



Bogdan Kowalewicz
Gas Transmission
Office of Gas and Electricity Markets
9 Millbank
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19 February 2010

Dear Bogdan

Proposed Disposal of part of NTS for Carbon Capture and Storage: Publication of Independent Studies by Wood Mackenzie and Poyry Energy Consulting

Thank you for the opportunity to comment on these reports. Our remarks in this brief response are sent on behalf of Shell UK Limited and Shell Energy Europe Ltd (which, through Shell Gas Direct Ltd, is a licenced GB gas shipper and supplier).

As a broad comment, Shell firmly believes in the “learning by doing” approach to the demonstration of Carbon Capture and Storage (CCS). In particular, we believe that such a practical approach helps:

- a) establish the commercial viability of this technology at scale;
- b) drive down costs; and
- c) informs the development of fit-for- purpose regulatory frameworks.

It is in this context that we are presently pursuing a number of different projects across Europe including, together with National Grid (NG), participation in the Scottish Power-led Longannet Consortium entry into the UK Government’s CCS Competition. No doubt you will be aware that this proposal involves using existing NG infrastructure to transport carbon captured at Longannet to our St Fergus terminal for onwards transportation and storage, again reusing existing facilities.

In connection with National Grid’s proposal to re-use part of its network for CO₂ transportation, we noted in our response to Ofgem’s consultation of April last year the difficulty of validating both their analysis and subsequent conclusions. We therefore suggested the merit of an independent review and audit of NG’s network modelling. The decision to commission the work subsequently undertaken by Poyry Energy Consulting and Wood Mackenzie in this regard is to be welcomed, especially as both reports address the areas where there might have been concerns with the proposal.

In particular, we note Poyry’s conclusions that the figures in last year’s consultation are both appropriate and reliable. Additionally, the Wood Mackenzie report appears to confirm the adequacy of remaining capacity for reasonable forecasts of future gas flows into the St Fergus NTS Entry terminal.

We therefore have no further comments to make and look forward to The Authority's decision regarding this proposal. However, should you have any questions in connection with this response please do not hesitate to contact me via e-mail (amrik.bal@shell.com) or telephone (020 7257 0132).

Alternatively, you may wish to contact my colleague, Dr Christopher Mansfield (christopher.mansfield@shell.com tel: 020 7934 8918).

Yours sincerely

A handwritten signature in dark ink, appearing to read 'ABal', with a small dot at the end.

Amrik Bal
UK Regulatory Affairs Manager, Shell Energy Europe Ltd