

Joseph A. Pergler
Vice President
ExxonMobil Qatargas (II) Trading Company Limited
PO Box: 22500
Al Wosail Tower
(+974) 4045 9309



Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

11 November 2021

Dear Ofgem,

RE: Western Gas Network Project – Needs Case Consultation

Thank you for the opportunity to provide comments on this important gas network upgrade. Affiliates of ExxonMobil are stakeholders in both South Hook LNG Terminal Company LTD and South Hook LNG Gas Company LTD, and are also through putters and marketers of LNG entering via the South Hook terminal. We do not consider this response to be confidential and are happy for it to be published on the Ofgem website alongside this consultation.

We welcome Ofgem's interim position on the need for National Grid to invest in upgrading the National Transmission System (NTS). We agree that some network reinforcement would appear to be required, given that National Grid has found it necessary to take constraint management actions in relation to Milford Haven flows under the prevailing entry baseline and network configuration. Increasing the gas entry potential at Milford Haven without creating additional takeaway capability may exacerbate this situation.

We set out below some further thoughts in response to the specific questions posed by Ofgem.

Question 1: *Do you have any views on NGGT's approach to the options selection process? This might include NGGT's use of the Future Energy Scenarios (referred to by NGGT as "FES") as the basis for forecasting of gas flows and constructing its cost benefit analysis ("CBA"), and whether 2035 is an appropriate cut-off date for assessing the CBA for this project?*

Based on the information presented, we believe that National Grid has undertaken a very wide ranging and rigorous assessment of the options available for accommodating increased flows from Milford Haven.

We acknowledge that future UK gas supply and demand patterns are uncertain, particularly in the longer (>10 years) timeframe. Before that point, we believe there is sufficient need for imported LNG to mean that at least some incremental NTS capability is necessary. Future Energy Scenarios (FES) and other energy outlook studies tend to support this view.

Greater uncertainty clearly exists beyond 2035, and the proposed incremental approach to NTS development, once the need is proven, would appear to be sensible. Under this approach close monitoring will be required to ensure that any incremental NTS investment is undertaken ahead of any significant Milford Haven constraints being experienced.

Question 2: *Do you agree with our minded to position to approve the needs case, allowing NGGT to proceed to the next stage of the FIOC Re-opener process?*

Yes. We believe that National Grid has demonstrated the need for network investment through robust analysis. We welcome Ofgem's intention to approve this stage of the process.

Question 3: *Do you agree that this project is compatible with Government's commitment to achieve net zero emissions by 2050?*

Yes. Under any credible scenario, natural gas will be essential to meet the UK's energy needs for many years to come. LNG imports will play an increasingly vital role in ensuring both security of supply and security of price. The UK government is actively pursuing a significant role for hydrogen in the UK, and utilising natural gas is a proven method for producing hydrogen.

Question 4: *Do you agree that NGGT's current preferred option represents an appropriate balance between delivering the required level of capability whilst limiting investment costs?*

Yes. National Grid is clearly best placed to model and assess the level of reinforcement required on its network in order to cater for an increased rate of flow from Milford Haven. Nevertheless, based on the information presented, we agree that the preferred option is highly credible.

Please don't hesitate to contact my colleague Chris Wright – chris.wright@exxonmobil.com - if you require any further information.

Yours sincerely

Joseph Pergler
Vice President, ExxonMobil Qatargas (II) Trading Company Limited

(Sent by email and therefore not signed)