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15 August 2008

Dear Clive, Richard

Re: Common Arrangements for Gas (CAG) – CER Consultation Paper

Statoil Exploration Ireland Ltd (SEIR) welcomes the work being undertaken by the CER and the NIAUR to establish all-island Common Arrangements for Gas (CAG), with a view to establishing a more liquid gas market which is not hindered by variations in regulatory arrangements.

To facilitate the timely implementation of the CAG, however, SEIR considers that fundamental issues, which have previously been consulted on, must be resolved before the industry can move forward to address the detailed questions, raised in this paper. It is for this reason that we have not endeavoured to answer the specific questions but rather offer more general comments.

SEIR is disappointed that the decline in utilisation of the second interconnector is attributed to the introduction of Corrib. SEIR would argue that the decline, or rather, the minimal utilisation of the second interconnector, both now and in the future, has been created by the investment decision to develop a pipeline without sufficient evidence to justify the need for that asset. The second interconnector was built with the knowledge that the Corrib gas field was already under development, at a time when the commercial and logistical benefits of a second pipeline were questionable. A second and virtually unused interconnector, connected to the same market as the first, does not significantly enhance the security of supply to the Republic of Ireland.

It is imperative that, as part of the CAG, a framework is established which promotes competition, without cross-subsidisation and without unfair detriment or windfall benefit to any stakeholder. A larger market alone will not attract more players if the tariff regime fails to create the appropriate incentives to attract investment and enhance security and diversity of supply. SEIR is encouraged that the consultation paper recognises security of supply and indigenous gas production as key concerns, which need to be addressed, either in the development of a tariff methodology or, as suggested in the consultation, through alternative measures.

As a general comment, SEIR would support an entry-exit regime, with a continuation of the existing separate entry points. SEIR also supports the harmonisation of the capacity commodity split and

treatment of tariffs, to facilitate an all-island gas market. SEIR looks forward to the resolution of the issue of utilisation of the second interconnector, to enable stakeholders to move forward and begin to address the details of an all-Ireland regime. It is our understanding that the utilisation of the interconnectors will be addressed in a separate consultation, in which we look forward to participating, in the near future.

Please do not hesitate to contact me, if you wish to discuss any of the above.

Yours sincerely

Christiane Sykes
UK Regulatory Affairs Manager
Statoil (UK) Ltd
For an on behalf of SEIR