NATURAL RESOURCES

Government is the custodian of public property which it holds on behalf of the citizens on an indivisible basis. In the case of the UK, this includes certain minerals, such as reserves of coal, oil and gas, and all of the surrounding oceans up to a distance of 200 miles or the boundary of another nation.

Within this area, recognised internationally as the EEZ (Economic Exclusion Zone), the UK exercises sovereign rights in respect of natural resources, fishing stocks, and access to the sea bed for such purposes as offshore wind energy generation. These activities are subject to the issue of licences for both exploration and extraction.

With all taxation removed, it is necessary to apply the principles of public revenue to the offshore domain, which forms an important part of the national catchment area of central government.

Under these policy proposals, payments made for the work done in issuing a licence are part of public revenue. The state is required to charge the full market price for the depletion of natural resources, but the economic value of those resources is not the result of work carried out by a public authority. The payments made in exchange for the extraction of state-owned natural resources are not part of public revenue, but accrue to a capital fund, or sovereign wealth fund, held on behalf of the citizens on an indivisible basis. It may be used for a variety of purposes other than public expenditure.

Coal, oil and gas reserves are permanently depleted by extraction, which constitutes the transfer of public property to a commercial firm. Offshore wind generation does not result in the depletion of a natural resource, but does require a long term sea bed lease. In the case of fishing, ecological management should ensure that there is no long term depletion of stocks.

As noted in the main policy proposals, the offshore domain is part of the national catchment area, which consists of some 250,000km^2 of dry land, and about 500,000km^2 of ocean, as shown in Figure 1.

After the removal of all taxation, firms operating offshore receive an annual invoice for government services. This includes National Rate charges, debt interest and repayment, and licence fees.

Figures 2 and 3 indicate the approximate location and extent of the reserves of oil, gas and coal within the national catchment area. It is proposed that payments made for the extraction of these reserves would contribute to the sovereign wealth fund, as discussed above.

The viability of a natural resource is dependent upon the economic conditions under which the licence is granted. After the removal of all taxation, it is likely that a much greater proportion of the known natural resources will be suitable for economic development, and the payments made in exchange for the depletion of existing coal, oil and gas reserves would be much greater than current estimates.

Figure 4 illustrates the approximate location and extent of offshore wind generation in shallow water. The removal of all taxation will reduce the current need for subsidy, but future developments will necessarily take place at a greater distance from land, and in much deeper water, resulting in progressively higher marginal costs.

Under these proposals, the rental payable for a sea bed lease used for offshore wind generation accrues to the sovereign wealth fund and is determined by the market price for offshore generation.

Figure 5 shows fishing rights within the national catchment area. It is assumed that good ecological management will ensure that there is no long term depletion of stocks, and the licence fee is therefore an administrative charge only. Payments made for fishing licences do not contribute to the sovereign wealth fund.

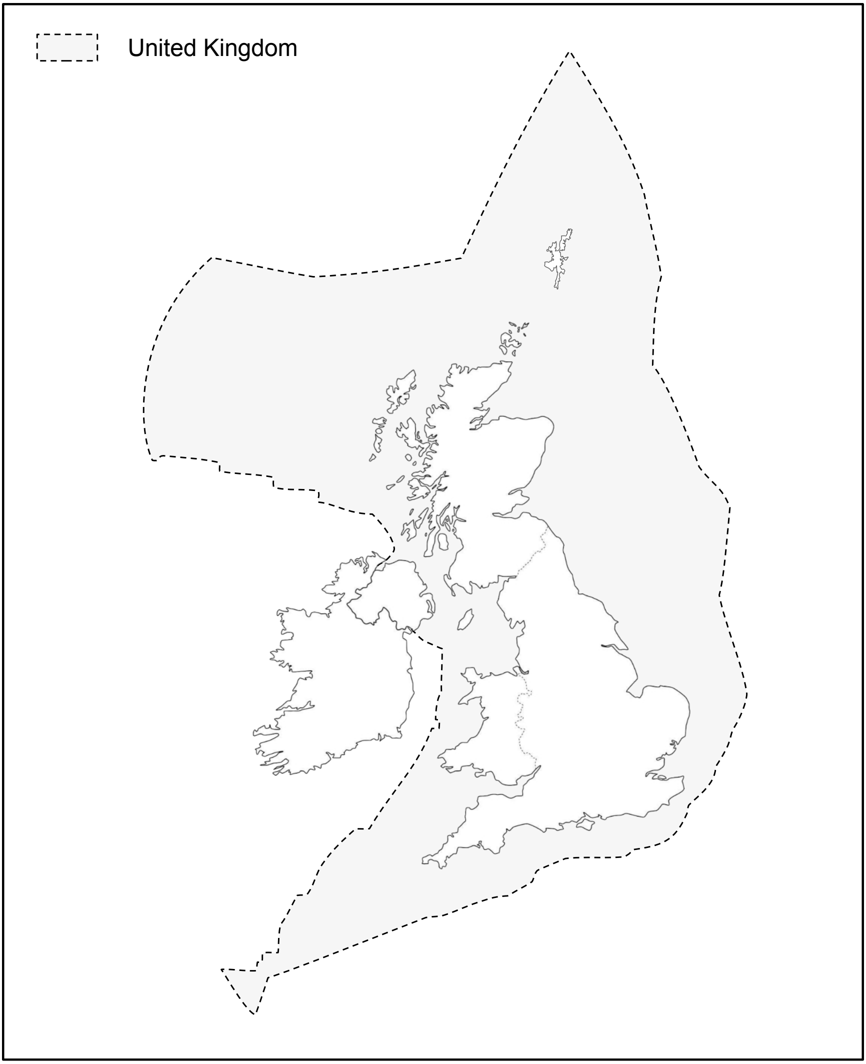

Figure 1: The national catchment area

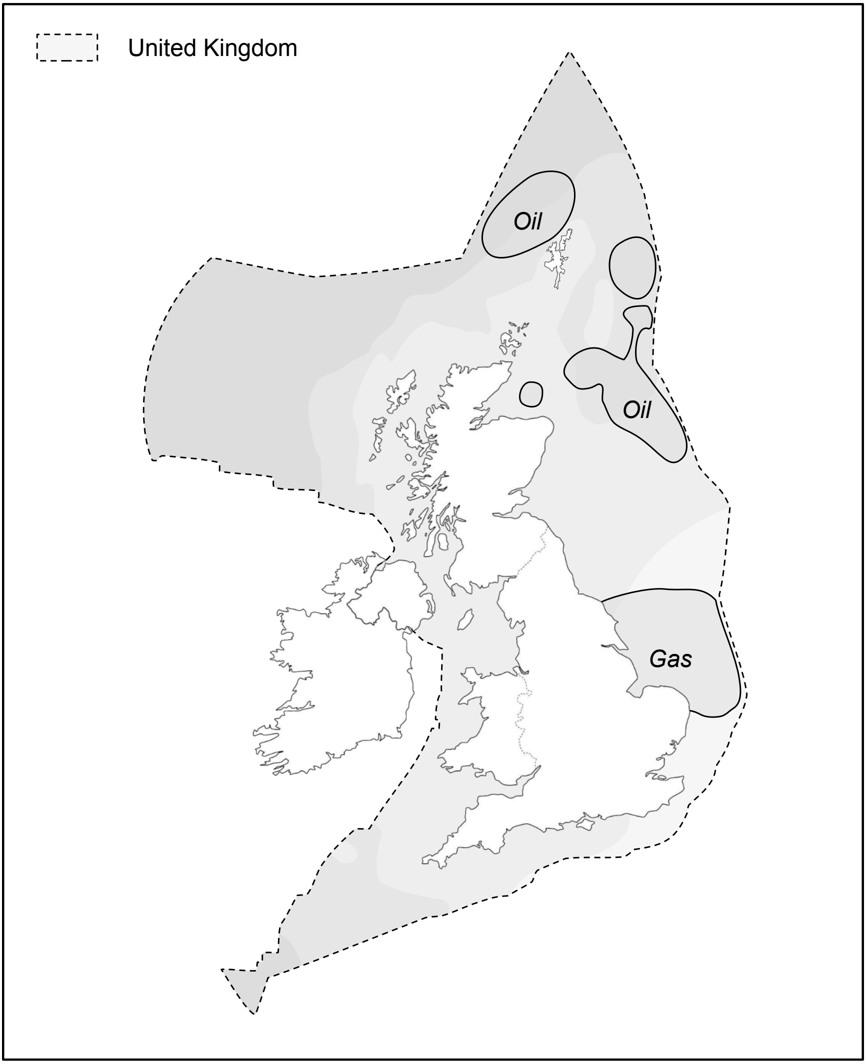

Figure 2: Oil and gas reserves

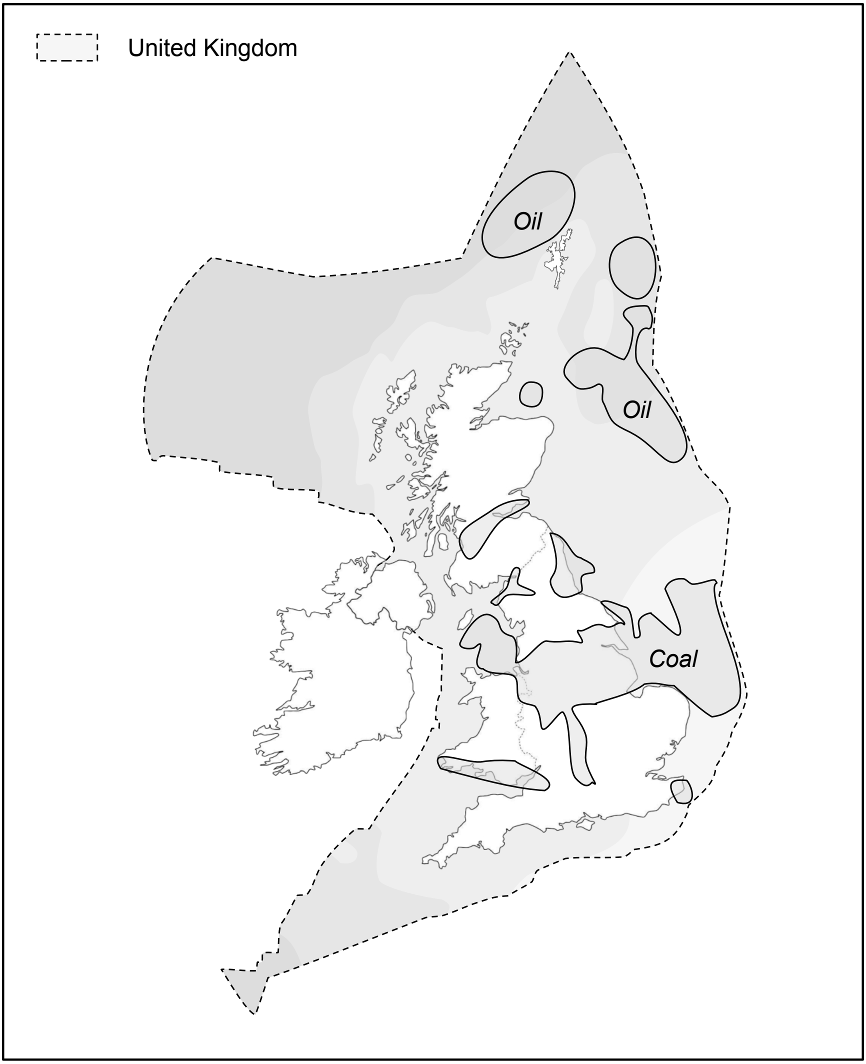

Figure 3: Oil and coal reserves

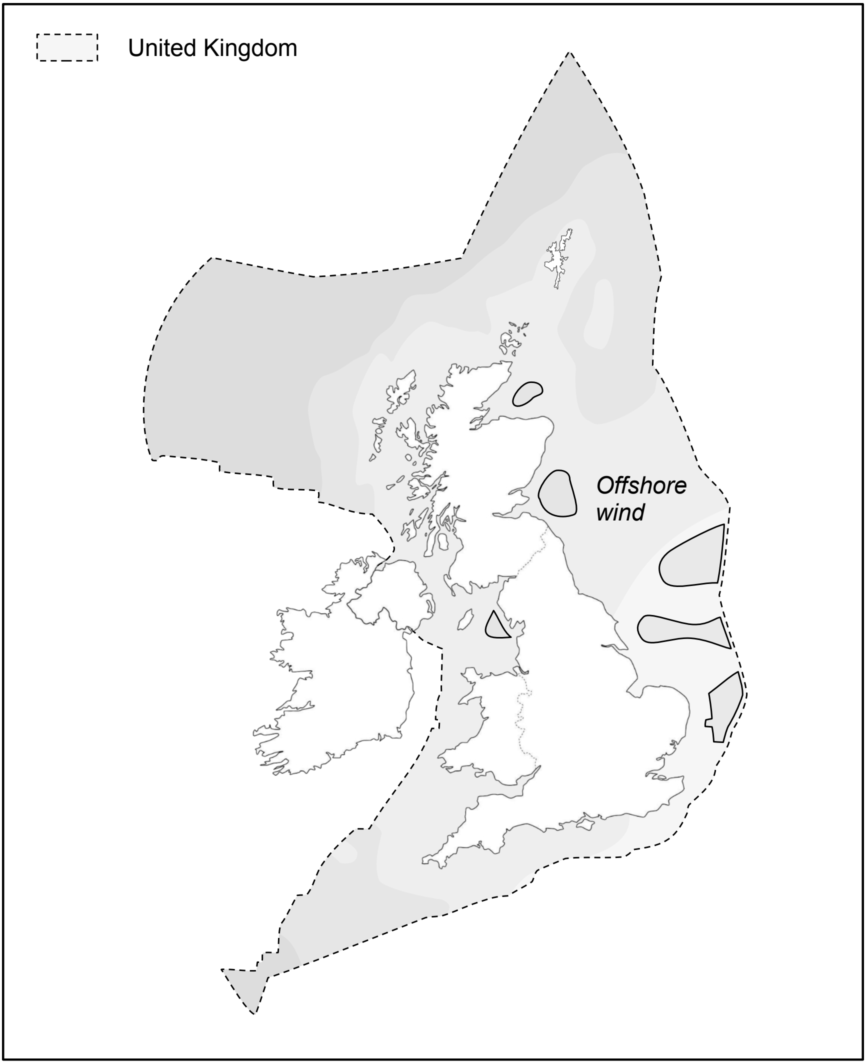

Figure 4: Offshore wind in shallow water

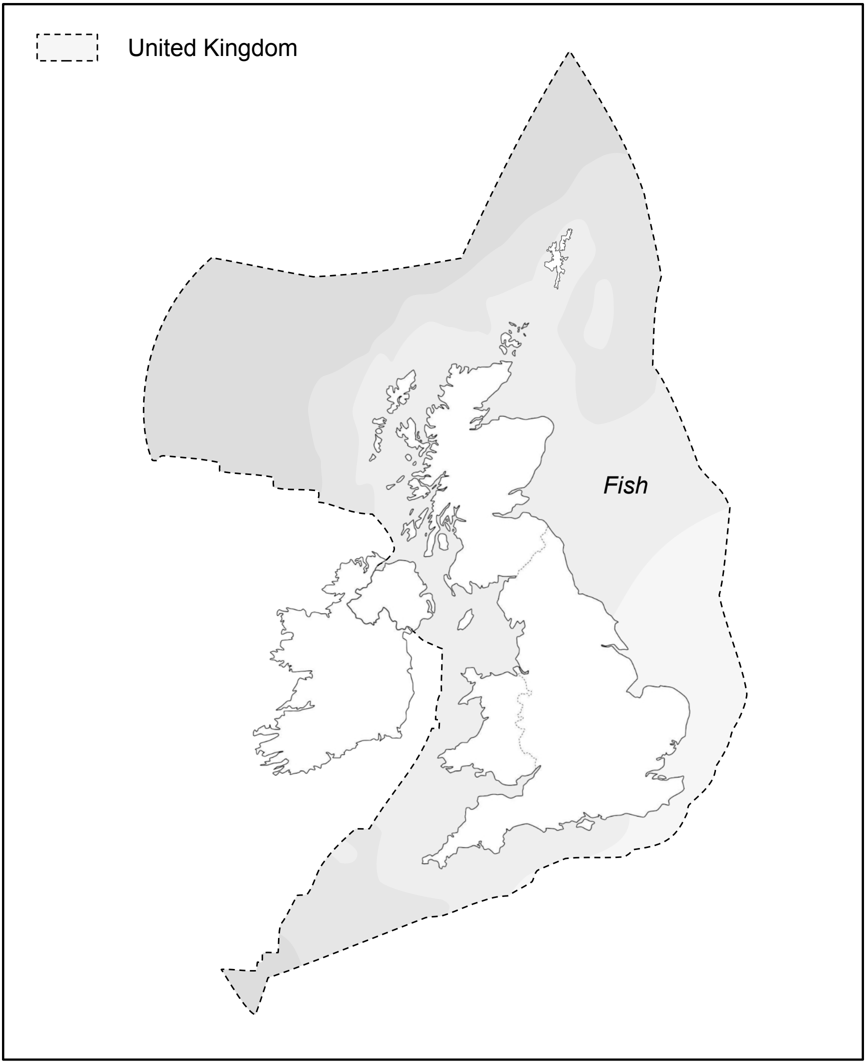

Figure 5: Fisheries