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Dear Sir

**Proposed Disposal Of Part Of NTS For Carbon Capture And Storage  
Consultation Ref: 35/09**

Chevron North Sea Limited welcomes the opportunity to comment on Ofgem's consultation ref 35/09 on the proposed disposal of part of the NTS for carbon capture and storage ("CCS").

While we recognise that CCS development may bring some CO<sub>2</sub> reduction benefits to the UK in certain circumstances, we do have some concerns with the outline proposal submitted by National Grid Gas (NGG).

We are one of a number of companies involved in exploration activity to the West of Shetland where the estimated reserves represent around 17% of the UK's remaining oil and gas<sup>1</sup>. As there is currently no pipeline infrastructure in that area, a joint industry/government group (the West of Shetland Task Force) was formed in November 2006 to find a technical and economic solution which would facilitate development of this area. In the case of the gas reserves, the conclusion was that a new export pipeline would have to be constructed with St Fergus being the landing point, hence our interest in this issue.

NGG have based their analysis on the forecast gas flows identified in their 2008 Ten Year Statement, supplemented with information provided through their annual Transporting Britain's Energy (TBE) consultation process. As a gas producer, however, we are acutely aware of the difficulties in accurately forecasting future gas production rates. This is particularly the case with new developments where the uncertainty envelope on the potential reserves, production levels and timing are wide. As progress is made towards the development phase of these projects, actual production rates could change significantly from the initial forecasts used in NGG's analysis.

Any decision to remove part of the St Fergus feeder pipelines from natural gas service seven years earlier than expected could cause indigenous gas resources such as West

of Shetland gas to become stranded if there is insufficient capacity to transport that gas away from St Fergus. This would have an obvious impact on security of supply and result in a loss of taxation revenue for the UK Government. The subsequent creation of incremental capacity to accommodate additional production, while theoretically possible, may not be technically possible at that time due to constraints elsewhere on the network.

In the event that sections of feeder pipe are removed from natural gas service, the existing compressors will have to work harder to transport the same volume of gas through fewer pipes. While we note that NGG have identified a means of dealing with any additional compressor fuel costs, there is no indication how costs associated with additional compressor maintenance and repair requirements would be handled.

The other area of cost exposure we perceive relates to capacity buybacks. We note that NGG is not proposing to change its existing network capacity obligations to shippers following a disposal, thereby increasing the potential buyback costs consumers may be exposed to.

Given the complexity and lack of transparency in NGG's network model, it is quite possible that implementation of this proposal could lead to other unexpected consequences. This is particularly true when the implications and added complications of entry capacity substitution are taken into account. To allow that to be analysed in detail, we would suggest it is imperative that Ofgem undertake a comprehensive Impact Assessment covering both this proposal and the interaction it may have with entry capacity substitution at St Fergus.

We hope that you will find these comments useful.

Yours faithfully



*fd* **Geoff Freter**  
Commercial Manager

<sup>1</sup> Source: DECC Oil and Gas website [www.og.dti.gov.uk/UKpromote/wos\\_task.htm](http://www.og.dti.gov.uk/UKpromote/wos_task.htm)