



Fitzwilliam Hall,
25 – 26 Fitzwilliam Place,
Dublin 2

18th July 2008

Robert O'Rourke,
Commission for Energy Regulation,
The Exchange,
Belgard Square North,
Tallaght,
Dublin 24

Re: Consultation on Common Arrangements for Gas – Single Approach to Gas Quality

Dear Robert,

We are writing to provide comments on the above referenced consultation paper, which was published by the CER on the 20th of June 2008.

We agree with the broad consensus of the workshop held to discuss this issue on the 9th of July in Belfast that more time should be taken by the industry as a whole to review this complex and important issue.

We support the recommendation made by the CER at the Belfast workshop that an additional three month period be assigned to allow an industry workgroup to review this issue in more detail. Shannon LNG is willing to participate in this industry workgroup. Therefore we have limited our comments in this response to address some high level issues.

Shannon LNG needs clarity on the specification for natural gas at entry points in Ireland by Q1 2009. This is to allow us to finalise our terminal design and assess the commercial impact of any changes to the natural gas specification.

Shannon LNG agrees that ensuring the continuing safe operation of appliances should be the primary objective of this gas quality review. At the same time however, it should be noted that any decisions reached on gas quality could have the potential to reduce Ireland's supply diversity by limiting the number of LNG supply sources around the world that can supply Ireland.

Whilst to date, the approach in Ireland has been that we can rely on the UK for providing our natural gas supplies, National Grid forecasts that the UK will be importing about 80% of its natural gas by 2016. We believe the natural gas industry in Ireland should start to consider the broader worldwide natural gas supply / demand dynamic that is developing and how Ireland will position itself in this evolving market.

From the viewpoint of competition in the international LNG market, Irish LNG importer(s) should not be placed at a disadvantage versus the UK and other EU

member states. Any decision on gas quality has the potential to put Irish LNG importers at such a disadvantage if Irish LNG importer(s) were obliged to comply with more stringent quality requirements than importers in other member states.

The consultation paper recommends that the Wobbe Index range in Ireland be narrowed to the Wobbe Index range in the UK GSMR specification. We do not consider that the consultation paper has adequately explained the reason why one aspect of the UK GSMR specification should be adopted in isolation rather than in its entirety. Further, we believe that standard industry practice is to consider the gas quality specification in its entirety.

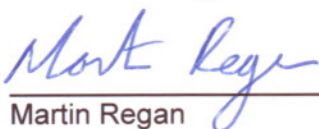
In the longer term, it is likely that a European wide specification, such as the EASEE-gas specification will apply at borders across Europe. It is very important that any decision that is made on the natural gas specification now, is capable of being changed at a later date to a specification such as the EASEE-gas one.

We suggest that the industry workgroup assigned to complete a review of the gas quality specification includes the following terms of reference:

- Establish clear policy goals for this review;
- Publish and review the Advantica report commissioned by BGN and the terms of reference for this report;
- Review the applicable natural gas specification for Ireland in its entirety; and
- Review how Ireland should position itself with regard to wider developments in the natural gas industry with regard to gas quality.

Thank you for providing us with an opportunity to provide comments on this consultation.

Yours sincerely,



Martin Regan