
† Onn, Melanie *(Great Grimsby and Cleethorpes)* (Lab)
Race, Steve *(Exeter)* (Lab)
† Robertson, Dave *(Lichfield)* (Lab)
† Snowden, Mr Andrew *(Fylde)* (Con)
† Strathern, Alistair *(Hitchin)* (Lab)
† Wakeford, Christian *(Bury South)* (Lab)
† Wild, James *(North West Norfolk)* (Con)

Chris Watson, Claire Cozens, *Committee Clerks*

† attended the Committee

Public Bill Committee

Thursday 6 February 2025

(Morning)

[Gill Furniss *in the Chair*]

Crown Estate Bill [*Lords*]

11.30 am

The Chair: Will everyone ensure that all electronic devices are turned off or switched to silent mode. We now begin line-by-line consideration of the Bill. No food or drinks are permitted during sittings of the Committee, except for the water provided. *Hansard* colleagues would be grateful if Members could email their speaking notes to hansardnotes@parliament.uk or, alternatively, pass their written notes to them in the room.

The selection list for today's sitting is available in the room and on the parliamentary website. It shows how the clauses and selected amendments have been grouped for debate. The Member who has put their name to the lead amendment in a group will be called to speak first; in the case of a stand part debate, the Minister will be called first. Other Members are then free to indicate that they wish to speak by bobbing which, as you all know, means standing up in your place.

At the end of a debate on a group of amendments and new clauses, I shall call the Member who moved the lead amendment or new clause again. Before they sit down, they will need to indicate whether they wish to withdraw the amendment or the new clause or to seek a decision. If any Member wishes to press any other amendment or new clause in a group to a vote, they will need to let me know. I hope that explanation is helpful.

Finally, I remind Members about the code of conduct relating to registered interests. If any Members wish to declare an interest, they should do so now. As there are no interests, I will call the Minister to move the programme motion standing in his name, which was discussed yesterday by the Programming Sub-Committee for the Bill.

Ordered,

That—

1. the Committee shall (in addition to its first meeting at 11.30 am on Thursday 6 February) meet at 2.00 pm on Thursday 6 February and 9.25 on Tuesday 11 February;

2. the proceedings shall (so far as not previously concluded) be brought to a conclusion at 11.25 am on Tuesday 11 February.—*(James Murray.)*

Resolved,

That, subject to the discretion of the Chair, any written evidence received by the Committee shall be reported to the House for publication.—*(James Murray.)*

Clause 1

Power of Crown Estate Commissioners to borrow etc

James Wild (North West Norfolk) (Con): I beg to move amendment 4, in clause 1, page 1, line 26, at end insert—

"(3) The Chancellor of the Exchequer must limit borrowing by the Crown Estate under this section by regulations made by statutory instrument, and these regulations may not be made unless a draft of the instrument has been laid before and approved by a resolution of each House of Parliament.

(4) The first set of regulations made under subsection (3) must limit borrowing to a net debt to asset value ratio of no more than 25 per cent."

This amendment would limit the amount the Commissioners may borrow by regulations subject to the affirmative procedure for statutory instruments.

The Chair: With this it will be convenient to discuss the following:

Amendment 7, in clause 1, page 1, line 26, at end insert—

"(3) The Treasury must by regulations limit borrowing to a net debt to asset value ratio of no more than 25 per cent.

(4) A statutory instrument containing regulations under subsection (3) may not be made unless a draft of the instrument has been laid before and approved by a resolution of each House of Parliament."

This amendment would limit the amount the Commissioners may borrow by regulations.

Clause stand part.

James Wild: It is a pleasure to serve under your chairmanship, Ms Furniss, and to get the Committee started this morning. The clause amends the Crown Estate Act 1961 to remove certain statutory restrictions on the commissioners' powers, and it clarifies and expands those powers in certain respects. Specifically, it broadens the Crown Estate's investment powers and confers a broader power to borrow, subject to Treasury consent.

As well as moving the amendment, I will speak to the clause. The Crown Estate Bill was conceived under the previous Government, and I am pleased that it has now progressed to this stage. We support the objective of the clause, which is to increase the Crown Estate's ability to compete and invest, so that it maintains and enhances the value of the estate and the income derived from it.

As the Committee knows, assets managed by the Crown Estate are not the property of the Government, and nor are they part of the sovereign's private estate. Since George III, the assets have been held in right of the Crown—in other words, they are owned by the Crown as an institution, not personally by the monarch. The concept of the Crown encompasses the interests of both the sovereign and the Government. That is why appropriate scrutiny of the Crown Estate is important. The Estate has assets worth £15.5 billion and a portfolio of 185,000 acres, and it manages roughly 7,400 miles of coastline. It is also the largest contiguous owner in the west end.

The Crown Estate returns all its net profits to the Treasury. In 2023-24, it recorded a net profit of £1.1 billion. Over the past decade, it has generated £4.1 billion for the nation's finances, which is a laudable record, but

there is the potential to do more. The Crown Estate estimates that the changes in the clause will enable it to generate £100 million per annum in additional revenues to the Treasury by 2030. That is forecast in the original business case that led to this legislation. It is therefore right that we should help to modernise the Estate as it aims to create lasting prosperity for the nation.

At present, the Crown Estate is limited to making investments in certain types of property and certain restricted types of security held on the Crown Estate's behalf by the national debt commissioners. The Estate's powers to borrow for the purposes of discharging or redeeming incumbrances affecting the Estate are very limited. The Bill will modernise the Estate by removing those limitations.

Although we support the borrowing power, we are concerned that there is a lack of parliamentary oversight over the borrowing levels. This is a new power. The Crown Estate should be prudent on the level of borrowing. The purpose must be supporting the Estate's duty to maintain and enhance its value for maximised return to taxpayers. That is why we have tabled amendment 4, which would limit the amount the commissioners may borrow instruments. Specifically, the amendment would limit borrowing to a net debt-to asset value ratio of no more than 25% initially.

When pushed by Baroness Vere and other noble Friends in the other place, the Government stated that a limit on borrowing is better placed outside legislation and that controls would be set out in the memorandum of understanding between the Crown Estate and the Treasury. On Second Reading, the Minister repeated that, saying:

"There will, as has been noted, be a memorandum of understanding in place between the Treasury and the Crown Estate, and that will govern how borrowing powers will be exercised."—[*Official Report*, 7 January 2025; Vol. 759, c. 805.]

The target borrowing level in that MOU sets out that the loan-to-value ratio should not exceed 25%. Given that the Government agree that there should be a limit, we should introduce robust safeguards in statute to protect against unconstrained borrowing. An MOU between the Treasury and the Crown Estate is easily altered at the stroke of a pen. If Parliament is being asked to remove the restriction to allow the Crown Estate to borrow, I struggle to see the logic in why the Government think that the cap they have committed to should not initially be set in legislation, with the ability to amend it by secondary legislation, if necessary. I would be grateful if the Minister could address those concerns and confirm whether the Government have considered this proposal since Second Reading.

A limit must be subject to the affirmative procedure, which is a proportionate step that will ensure that the Crown Estate can access that borrowing to maintain and enhance the value of its land, property, and interests for the benefit of the nation. However, borrowing can be risky, and this is a new power, so it should be subject to some controls and we should be cautious. I contend that amendment 4 is a perfectly reasonable check on the borrowing power, and I hope we can get the Committee off to a positive start, with the Minister accepting it.

Pippa Heylings (South Cambridgeshire) (LD): Amendment 7 is similar to amendment 4, and is supportive of its essence. It is about introducing a sensible borrowing limit for the Crown Estate commissioners by capping their net debt-to-asset value ratio at 25%, with any change to that limit requiring parliamentary approval.

As we have just heard, clause 1 as it stands grants the Crown Estate significant new powers to borrow and access financial assistance from the Treasury. Although investment in the Crown Estate's portfolio—particularly in areas such as offshore wind—is welcome, it is vital that we ensure fiscal responsibility and protect the long-term value of these assets for the nation.

Amendment 7 is about introducing proper safeguards. The Crown Estate manages over £16 billion in assets, and its revenues contribute directly to the Treasury and public finances. Without a clear borrowing limit, we could risk unchecked debt accumulation, which could ultimately undermine the Estate's financial sustainability and reduce the returns it provides to the Exchequer. A 25% debt-to-asset ratio is a reasonable cap and allows for investment and growth, but prevents excessive leveraging that could put the Estate's finances at risk. Crucially, the amendment also ensures parliamentary oversight. Any changes to the limit must be debated and approved by both Houses, rather than left solely to the discretion of the Treasury.

This is not about preventing the Crown Estate from borrowing; it is about ensuring that borrowing is responsible, transparent and aligned with the long-term interests of the nation. Given the Crown Estate's unique status and the importance of its revenues to the public purse, it is only right that Parliament retains a say over any significant increase in borrowing capacity. The amendment would only confirm assurances that were provided in the other House by Lord Livermore. In his work with Baroness Kramer, we were assured that there would be a cap on borrowing to 20% of the loan-to-value ratio in the updated framework agreement. Amendments 4 and 7 reflect those promises, and I urge the Government to support amendment 7 to safeguard the financial integrity of the Crown Estate and ensure that borrowing powers are used wisely and with proper oversight.

The Exchequer Secretary to the Treasury (James Murray): It is a pleasure to serve on the Committee with you as Chair, Ms Furniss. I will turn to the amendments in a moment, but I will first briefly address why clause 1 should stand part, and what it would achieve in amending the Crown Estate Act 1961.

The clause amends the 1961 Act to clarify the powers of the commissioners and remove certain statutory restrictions in respect of borrowing. Those changes are central to the aims of the Bill, which are to modernise the Crown Estate and to remove limitations on investments, to ensure that it can meet its core statutory duties. Those duties—which it is right for the Crown Estate to pursue in the national interest—are to maintain and enhance the value of the estate and the returns obtained from it.

The Crown Estate is a commercial business, independent from Government, that operates for profit and competes for investment. However, limitations placed on it by the Crown Estate Act 1961 currently risk its ability to compete and invest most effectively, meaning that it is less able to deliver returns for the public purse than it might otherwise be. The clause therefore makes two main changes.

[James Murray]

First, the clause clarifies the investment powers of the Crown Estate commissioners by expressly conferring powers that are currently implicit in the 1961 Act. That ensures that the commissioners have the power to do anything that is designed

"to facilitate, or is conducive or incidental to,"

discharging their statutory duties, including their core duties to maintain and enhance the value of the estate. The clause also removes restrictions on the commissioners' powers to invest.

Through those broader investment powers, the Crown Estate will have greater flexibility to invest in new growth opportunities—for example, in digital technologies, to support the acceleration of offshore energy through digital mapping of the seabed. These broader powers will also unlock the Crown Estate's ability to under de-risking activities, such as surveys and grid co-ordination, which will increase the frequency of offshore wind leasing and support the clean energy mission.

Secondly, clause 1 inserts a proposed new section into the 1961 Act that would grant the Crown Estate the power to borrow out of the national loans fund via the Treasury, or otherwise subject to Treasury consent. It also authorises the Treasury to provide financial assistance to the commissioners. That change will unlock the Crown Estate's ability to compete more effectively, by enabling it to borrow as its competitors currently can.

The clause has been carefully drafted to include the requirement for Treasury consent prior to the Crown Estate accessing debt. That strong safeguard will ensure that borrowing is carefully considered and controlled. Furthermore, as borrowing will be from Government at commercial rates, the interest paid by the Crown Estate will outweigh the cost to Government of the borrowing.

Any borrowing undertaken by the Crown Estate will be for investment in activities that will drive increases in its revenues, thereby also increasing the profits it generates and provides to the Government, which will help to provide funding for our public services. That will be a net benefit to the public finances, and builds on the Crown Estate's long track record of delivering significant returns to the public purse year after year. As the shadow Minister mentioned, that has totalled more than £4 billion in the last decade.

I will now turn to amendments 4 and 7, which were tabled by the hon. Members for North West Norfolk and for South Cambridgeshire respectively. The amendments would place a legislative limit on borrowing, through regulations, but it is the Government's view that limits on borrowing are best set outside of legislation. For that reason, a limit will be set in the memorandum of understanding between the Treasury and the Crown Estate, with the cap set at no more than a 25% net debt-to-asset value ratio. That document has been made available in draft to aid the House in its scrutiny.

The primary safeguard built into the Bill is the requirement for Treasury consent. We are also retaining the requirement for the Crown Estate to maintain and enhance the value of the estate, while having

"due regard to the requirements of good management",

as set out in the 1961 Act. Taken together, those elements provide clear guardrails and strengthen the important fiduciary duty of the commissioners not to take decisions that could endanger the estate or compromise its core duties.

To underscore the point—given that the two Opposition Members raised questions about this—the Bill is clear that any borrowing undertaken by the Crown Estate can only be from the Treasury or otherwise with Treasury consent. The Treasury will, of course, ensure that any borrowing is consistent with our wider fiscal rules. Therefore, in addition to the requirement to secure Treasury consent, the draft memorandum of understanding between the Treasury and the Crown Estate sets out additional guardrails. For instance, it says that the borrowing should "target a sustainable range", and is "not to exceed 25%" of the

"Loan to value ratio (defined as the ratio of net debt to asset value"

As with any public sector borrowing, the Treasury will ensure that this is consistent with managing public money principles, to ensure value for money from the taxpayer. On that basis, I hope hon. Members will not press their amendments.

11.45 am

As I said, clause 1 will provide the Crown Estate with the powers to borrow, subject to Treasury consent, and clarifies its investment powers. Together, these changes will modernise the Crown Estate, give it the tools it needs to compete more effectively in the commercial world and, as a result, increase the revenue it generates for the public purse. I therefore commend clause 1 to the Committee.

James Wild: I am disappointed to hear the Minister's response. He did not quite address the point that an MoU —I appreciate that he has provided a draft to the Committee—can simply be changed if Ministers and the Crown Estate decide they want to change the level. Only in the last week or so, we have passed into law the charter for Budget responsibility, setting out the Government's fiscal rules in statute, so I am not sure why there is an in-principle objection to setting out such borrowing in legislation. I think that that would be a prudent step, as we and the Crown Estate embark on a new period with this borrowing power. I will therefore push my amendment to a vote.

Question put, That the amendment be made.

The Committee divided: Ayes 3, Noes 9.

Division No. 1]

AYES

Jopp, Lincoln	Wild, James
Snowden, Mr Andrew	

NOES

Charters, Mr Luke	Onn, Melanie
Kirkham, Jayne	Robertson, Dave
Law, Noah	Strathern, Alistair
Moon, Perran	Wakeford, Christian
Murray, James	

Question accordingly negatived.

Clause 1 ordered to stand part of the Bill.

Clause 2

NUMBER OF CROWN ESTATE COMMISSIONERS AND THEIR SALARIES AND EXPENSES

James Wild: I beg to move amendment 5, in clause 2, page 2, line 11 at end insert—

"(5A) The Commissioners must notify the Chancellor of the Exchequer of any proposed changes to the remuneration framework governing remuneration of the Chief Executive set out in the Framework Document.

(5B) The Chancellor of the Exchequer must lay before Parliament any notification received under subsection (5A)."

This amendment requires Commissioners to notify the Chancellor of the Exchequer of any changes to the remuneration of the Chief Executive, who must lay that notification before Parliament.

The Chair: With this it will be convenient to discuss clause stand part.

James Wild: The clause amends schedule 1 to the Crown Estate Act 1961. Specifically, it will increase the number of commissioners from eight to 12 and require them to be paid out of the returns generated by the Crown Estate, rather than out of money provided by Parliament, as is the case currently.

Clause 2 is intended to bring the Crown Estate's operating practice in line with best practice for corporate governance. Subsection (2) seeks to provide the flexibility to allow the board to include a combination of executive and non-executive directors, to reflect its increasingly diverse activities. Subsection (2) also removes the requirement for the second Crown Estate commissioner—a post currently held by the chief executive—to be the deputy chairman. This measure seeks to satisfy best practice standards, whereby the roles of chairman and chief exec should not be exercised by the same person.

We are supportive of the changes, and I put on record again my thanks to Baroness Vere of Norbiton for pushing the Government to give assurances that the chair of the Crown Estate commissioners could be added to the Cabinet Office's pre-appointment scrutiny list. I understand that we are waiting for the Treasury Committee to set a date for the pre-appointment hearing for Ric Lewis. Subsection (3) requires the salaries and expenses of the commissioners to be paid out of the returns of the estate to reflect the Crown Estate's commercial freedom and function, and to place the commissioners in a position that is more consistent with general commercial practice.

I turn now to amendment 5, which is tabled in my name. As I have set out, as well as modifying the governance, clause 2 alters the way in which the commissioners are paid. Parliament will no longer need to approve the salaries and expenses of the commissioners and their staff. However, I believe that some form of parliamentary oversight is needed. At present, the estimate details supply finance and is voted on by Parliament at the beginning of the financial year. Amendment 5 would simply require the commissioners to

"notify the Chancellor of the Exchequer of any proposed changes to the remuneration framework governing remuneration of the Chief Executive set out in the Framework Document."

The Chancellor of the Exchequer would then be required to lay before Parliament any such notification.

Currently, the remuneration policy and framework for the Crown Estate's staff is the responsibility of the board's remuneration committee, and the framework document states:

"The Committee will share any planned changes to the remuneration framework with HM Treasury to seek their agreement."

Given that Parliament will no longer be needed to approve the salaries, does the Minister agree that it would be sensible to ensure that Parliament is at least notified of any changes to the remuneration policy that affect the chief executive?

At present, the framework document sets out that the

"maximum remuneration of the Chief Executive should be in line with or below that of the lower quartile of an appropriate benchmark group agreed with HM Treasury."

It also states that

"the clear majority of the Chief Executive's total reward package should be conditional upon performance, with a significant element of that conditional upon long term performance",

given the Crown Estate's primary duty. The Opposition support rewarding success and the delivery of targets, but any such changes to the policy should be considered by Parliament.

On Second Reading, the Minister said:

"As the Crown Estate is statutorily an independent, commercial organisation, which returns hundreds of millions of pounds in profit to the Exchequer every year, continuing the success is crucial and it requires the organisation to have the freedom to compete for the top talent in the commercial world."—[*Official Report*, 7 January 2025; Vol. 759, c. 805.]

We absolutely agree on that, but I struggle to see how ensuring that Parliament is simply notified of changes to the chief executive's pay policy will restrict the Crown Estate's ability to compete for top talent. It is about transparency, and it would simply provide much-needed scrutiny to a process for which there is currently parliamentary oversight, given the statutory purpose of the Crown Estate. I would welcome support for our amendment, and I look forward to the Minister's response.

James Murray: I will turn to amendment 5 in a moment, but I will begin by briefly setting out what clause 2 seeks to achieve. The clause makes changes to the Crown Estate's governance to bring the Crown Estate's constitution in line with best practice for modern corporate governance. The clause makes three changes, which I will deal with in turn.

First, the clause increases the maximum number of commissioners on the Crown Estate's board from eight to 12. That will provide the Crown Estate with the flexibility it needs to satisfy best practice standards for modern corporate governance. For example, the change will allow the Crown Estate's board to include a wider combination of executive and non-executive members, both to reflect its increasingly diverse and wide-ranging activities and to enable it to adopt appropriate committee structures.

However, I assure the Committee that although we are increasing the number of commissioners, we are not changing the way in which they are appointed to the role, except for the new commissioner roles introduced by clause 6. The exact number and the respective roles of the commissioners within that new maximum will remain subject to the public appointments process. As such, additional commissioners will be appointed by

[James Murray]

the King on the recommendation of the Prime Minister, as is usual practice. That also includes the new commissioners with special responsibility that we will consider in our debate on clause 6, for which there will also be a process of consultation with the relevant devolved Government. The chair will face additional pre-appointment scrutiny, as the Financial Secretary confirmed in the other place.

Secondly, the clause removes the requirement for the second Crown Estate commissioner, a post currently held by the chief executive, to be deputy chair. This change will align the Crown Estate with best practice standards that set out that the roles of chair and chief executive should not be exercised by a single individual.

Thirdly, the clause will require the salaries and expenses of the commissioners to be paid out of the return obtained from the Crown Estate, rather than out of money provided by Parliament, which is the current position. Changing the source of funding for commissioner salaries is intended to demonstrate more clearly the relationship between the relevant expenditure and Crown Estate income, while also reflecting the Crown Estate's commercial functions. However, the pay of the chair and other non-executive commissioners will continue to be set by Treasury Ministers. In line with the UK corporate governance code, that will not include any performance-related element.

Lincoln Jopp (Spelthorne) (Con): Clearly, the highest standards of independence and probity will be required of the chair in order to execute their duties, particularly given that we have not brought back to Parliament the ability to raise debt on the assets of the Crown Estate. I feel duty bound therefore to ask the Minister whether he is aware of media reports that the Chancellor's preferred candidate for chair is a recent Labour party donor who gave £15,000 to the Labour party in 2023 and £30,000 to the Foreign Secretary. It is not unreasonable of the shadow Minister's amendment to seek that level of transparency by asking for any future changes to salaries for chairs to come back to Parliament.

James Murray: The hon. Member asks about the amendment tabled by the hon. Member for North West Norfolk, to which I was just about to turn. If he will allow, I will address the amendment and that will answer at least some of the questions he raises in his intervention.

Amendment 5 would require the commissioners to notify the Chancellor of the Exchequer of any proposed changes to the remuneration framework for the chief executive set out in the framework document and for such notification to be laid before Parliament by the Chancellor. I will set out the current arrangements on remuneration for the chief executive of the Crown Estate.

How the chief executive is paid is a matter for the Crown Estate's board in the first instance. However, the pay is set with reference to the agreement between the Treasury and at a level that is at the lower end of the Crown Estate's comparable peers, reflecting the national significance of the organisation. The framework document between the Crown Estate and the Treasury is clear that the Crown Estate

"will share any planned changes to the remuneration framework with HM Treasury to seek their agreement."

I think that very much delivers on the spirit of the amendment.

The Crown Estate's annual report and accounts already include as a matter of course a comprehensive report on remuneration and details of the chief executive's pay. Taken together, those arrangements already deliver on the essence of the amendment and I hope that, with that explanation, the hon. Member for North West Norfolk will feel able to withdraw the amendment.

The primary intention of the Bill is to modernise the Crown Estate and ensure that it is best able to operate in a modern, commercial environment. These changes are central to that aim.

James Wild: I am grateful for the contributions on this point and for the Minister's response. I have read the framework agreement closely. At the moment, the Crown Estate will notify the Treasury of changes and ultimately the Treasury will come to Parliament through the estimates process to approve the pay, based on that policy.

What is going to change is that the Crown Estate will be paying from within the income it generates. While the Treasury may still know that there has been a change, no one else will necessarily know. Although I take the point that the annual report will detail any changes, there will be a lag—the policy could have been in place for some time before that happens.

12 noon

I am not sure the Minister addressed the point of my hon. Friend the Member for Spelthorne about donations and whether the Chancellor was aware of that before she nominated the proposed chair to this position. It is important that we get an answer to that on the record. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Clause 2 ordered to stand part of the Bill.

Clause 3

Sustainable development

Melanie Onn (Great Grimsby and Cleethorpes) (Lab): I beg to move amendment 1, in clause 3, page 2, line 17, at end insert—

"(3B) In keeping the impact of their activities under review, the Commissioners must have regard to—

(a) the United Kingdom's net zero targets;

(b) regional economic growth; and

(c) ensuring resilience in respect of managing uncertainty, risk and national security interests."

This amendment would require the Crown Estate Commissioners, in reviewing the impact of their activities on the achievement of sustainable development, to have specific regard to the United Kingdom's net zero targets, regional economic growth, and resilience in respect of managing uncertainty, risk and national security interests.

The Chair: With this it will be convenient to discuss the following:

Amendment 6, in clause 3, page 2, line 17, at end insert—

"(3B) In complying with the duty under subsection (3A), the Commissioners must—

(a) set and publish sustainable development objectives in relation to their activities,

(b) take all reasonable steps to meet these objectives, and

(c) have regard to the relevant environmental legislation for the UK, England, Wales and Northern Ireland in relation to making these objectives.

(3C) For the purposes of subsection (3B), 'relevant environmental legislation' includes—

(a) the Climate Change Act 2008,

(b) the Environment Act 2021,

(c) the Well-being of Future Generations (Wales) Act 2015, and

(d) the Environment (Wales) Act 2016."

This amendment would require the Commissioners to set sustainable development objectives for their activities, having regard to the Climate Change Act 2008, Environment Act 2021, Wellbeing of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016.

Amendment 8, in clause 3, page 2, line 17, at end insert—

"(3B) Any framework document published by the Chancellor of the Exchequer, the Crown Estate and the Commissioners must define 'sustainable development' for the purposes of this Act.

(3C) The definition under subsection (3B) must include reference to a climate and nature duty.

(3D) A 'climate and nature duty' means a duty to achieve any targets set out under Part 1 of the Climate Change Act 2008 or under sections 1 to 3 of the Environment Act 2021."

This amendment would ensure that this act's Framework Agreement must define "sustainable development", and that the definition must include reference to a climate and nature duty.

Melanie Onn: It is a pleasure to serve under your chairmanship, Ms Furniss, and to speak to this amendment. Its intention relates to the additional funds that the Crown Estate will be able to unlock—something I welcome to improve investment in the country, rather than it being tied up by coming back into the Treasury to then be redistributed. It aims to ensure that there is an arrangement for funding from the Crown Estate, in projects and activities that it is already engaged in, to support the local regions where those are taking place.

It does not seem to me unreasonable that consideration should be given, as part of the Crown Estate's considerations, to the UK's net zero targets, as is expected of other organisations. Net zero is one of Government's key missions, so to have some sympathy and some similarity in the way that organisations are expected to conduct themselves in relation to their overall objectives seems straightforward.

The amendment also adds the gentlest of additional check-ins for the Crown Estate to ensure that those wider community benefits that have the opportunity to generate lasting change in coastal communities are part of the Crown Estate's considerations. There are so many benefits from this Bill—it is very welcome for that reason—and they should be specifically included.

Jayne Kirkham (Truro and Falmouth) (Lab/Co-op): The Crown Estate, until now, has made decisions on the leasing of the seabed based mainly on price and cost and nothing else. This Bill will change that by asking commissioners to "keep under review the impact of their activities on…sustainable development".

Amendment 1 simply clarifies "sustainable development" and slightly expands on what that means for, for example, net zero targets and economic growth. I ask the Minister to consider that and to assure us that that is what the Bill is intended to do, and that it will be the progress and direction of the Crown Estate.

Llinos Medi (Ynys Môn) (PC): It is a pleasure to serve under your chairship. Ms Furniss. I rise to speak to amendment 6, tabled in my name. The amendment would amend clause 3, which relates to the regard of sustainable development that the Crown Estate commissioners must have when undertaking their activities. It would require the commissioners to set sustainable development objectives for their activities and require them to have regard for UK-wide legislation, such as the Climate Change Act 2008 and the Environment Act 2021. I note that is also the intention of amendment 8.

In addition, amendment 6 would require regard for devolved legislation in England, Wales and Northern Ireland. For Wales, that would include the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016. Shockingly, child poverty in Wales is set to reach its highest rate in 30 years by the end of this decade, with more than 34% of children living in low-income families. That is 5% up on the current rate, and means that around 32,000 more children in Wales could be pushed into poverty.

The activities of the Welsh Crown Estate could be geared towards helping to address rising child poverty by having regard to the seven wellbeing goals of the Well-being of Future Generations (Wales) Act, such as to develop a more equal, prosperous and resilient Wales. More broadly, this amendment draws inspiration from measures within the Scottish Crown Estate Act 2019, which legislates to ensure that management of the Scottish Crown Estate's assets is done so that it is likely to contribute to economic development, regeneration and social and environmental wellbeing.

The Crown Estate manages a huge amount of land and natural assets. It is only right that it works with existing devolved legislation across all nations to meet sustainable and wellbeing goals, and to do so by fulfilling clear objectives. I urge the Government to incorporate this aim into the Bill.

Pippa Heylings: I will speak to amendment 8, which is similar to amendment 6. It would strengthen clause 3 by ensuring that sustainable development is properly defined within the Crown Estate's framework document and that this definition explicitly includes a climate and nature duty.

The Crown Estate plays a pivotal role in the management of our land, seas and natural resources. It is well known for its ambition around nature recovery. It is a key player in our offshore wind expansion, biodiversity conservation and sustainable land management, but in areas in which there are multiple competing uses and values, including fishing, marine protected areas, and even highly protected marine areas. Therefore we need reassurances, as were obtained in the other House, that clause 3 does not just require commissioners to keep under review their impact on sustainable development without clearly defining what that means in practice.

[Pippa Heylings]

I must acknowledge where this amendment started in life, which is with Baroness Hayman's work in the other House. After much debate, it was agreed that sustainable development must be kept under review by the commissioners, but with a reference to the framework document in which a definition would be provided. Baroness Hayman said:

"What matters is the impact we have and how much we have shifted the dial in terms of what the Crown Estate achieves in support of the Government's climate and nature objectives." —[*Official Report, House of Lords,* 5 November 2024; Vol. 840, c. 1448.]

This amendment seeks to provide clarity and accountability for what was agreed verbally in the other House—that the definition would not be on the face of the Bill, but would be in the updated framework agreement. We need that to ensure there is a consistent benchmark against which decisions can be assessed, in line with the public duty to our climate and nature targets. As the definition within the framework agreement would specifically refer to, those are the climate targets under the Climate Change Act 2008 and the nature restoration goals under the Environment Act 2021.

This would mean that the Crown Estate cannot simply pay lip service to sustainability; it must actively contribute to decarbonisation, biodiversity protection and the UK's broader environmental goals. Climate change and nature loss are economic risks, as well as environmental ones. Embedding clear, enforceable sustainability duties in the Crown Estate's framework, according to our existing legislation, will ensure that its investments and operations support long-term resilience and prosperity. This amendment strengthens the existing clause. It does not seek to define it on the face of the Bill, but assures us, as happened in the other House, that the definition is within the framework agreement.

Perran Moon (Camborne and Redruth) (Lab): I will also speak to amendment 1. I add my voice to the request for assurances from the Minister on the alignment of sustainable development with the UK's net zero goals, and also on community benefits. I agree with him that we must not lay too narrow a scope on the Crown Estate and seek to limit its opportunity as a key revenue driver for the UK economy. Goodness knows, we need it after 14 years of Conservative failure.

I am really concerned, however, about the potential bypassing of deprived coastal communities in the revenue from the Crown Estate to the Treasury. It would be nice to get reassurance from the Treasury of the Government's plans to ensure that coastal communities closest to many of these huge revenue opportunities will see some of the benefits of that growth.

Mr Andrew Snowden (Fylde) (Con): It is a pleasure to serve under you on this Committee, Ms Furniss. I would like to echo the final points—not some of the other points, obviously—of the hon. Member for Camborne and Redruth regarding reassurances from the Minister about the economic benefit that these offshore projects will create for local communities. I represent a coastal community with the beautiful Fylde coastline, and north of us is Blackpool and Fleetwood. The Crown Estate owns significant amounts of seabed off the coast of Fylde. There are a number of projects under way, including the Morgan and Morecambe wind farm, which will cable through Fylde constituency to get to the national grid.

These amendments reference the Environment Act 2021 and regional economic growth. Can the Minister give reassurances that when projects such as offshore wind go ahead—they could be further encouraged by these amendments—local communities will be taken into account regarding the economic benefit? At the minute, a lot of the projects end up being opposed by and very unpopular with local communities, because all they see is the environmental damage being done to their area, countryside and coastline, and there is no economic benefit left from residual cabling that runs through areas. Although I welcome some of what the amendments try to do, I seek assurances that, at the heart of this, we have the communities who are negatively impacted by these projects seeing benefit as well.

James Wild: Clause 3, the first of several clauses added on Report in the House of Lords, will amend section 1 of the 1961 Act to require the commissioners to review the impact of their activities on achieving sustainable development.

The Chair: Order. Can I stop the shadow Minister? We are talking about only amendments 1, 6 and 8. The debate on clause 3 stand part will come later.

12.15 pm

James Wild: Okay. Amendment 1 would require the Crown Estate commissioners to have regard to net zero targets, regional economic growth and ensuring resilience in various areas. Instinctively, I am a bit sceptical about putting more obligations on the Crown Estate, given that its primary purpose is to generate a return for the nation. As I mentioned in passing, clause 3 already applies a sustainable development duty. The hon. Member for Great Grimsby and Cleethorpes spoke pretty persuasively, so I look forward to the assurances that the Minister might give before we see whether the Committee divides on the amendment.

James Murray: With your permission, Ms Furniss, I will briefly add to the comments that I made in the previous debate, because the shadow Minister asked about the appointment of the chair. On 23 December, the Government announced Ric Lewis as our preferred candidate for chair of the Crown Estate. The Government also confirmed that the appointment would be subject to a parliamentary pre-appointment hearing. Under paragraph 9.2 of the governance code on public appointments, political donations should be publicly disclosed if the successful candidate has made a significant donation or loan to a party in the last five years. That will happen if the appointment is confirmed, following the Treasury Committee's report, and a subsequent announcement is made. Thank you for your patience, Ms Furniss.

Amendment 1, which was tabled by my hon. Friend the Member for Mid and South Pembrokeshire (Henry Tufnell), and to which other hon. Members have spoken, would require the Crown Estate commissioners, in reviewing the impact of their activities on the achievement of

sustainable development, to have specific regard to the UK's net zero targets, to regional economic growth and to ensuring resilience in respect of managing uncertainty, risk and national security interests. I was glad to meet my hon. Friend on Tuesday to discuss the amendment. The Government understand the motive behind it, but it is important first to set out the context for clause 3. I will be brief, as I realise that we will debate clause 3 stand part later.

The Government and the Crown Estate welcomed the addition of clause 3 on Report in the other place, as a clarified and enhanced accountability on the Crown Estate to deliver environmental, social and economic outcomes. The Crown Estate is already a trailblazer in its efforts on tackling climate change and supporting the environment, which I will address in more detail later. Clause 3 will require the commissioners to keep under review the impact of their activities on the achievement of sustainable development in the UK. It is important to note that the public framework document that governs the relationship between the Crown Estate and the Treasury will be updated in the light of clause 3 to include a definition of sustainable development and to confirm that the Crown Estate will continue to include specific information on its activities in its annual report.

The Crown Estate Act 1961 established the Crown Estate as a commercial business, independent from Government, that operates for profit and competes in the marketplace. It is analogous to a private sector commercial operator. The commissioners operate under a clear commercial objective, as set out in the Act, to "maintain and enhance" the value of the estate. At the same time, the Crown Estate can and does focus on activities that closely align with wider national interests, including on the environment, net zero, our nation's energy needs and sustainable economic growth. As a public body, the Crown Estate seeks to work with the grain of prevailing Government policy.

In addition to its core commercial objective, the Crown Estate operates under a duty in the 1961 Act to have

"due regard to the requirements of good management."

This obliges the Crown Estate to maintain and enhance the value of the estate responsibly. Good management practices include maintaining a strong governance structure, adhering to best practices in risk management, and fostering a culture of accountability and transparency.

It is important for the Bill to stand the test of time as new, relevant areas of concern on the environment, society and the economy emerge over the coming decades. These currently include net zero and regional economic growth, which are given regard by the Crown Estate and should be covered in its annual report. The general term "sustainable development" was chosen because it is broad and captures the widest range of relevant concerns across the environment, society and the economy, now and as priorities in those areas evolve over time.

Noah Law (St Austell and Newquay) (Lab): I recognise that it might not be the place of statute to outline some of the specifics brought up by the amendment, but does the Minister agree that the spirit of the amendment is well in keeping with the mission of this Government and, moreover, that of regional economic development in particular, which spreads to all corners of Britain? That is important, and it is incumbent on the Treasury more widely to ensure that that takes place, particularly through the channel of supply chain development.

James Murray: My hon. Friend is absolutely right. A priority of the Government is to ensure not only that there is economic growth at a national UK level, but that all regions and nations of the UK benefit from such economic growth and the increase in productivity. We want to ensure that people right across the country are better off and have more money in their pocket through greater investment and growth in their local areas. He makes an important point.

To return to the definition of "sustainable development", I will briefly address the point made about that by the hon. Member for South Cambridgeshire. I assure her that that definition will be published on Royal Assent of the Bill, at that point. It was, however, a deliberate decision not to specify specific targets or objectives such as net zero on the face of the Bill, given that the Crown Estate is already required to "maintain and enhance" the value of the estate responsibly. Referencing specific targets would risk complicating the Crown Estate's existing clear commercial objective.

As I have already noted, the Crown Estate is required to pay its entire net profits to the UK Consolidated Fund every year, worth more than £4 billion over the past decade. That supports the UK Government's spending on policy priorities, including net zero and, indeed, regional economic growth.

On national security interests specifically, it is important to be clear that the Government are responsible for ensuring that national security interests are managed effectively at a UK-wide level. It would not be appropriate to require the Crown Estate to have a specific regard in that matter. As I have noted, while the Crown Estate has goals under which its strategy can align with wider national policy objectives, the 1961 Act provides the Crown Estate with independence and autonomy. The Government believe that it should continue to operate in that way, as a commercial business independent of Government. This requirement would encroach on that independence by drawing the Crown Estate into interests managed directly by the Government.

The Government believe that the Crown Estate's existing duties give it a clear focus, leading to a consistently significant return to the Exchequer to support the funding of public services and priorities. The duty to have due regard to the requirements of good management, alongside the new requirement to keep under review the impact of its activities on the achievement of sustainable development, are already sufficient to cover the concerns of my hon. Friend the Member for Great Grimsby and Cleethorpes. I hope that the amendment will be withdrawn.

I turn to amendments 6 and 8, tabled respectively by the hon. Members for Ynys Môn and for South Cambridgeshire. Amendment 6 would require the commissioners, in complying with proposed new subsection (3A) of the 1961 Act on sustainable development, to

"set and publish sustainable development objectives in relation to their activities…take all reasonable steps to meet these objectives, and…have regard to the relevant environmental legislation for the UK, England, Wales and Northern Ireland in relation to making these objectives."

[James Murray]

It would further specify that the relevant environmental legislation includes the Climate Change Act 2008, the Environment Act 2021, the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016.

Amendment 8 would require any "framework document" published by the Chancellor of the Exchequer, the Crown Estate or the commissioners to define "sustainable development", and that that definition include a reference to a "climate and nature duty". It further specifies that such a climate change duty would mean a duty to achieve any of the targets set out under part 1 of the Climate Change Act 2008, or under sections 1 to 3 of the Environment Act 2021.

The Government understand the intention behind amendments 6 and 8, but a key purpose of the 1961 Act was to repeal various detailed statutory provisions that had built up over the 150 years previously, which were hampering the effective management of the estate. By focusing the commissioners' duties on enhancing the estate's value and the returns generated, the commissioners have a clear objective for which they can be held to account. It is an important principle that giving an organisation too many objectives will make it far less effective than giving it clear and focused priorities. As I have already noted, the Crown Estate is a commercial business, independent from Government, that operates for profit.

Pippa Heylings: To seek clarification, is the Minister saying that, unlike what seemed to be the agreement reached in the other House, we will not seek, through this legislation or any burden put on the Crown Estate, to ensure that it has a climate and nature duty, such as other bodies have? That will not form part of the definition of sustainable development he said will be published on Royal Assent.

James Murray: As I mentioned, the definition of "sustainable development" will be published on Royal Assent. Perhaps we can return to any questions that the hon. Member may have on that definition at that point.

The fundamental point that I am seeking to make is about ensuring that the Crown Estate can operate effectively. By having clear and focused priorities, it will operate more effectively than having too many objectives, which end up meaning overall that it will perform less well in the public interest. As I have noted, the Crown Estate is a commercial business. It is independent of Government and operates for profit. Although it has goals that, under its own strategy, can align with national policy objectives, fundamentally, the 1961 Act grants the Crown Estate independence and autonomy.

The Government have accepted the amendment to require the commissioners to keep under review the impact of their activities on the achievement of sustainable development. However, expanding the Crown Estate's core purposes in legislation, in particular with additional duties or objectives that may unnecessarily complicate or conflict with the achievement of the core commercial objective, would risk undermining that core objective being achieved.

Any actions that undermine the core commercial objective risk undermining the very funding that is used to support environmental and other policy objectives. The Government believe that the Crown Estate should continue to operate in this way—as a commercial business, independent of Government—because it has shown itself to be a trusted and successful organisation, with a proven track record and effective management.

As I noted, the Crown Estate is already a trailblazer in its efforts to tackle climate change and support the environment, and it is required to pay its profits into the UK Consolidated Fund each year. Furthermore, I confirm that the requirement under amendment 8 for any framework document between the Treasury and the Crown Estate to define sustainable development has already been agreed by the Government.

As confirmed on 5 November on Report in the other place, the public framework document that exists between the Treasury and the Crown Estate will be updated in the light of that amendment to clarify that "sustainable development" means regard for the impact of the Crown Estate's activities on the environment, society and the economy. It will also make it clear that that regard includes, where relevant, consideration of relevant legislation, such as part 1 of the Climate Change Act 2008, which deals with the targets set for 2050, and section 56 of the Climate Change Act and sections 1 to 3 of the Environment Act 2021, which also deal with specific environmental targets. The framework document will also make it explicit that the Crown Estate will include in its annual report a report of its activities in relation to sustainable development. For those reasons, I trust that hon. Members will be able to withdraw their amendments.

Melanie Onn: I do not intend to press the amendment to a vote. I accept the point about the Crown Estate being a commercial business, but I am less persuaded that it is unable to cope with an additional objective. When I think about other organisations in the public sector and the number of objectives that we set for them, I am fairly sure that a commercial business has the wherewithal to be able to manage that. However, I accept the potential for an impact on the returns of that commercial business. The Minister has given indications regarding the annual report, and I hope that he will have heard today the determination of Members from coastal communities and the importance of this to them. He will be aware of the strength of feeling about the necessity of ensuring that we have real delivery and community benefits from the extended powers and facilities that we are providing to the Crown Estate.

We will not press the amendment to a vote, but, when it comes to accountability, we know where the Minister's door is and I am sure we will happily knock on it should the need arise.

The Chair: Will Llinos Medi wish to press amendment 6 to a Division?

Llinos Medi *indicated dissent.*

The Chair: Amendment 8 has just now been debated with amendment 1. Pippa Heylings indicated that she might press amendment 8 to a Division. Will she wish to move it?

12.30 pm

Pippa Heylings: We have received assurances that we will have the chance to discuss the sustainable development definition at the time of Royal Assent and that the framework document will pay due regard to climate and nature duties in relation to our targets for 2050 under the Climate Change Act and to our nature restoration duties under the Environment Act; that is good. I urge the Minister to consider that it is an economic choice to consider climate and nature up front, not only that we then raise the money to provide for environmental funding post operation. That is something that we should all embrace, in particular in the Treasury.

Melanie Onn: I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

The Chair: Before we come to amendment 9, I impress on the Committee that this is grouped for debate only with new clause 10. Clause stand part will be debated next.

Pippa Heylings: I beg to move amendment 9, in clause 3, page 2, line 17, at end insert—

"(3B) In pursuit of the objective under subsection 3A, the Commissioners must assess the adequacy of protections against coastal erosion in areas affected by their offshore activities."

The Chair: With this it will be convenient to discuss new clause 10—*Marine Spatial Planning: coordination*—

"In relation to any decisions made about marine spatial priorities, the Crown Estate must—

(a) ensure that the decisions are coordinated with the priorities of the Marine Maritime Organisation, and

(b) consult any communities or industries impacted by the plans, including fishing communities."

This new clause ensures the Crown Estate collaborates with DEFRA's Marine Spatial Prioritisation through the MMO.

Pippa Heylings: Given our conversations in this debate about the importance of considering our coastal communities in relation to the new powers that are to be given to the Crown Estate, I draw attention in particular to an example on the north Norfolk coast, the fastest-eroding coastline in north-west Europe.

Key sites, vital to our energy infrastructure and security, lie on that coast. For decades, Bacton gas terminal has been a cornerstone of the UK's gas network, ensuring the smooth distribution of supplies arriving from overseas. Just along the coast, in Happisburgh, we find the landfall sites for the Norfolk Boreas and Norfolk Vanguard wind farms, which will generate 1.4 GW and 1.8 GW of power respectively—critical contributions to our renewable energy future.

To protect Bacton's vital infrastructure, a £20 million sandscaping project moved 2 million tonnes of sand, shielding not just the terminal, but the villages of Bacton and Walcott. In Happisburgh, however, despite its pivotal role in our transition to clean energy, no such protections have been put in place. Already, 40 homes have been lost to coastal erosion, and the latest national coastal erosion risk-mapping data shows that even more of the village is at risk in the years ahead. The amendment would ensure that, as we harness the power of North sea wind, we also safeguard the fragile North sea coast, protecting the communities that host that vital infrastructure.

I will also speak to new clause 10. We have heard about the importance of considering coastal communities within all the decision making, and this new clause on marine spatial planning co-ordination would ensure that the Crown Estate's decisions on marine priorities were properly co-ordinated and aligned with the Marine Management Organisation, which has the mandate for mediating use priorities on our seabed and along our coast. Affected communities, in particular our fishing communities, would therefore be properly and fully consulted through the Marine Management Organisation.

Similar to the land use framework, this would be a sea use framework for the marine spatial plan that the Marine Management Organisation is mandated to undertake. We need a joined-up approach to decision making, with marine plans balancing economic, environmental and social interests. The Crown Estate must therefore work in full co-ordination with the marine spatial prioritisation framework of the Department for Environment, Food and Rural Affairs.

Jayne Kirkham: The Crown Estate has started to consult, and is publishing plans before it takes decisions about where to put floating offshore wind stations, for example. Can the Minister assure us that that will be the case in the future, and that when the Crown Estate is planning to build out in the ocean, there will be consultation with fishermen and environmentalists? I think that is the intention, as discussed on Second Reading.

Pippa Heylings: I thank the hon. Lady for that point, which we discussed in the Chamber. The crux of this amendment is that there is a mandate for the Marine Maritime Organisation, which is the body that mediates. The Crown Estate is being given new powers for borrowing and investing, and therefore has a vested interest in the prioritisation of activities that are allocated along the seabed and our coasts. That is good, given its amazing, award-winning geospatial mapping prowess.

We have just heard examples of how it is showing the Government scenarios for the economic income and gain that can be gathered from different uses. However, despite that prowess, the Crown Estate should not be the one to prioritise or make the final decision about which activities take place. Communities and other users must be fully consulted. The MMO is mandated to do that, and DEFRA has the marine spatial prioritisation framework, within which the Crown Estate should contribute and co-ordinate. That is the assurance we seek through this amendment.

James Wild: I rise briefly to speak to amendment 9, not least because I represent North West Norfolk, which is next door to North Norfolk where I grew up. It is sometimes quite difficult to get the local names correct, but Happisburgh is actually pronounced "Haysborough", rather than "Happisberg". I wanted to get that on the record, because people there feel quite strongly about it—it is a mistake that is inadvertently made quite a lot.

It is important to protect national assets such as those at Bacton from coastal erosion. I would expect the Crown Estate already to be taking account of such

[James Wild]

requirements, and the Government to be doing likewise through their wider planning and strategic approach to coastal erosion, so I look forward to the Minister's response on how coastal erosion will be prevented.

James Murray: I rise to speak to amendment 9 and new clause 10.

Amendment 9, tabled by the hon. Member for South Cambridgeshire, would mean that in satisfying proposed new subsection (3A) of the 1961 Act, which states,

"The Commissioners must keep under review the impact of their activities on the achievement of sustainable development in the United Kingdom",

the commissioners must assess the adequacy of protections against coastal erosion in areas affected by their offshore activities. I very much understand the concerns reflected in the amendment, but protections against coastal erosion are not the responsibility of the Crown Estate, and therefore the amendment is not relevant to the Bill.

The UK has dedicated statutory bodies under each devolved Administration with responsibility for ensuring adequate protection against coastal erosion. The Crown Estate always collaborates and complies with the relevant statutory authority for any assessment of the impact of offshore activity on coastal erosion, and the potential for coastal erosion should be considered as part of marine licensing, which is considered by the relevant regulator, depending on the jurisdiction. However, the statutory responsibility falls on the relevant body in each devolved area.

The Crown Estate becomes involved in coastal defence only when the statutory bodies responsible for coastal erosion wish to construct defences. In such cases, the Crown Estate typically grants leases to those bodies for defence works.

Although the Crown Estate is not responsiblefor coastal erosion, the Government are committed to supporting coastal communities and are investing ausb record £2.65 billion over two years in building, maintaining and repairing our flood and coastal defences. Shoreline management plans are developed and owned by local councils and coastal protection authorities to provide long-term strategic plans that identify approaches to managing coastal erosion and flood risk at every stretch of the coastline. Shoreline management plans have recently been refreshed with updated action plans, following several years of collaborative work between the Environment Agency and coastal groups.

The Environment Agency has published the updated national coastal risk map for England, which is based on monitoring coastal data, the latest climate change evidence and technical input from coastal local authorities. There are also strong safeguards to manage the flood and coastal risk through the planning system. I hope that on that basis the hon. Member for South Cambridgeshire feels able to withdraw her amendment.

I turn to new clause 10, which would require that in relation to any decisions made about marine spatial priorities, the Crown Estate must ensure the decisions are co-ordinated with the priorities of the Marine Management Organisation and must consult any communities or industries impacted by the plans, including fishing communities.

I can confirm to the Committee that the Crown Estate and the Marine Management Organisation already have well-established ways of working together to ensure effective collaboration for marine spatial planning and prioritisation. The Crown Estate's collaboration with the Marine Management Organisation and other relevant statutory bodies is governed by the Marine and Coastal Access Act 2009, which establishes the framework for marine planning and licensing in the UK, and requires the Crown Estate to have regard to marine policy documents such as marine plans in its decision making. It is also governed by the habitat regulations, which require the Crown Estate to conduct plan-level habitat regulation assessments for leasing or licensing activities.

Furthermore, the Crown Estate and the Marine Management Organisation jointly agreed a statement of intent in 2020, which is reviewed periodically to provide a focus on priorities and opportunities for alignment, as well as longer-term ambitions. The statement of intent complements a memorandum of understanding agreed in February 2011, which sets out a framework to encourage co-operation and co-ordination between parties in relation to the sustainable development of the seabed and rights managed by the Crown Estate, based on active management, shared information and effective marine planning and management by both parties.

In addition to the Crown Estate's relationship with the Marine Management Organisation, there are also various regulatory requirements on developers leasing areas of the seabed from the Crown Estate to engage with the Marine Management Organisation through a number of routes. Those include through marine licensing; developers must obtain marine licences from the Marine Management Organisation for activities that could impact on the marine environment. The process involves consultation with statutory bodies and adherence to marine plan policies. As part of a marine licence application, developers must also conduct environmental impact assessments for projects that could significantly affect the environment, which includes consultation with the Marine Management Organisation and other relevant authorities to ensure compliance with environmental regulations. Developers are also encouraged to engage with local communities, statutory bodies and other stakeholders throughout the planning and development process to address concerns and ensure compliance with marine plans.

This new clause therefore duplicates existing regulatory requirements and practice. I hope the hon. Member for South Cambridgeshire feels able to withdraw her amendment.

Mr Snowden: I feel sympathy with the contributions from both the Minister and the hon. Member for South Cambridgeshire. There are some issues at the heart of what the amendment and new clause are trying to achieve, but whether they are within the scope of the responsibility of the Crown Estate is an equally valid point. New clause 9 talks about coastal erosion and, while that is an issue, there is also the issue of coastal damage caused by projects where the seabed in particular is licensed. Again, Morgan and Morecambe off the Fylde coast will lead to years of work trying to rebuild sand dunes that will be cabled and tunnelled through for a new cabling corridor. The dunes will be completely damaged due to activity coming in to connect to the national grid.

Furthermore, the new clause talks about consultation. This is where I really do have some sympathy with the Minister, because that is not the responsibility necessarily and primarily of the Crown Estate. The root cause of the issue is that there are already regulations in place for consultation to happen where licences are being issued. The consultation happens; people consult and then they just ignore local communities and industries. Nothing changes, and perfectly valid objections and alternative routes for cabling corridors coming in from the sea are just ignored—but that is a broader issue rather than specific to this point.

Pippa Heylings: I will not press either of these amendments to a Division, but I would like to call attention to the fact that, given the greater borrowing and investment powers, the existing frameworks and regulations under which the Crown Estate has been co-ordinating the Marine Management Organisation need to be considered. I think we can all recognise that the situation has changed hugely. Therefore, I urge the Government to consider how they will ensure that there is greater consultation on decisions around prioritisation of what happens where, that greater weight is given to that, and that more resources and powers are given to the MMO to ensure that that happens. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Question proposed, That the clause stand part of the Bill.

The Chair: With this it will be convenient to discuss new clause 11—*Sustainable development: community benefits*—

"(1) Before making any investment decision, the Commissioners must assess—

(a) plans for community benefits for local communities, and

(b) plans for community benefits for coastal communities of offshore activities.

(2) In section 3(1) of the Crown Estate Act 1961, at end insert—

"(1A) The Commissioners must transfer at least 5 per cent of all net profit generated from the Crown Estate's activities to local communities impacted by those activities.""

—(Pippa Heylings.)

This new clause would require the Commissioners to ensure their activities benefit local communities, including coastal communities, and that 5% of any profits would be transferred to local communities.

12.45 pm

James Murray: Clause 3 amends the Crown Estate Act 1961 to require the commissioners to keep under review the impact of their activities on the achievement of sustainable development in the UK. I have referred to various aspects of clause 3 as part of our earlier debate, so I will try to be brief. As hon. Members know, this clause was added as an amendment in the other place, based on productive debates that reflected the important role that the Crown Estate has in stewarding our natural environment. As I noted earlier, the Government believe that the Crown Estate's existing duties give it a clear focus, leading to a consistently significant return to the Exchequer to support the funding of our public services.

At the same time, the Crown Estate can, and does, focus on activities which also closely align with wider national interests, including on the environment, net zero, our nation's energy needs and sustainable economic growth. As a public body, the Crown Estate seeks to work with the grain of prevailing Government policy. That said, it is right that the public and private sectors make every contribution they can to achieving our climate change targets, and the Crown Estate should continue to be a national trailblazer in that regard. The Crown Estate has committed to becoming a net zero carbon business by 2030, aligning with the 1.5° target, and will prioritise activities that help to enable a reduction in national carbon emissions, such as building net zero homes, transitioning its holdings to sustainable agricultural practices and working in partnership with the Government to meet the national renewable energy targets.

Regarding the biodiversity targets in the Environment Act, the Crown Estate is committed to delivering a measurable increase in biodiversity by 2030. It will publish its delivery plan to meet that goal later this year, which will include commitments to restore habitats in line with targets in the Environment Act. The Crown Estate also published its approach on nature recovery last autumn, where it committed to delivering increased biodiversity, to protecting and restoring freshwater, marine and coastal systems and to increasing social-wellbeing benefits from nature. However, the reforms introduced by this Bill are not intended to alter the fundamental statutory basis of the Crown Estate as a commercial business independent from Government.

The commissioners operate under a clear commercial objective, as set out in the 1961 Act: to maintain and enhance the value of the estate. As I have already noted, the Crown Estate operates under a duty in the 1961 Act to have due regard to the requirements of good management. Alongside its core commercial objective, the duty obliges the Crown Estate to maintain and enhance the value of the estate responsibly. It is the Government's view that these existing statutory requirements and this clause are the best approach.

New clause 11, tabled by the hon. Member for South Cambridgeshire, would require the commissioners to assess plans for benefits to local communities and, in the case of offshore activities, coastal communities before making any investment decisions. It would also require the commissioners to transfer at least 5% of the Crown Estate's net profit to the local communities impacted by its activities.

At present, local communities benefit from onshore and offshore developments through the economic advantages that such developments bring, including job creation and increased business for local suppliers, and individual developers also contribute to local initiatives. The Crown Estate has also specifically designed the leasing process for its offshore wind leasing round 5 opportunity in the Celtic sea such that developers must make commitments to deliver social and environmental value as part of the development of their new wind farms. Those commitments will be monitored, reported on and enforced throughout the lifetime of the relevant round 5 developments.

The Crown Estate is committed to proactively working with the local communities and partners to enable employment and skills opportunities. For example, it has allocated £50 million through the supply chain accelerator to stimulate green jobs and is developing a

[James Murray]

green skills pipeline, from a GCSE in engineering skills for offshore wind, seed-funded by the Crown Estate and developed with Cornwall college, to a post-16 "Destination Renewables" course with Pembrokeshire college. The Crown Estate is also partnering with the employment charity Workwhile to create green construction apprenticeships.

The Crown Estate already works closely with communities, charities, businesses and the Government to ensure that its skills initiatives are sensitive to market demands and emerging technologies and to keep them relevant and effective. The Government consider it important that the Crown Estate retains that flexibility in how its skills initiatives are funded and delivered, to ensure that it can contribute to skill training in the best possible way and, importantly, without conflicting with its statutory duty to maintain and enhance the value of the estate.

On that basis, I hope that the hon. Member for South Cambridgeshire feels able to withdraw her new clause. It is the view of the Government that the existing statutory requirements and this clause are the best approach going forward. I commend clause 3 to the Committee.

Pippa Heylings: The Minister might have pre-empted my speaking to the new clause. The new clause would ensure that local and coastal communities see real benefits from Crown Estate activities by requiring a proper assessment of community benefits before investment decisions are made and by mandating that at least 5% of net profits be transferred to impacted communities.

For too long, communities, particularly coastal communities, have borne the impact of large-scale offshore developments without seeing a fair share of the financial benefits; we heard that earlier today. The Crown Estate generates billions in revenue from offshore wind farms, marine industries and land developments, yet too often local people see little direct return. The new clause seeks to redress that imbalance and would ensure that those communities benefit from our journey towards net zero, taking people with us.

First, the new clause would ensure transparency and accountability by requiring that the Crown Estate formally assess community benefits before making investment decisions. That would mean that local communities would no longer be an afterthought. They must be considered from the outset in decisions affecting their livelihoods, identity, infrastructure and environment.

Secondly, the new clause would establish a concrete financial commitment by mandating that at least 5% of the profits generated by the Crown Estate's activities must be reinvested in local communities impacted. That is a fair and proportionate measure, recognising that those communities are often on the frontline of change, whether it be from offshore energy projects, tourism pressures or rural land use shifts. The kickbacks could be revolutionary for towns and villages across the UK and would be a real testament to how clean energy can level up communities.

The new clause is about not just fairness, but economic regeneration. It would provide a direct funding stream to support local jobs, infrastructure, training and environmental projects, and ensure that prosperity generated from our shared natural resources is not centralised in Whitehall or in corporate boardrooms, but flows directly back to the people and places most affected.

If the Government are serious about levelling up and supporting coastal and rural communities and economies, they should have no issue backing the new clause. It is practical, and it would enable us to manage the different developments. It does not seek to block development; it would ensure that development happens fairly and sustainably, with proper co-ordination.

James Wild: I will briefly speak to new clause 11. On Second Reading, we heard a lot of debate and discussion about the role of community benefits. As I mentioned, I represent a coastal area where there are existing community benefit schemes through the operators of the offshore wind projects that operate on the East Anglian coast.

The Energy Secretary, who seems to be on a one-man mission to put solar farms on farmland and to put pylons across the countryside with no regard to the impact on communities or nature, has said that the Government will bring forward their own approach to community benefits. I am a strong supporter of community benefits, and I look forward to the Energy Secretary coming forward with that plan. It seems to be the best approach and context in which to address the important points raised by the hon. Member for South Cambridgeshire.

James Murray: I thank the hon. Members for their comments. To reiterate, the Crown Estate already works with communities, charities, businesses and the Government to ensure that its skills initiatives are sensitive to market demand and to emerging technologies. It is important that the Crown Estate retains this flexibility in how its skills initiatives are funded and delivered, so that it can contribute to skills training in the best possible way and, importantly, as I have referred to several times, without conflicting with its statutory duty to maintain and enhance the value of the estate. As we know, the Crown Estate already pays its net revenue surplus into the Consolidated Fund. That is a total of more than £4 billion in the last decade, and local communities already benefit from investment by the Crown Estate. I point hon. Members to the partnership between Great British Energy and the Crown Estate; they will work together to co-ordinate agencies and stakeholders to create jobs and ensure that communities reap the benefits of clean, secure, home-grown energy.

I repeat my encouragement of the hon. Member for South Cambridgeshire not to move her new clause, as I believe the Bill and the existing measures and statutory requirements achieve the outcomes that are best for this country.

Question put and agreed to.

Clause 3 accordingly ordered to stand part of the Bill.

Clause 4

ANNUAL REPORTS

Question proposed, That the clause stand part of the Bill.

The Chair: With this it will be convenient to discuss new clause 4—*Partnership agreement: the Crown Estate and Great British Energy*—

"The Chancellor of the Exchequer must lay before Parliament any partnership agreement between the Crown Estate and Great British Energy."

This new clause requires the Chancellor of the Exchequer to lay before Parliament any partnership agreement between the Crown Estate and Great British Energy.

James Murray: Clause 4 requires the commissioners to include in their annual report a summary of their activities and of any effects or benefits resulting from their activities under any partnership between them and Great British Energy, which I referred to in our debate on the previous clause. This requirement will only apply in relation to a year in which such a partnership was in operation. Following productive debate in the other place on the new partnership between the Crown Estate and Great British Energy announced last year, this clause was added by the Government. The Crown Estate is keen to ensure that details of this partnership are publicly available on an ongoing basis, and the Government agree it is sensible to require the Crown Estate to include the relevant detail in its existing annual report. That is the intention behind clause 4.

New clause 4, tabled by the hon. Member for North West Norfolk, would require the Chancellor to lay before Parliament any partnership agreement between the Crown Estate and GB Energy. As I am sure the hon. Member will appreciate, partnership agreements are highly commercially sensitive. It is therefore right that any agreement is not made public or laid before Parliament, as to do so would likely prejudice the commercial interests of the Crown Estate or GB Energy and risk the aims of the partnership, which are to speed up the process of delivering clean energy and to invest in clean energy infrastructure. The Department for Energy, Security and Net Zero will set out further detail on GB Energy in due course. I hope the hon. Member feels able not to move his new clause as a result.

Clause 4 is a sensible change to the Bill that reflects the desire to ensure that relevant information related to the nationally significant partnership between GB Energy and the Crown Estate is made publicly available. I commend the clause to the Committee.

James Wild: As the Minister said, clause 4 was added on Report in the House of Lords to require the Crown Estate's annual report to include activities under the partnership between the Crown Estate and GB Energy. I will also speak to new clause 4, which is in my name.

Clause 4 does introduce an important layer of transparency, as the Minister said, ensuring there is a specific report on the activities of the commissioners under that partnership during the year, and on any effects or benefits experienced during the year that are a result of those activities. This is a welcome step, and we support the clause. However, the reporting requirement would only apply in years when a partnership between the commissioners and GB Energy was in operation. This means we will not know what has been agreed until the partnership is operational. Parliament—I think not unreasonably—needs to see an agreement when it is finalised. That is why I have tabled new clause 4.

New clause 4 would simply require the Chancellor of the Exchequer to lay before Parliament any partnership agreement between the Crown Estate and GB Energy. This new clause is of fundamental importance. Without being able to see the details of the partnership agreement, we do not know what has been agreed and the impact on the duties of the Crown Estate. On the day that the Bill was introduced, the Government, with a lot of fanfare, announced the partnership between the Crown Estate and GB Energy. Indeed, Ministers claimed that the new GB Energy partnership would "turbocharge energy independence" and

"unleash billions of investment in clean power."

However, currently there is a distinct lack of transparency over how this partnership will work and what difference it will make. I am concerned that this partnership may have been created for political, rather than economic, purposes.

1 pm

Forgive me, but I am a little cautious about what the Government say about GB Energy. During the election, Labour claimed that GB Energy would help to cut energy bills by £300, yet bills continue to go up. In an interview only this week, Jürgen Maier, the chairman designate of GB Energy, refused to say when taxpayers could expect £300 off their energy bills. He said that it is not the job of GB Energy to deliver that. He even conceded that GB Energy will create only 200 to 300 jobs in the next five years, which is a far cry from the 1,000 jobs that have been pledged previously. *[Interruption.]* Does the hon. Member for Camborne and Redruth wish to intervene? No? He was chuntering from a sedentary position. Nick Butler, a former Labour adviser and former head of strategy at BP, said that it is not clear what GB Energy will actually do.

One thing we do know is that GB Energy will spend £8.3 billion of taxpayers' money on an investment vehicle to derisk the profits of multimillion-pound energy companies. The consequences of this Labour Government's approach to energy, and their drive to net zero by 2030 come what may, will prove very expensive for our constituents. Indeed, a report from Offshore Energies UK revealed that Labour's policy in the North sea will reduce tax revenues from the sector by £12 billion, leading to tens of thousands of job losses as well. GB Energy will not generate any energy, it will not be an energy supplier and it will not save families £300 off their bills.

Noah Law: Does the hon. Member not welcome the potential proceeds of great British energy projects that could be unlocked by this new entity?

James Wild: My point about the new clause is trying to get some transparency about what those proceeds might be. I do not whether the hon. Member can enlighten me as to from where they might be coming and which projects will be invested in, or how many jobs will be created. He might apply for the job of the chairman of GB Energy, because the current one does not seem to know the answer to any of those very important questions. We are being asked to legislate to support a partnership between the new entity of GB Energy and the Crown Estate, so I make no apology for seeking greater transparency.

[James Wild]

When pushed on Second Reading, the Minister confirmed:

"Although the partnership agreement itself will not be published, given that it will be commercially sensitive"—

I think he said "very commercially sensitive" this afternoon, or "highly"—

"the Crown Estate has committed to publish information relating to the partnership as part of its existing annual report." —[*Official Report*, 7 January 2025; Vol. 759, c. 806.]

But at all stages of the Bill's passage and in the amendments that have been tabled, the Government have had to be pressured to be more transparent. Given that the Bill makes significant changes to the operation of the Crown Estate and reduces parliamentary oversight, I do not see why Parliament should not have sight of an agreement. It is simply not good enough to hide behind excuses of commercial confidentiality.

If the Minister is genuinely concerned about the conservative nature of this—*[Laughter.]* He probably is! I should have said: if the Minister is genuinely concerned about the commercially sensitive nature of the agreement, perhaps a redacted version could be laid before Parliament, for example, or the full version could be provided to the Public Accounts Committee. I had the pleasure to serve on that Committee for over two years, and it was not uncommon for similar agreements to be provided in confidence to the Chair and the Committee to give assurance, on behalf of other Members of the House, that this was a bona fide commitment that did not need to be drawn more widely to public attention, noting the strictures there may be about commercial confidentiality.

I have spoken to the current Chair of the Public Accounts Committee, my hon. Friend the Member for North Cotswolds (Sir Geoffrey Clifton-Brown), about this, and he would be very happy to receive a copy of the partnership agreement and continue to operate—as he has done over a decade or more as deputy Chair—by recognising and respecting confidentiality and the basis on which it is provided. It would provide assurance for all Members of the House that one of the pre-eminent Committees of the House has oversight of the agreement. If the Minister is not minded to agree to our new clause—I detect that he is not—perhaps he will look at the feasibility of a taking a redacted version of the agreement, or a similar approach, to the Public Accounts Committee.

In advance of this Bill Committee, I wrote to Dan Labbad, chief executive of the Crown Estate, to seek clarity on the partnership agreement. I am grateful that he took the time to respond. I asked whether the Crown Estate is planning to agree to invest a certain amount with GB Energy. His response was:

"Any arrangements the Crown Estate enter into with GBE will be expressly subsidiary to our statutory duty to maintain and enhance the value of the estate, but with due regard to the requirements of good management…We will ensure that the Crown Estate continues to deliver on our wider obligations".

Can the Minister confirm that the Crown Estate's statutory duty will always have primacy? Without the agreement being laid before Parliament, we will not have the transparency to see whether commitments have been given, and to judge and assess whether they meet the criteria.

I also asked Dan Labbad how the Crown Estate will decide between projects that GB Energy backs and other projects that may have a higher rate of return. I note the comments from the hon. Member for St Austell and Newquay, but it may be that the Crown Estate could identify non-GB Energy projects that may generate a greater return for the taxpayer and our constituents. In that case, it should be investing in those, not a political project under the Energy Secretary. Dan Labbad said:

"The Crown Estate will have a clear business plan in relation to the partnership… The consideration of which projects fulfil that business plan will take into account our statutory duty to maintain and enhance the value of the estate…and the obligation upon the Crown Estate to secure the best consideration, having regard to all the circumstances of the particular case at the time."

"All the circumstances" is rather broad, and "take into account" could be seen as rather weak. Can the Minister confirm whether he has seen a copy of any such business plan? Would he expect to? I fear the answer will be no, but would he be prepared to lay a copy of it before the House so that Members can scrutinise it?

Finally, I asked Dan Labbad about the new division's decision-making process, because the new clause is about trying to get underneath the bonnet of the agreement. He said:

"The Crown Estate's agreement with GBE is such that activity undertaken through the partnership will not undermine the Crown Estate's independence. The intention is that both parties will seek agreement on investment decisions whilst retaining their own independence. The Crown Estate will not be compelled to agree to anything which it does not wish to agree to in fulfilment of its statutory duty."

"Compelled" is a very strong word to use in that context.

On one level, the responses could be seen as reassuring, but I think back to the exuberant press release I referred to earlier and the excitement in the announcement of what the partnership could deliver and what the Government thought it could do. Can the Minister clarify how much he expects the Crown Estate to invest in the Energy Secretary's personal investment fund? Can he rule out Ministers pressuring the Crown Estate, whether that be through GB Energy and the chairman they have appointed or the chairman of the Crown Estate, who will shortly be going before the Treasury Committee? Can he rule out pressuring any of those people to invest more than the Crown Estate considers to be prudent?

I have raised my points briefly. I could go on for longer, though I am not sure the Committee would enjoy that. We are asking reasonable questions about this "groundbreaking partnership" agreement—I am looking at the exciting press release in front of me. It is incumbent on the Minister to provide some clarity and assurance on this—and I hope, having listened to the argument, accept that it is not unreasonable to place before Parliament a partnership agreement that can be redacted and before the Public Accounts Committee the full agreement. I look forward very much to the Minister's response.

Ordered, That further consideration be now adjourned. —*(Christian Wakeford.)*

1.9 pm

Adjourned till this day at Two o'clock.