

## Ministerial Written Statement

16 May 2006

Secretary of State for Trade and Industry

### ENERGY STATEMENT OF NEED FOR ADDITIONAL GAS SUPPLY INFRASTRUCTURE

I am making a statement today to the House on the interaction of existing Government policy and planning procedures with regard to the need for additional gas supply infrastructure.

This statement reiterates previous public commitments<sup>1</sup> made by this Government on the importance of gas supply infrastructure and will help clarify the Government policy context for planning and consent decisions on gas supply infrastructure projects.

The UK economy faces a major challenge; our indigenous gas supplies are in decline and we are moving towards increasing import dependence on gas. To manage this change, new gas supply infrastructure is needed to increase Great Britain's capacity to import, store and transport gas efficiently. A regulatory environment that enables the development of timely and appropriately sited infrastructure projects is therefore vital.

The need for increased gas supply infrastructure, and a regulatory environment to allow such infrastructure to be delivered to the market in a timely fashion, was set out by the Government in the Energy White Paper of 2003<sup>2</sup>: 'Our Energy Future – creating a low carbon economy'. It identified four challenges, one of which was securing the reliability of energy supplies. This remains integral to an energy policy that meets the needs and expectations of all energy consumers. It is being considered as part of the DTI's Energy Review<sup>3</sup> in the context of the measures that are required to develop the GB market framework for delivering reliable energy supplies. It is clear that any weakness in infrastructure could push up gas prices, or result in interruptions to supply, with harmful consequences for both UK markets and UK consumers.

The decline in our indigenous supplies has serious implications for our gas import infrastructure, storage and domestic transportation needs. The Government welcomes all solutions which could help address this need, and favours no particular route. The market is responding to this challenge, with actual and planned investment in gas import infrastructure, storage and related transportation of some £10 billion over 2005-2010. The projects have the potential to make a real difference to our gas supply infrastructure; by 2010, our storage capacity could more than double and our import infrastructure is planned to more than triple.

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<sup>1</sup> Cf Annex A

<sup>2</sup> Energy White Paper, February 2003, Cm.5761, Section 6.51

<sup>3</sup> Energy Review consultation document, 'Our Energy Challenge', DTI, January 2006

Ultimately, as my Hon. Friend the Minister for Energy noted<sup>4</sup> to the House last year, failure to help facilitate such infrastructure will, immediately or over time, create difficulties in balancing supply and demand, reducing the reliability of our energy supply arrangements, with potentially disastrous consequences for the local, regional and national communities and economies.

To meet this challenge we require a regulatory environment that enables the development of timely and appropriately sited new gas supply infrastructure projects. The current consents regime is only now starting to deal with a new tranche of gas supply infrastructure projects; we must consider how avoidable delays can be prevented in the future to ensure that these projects, and those that follow them, can commission on time if approved. This means a planning consent regime that offers more clarity for developers about processes and timescales, thereby contributing to a lower overall level of risk for developers.

Our focus must therefore be on reducing the regulatory barriers to maximising gas supply, a view shared by the Trade and Industry Committee<sup>5</sup>, and in line with this Government's focus on better regulation. We are looking to achieve this through a number of measures, as set out by my Rt. Hon. Friend the then Secretary of State for Trade and Industry in a Parliamentary debate<sup>6</sup> on security of supply earlier this year. The measures will cover:

- legislation<sup>7</sup> (when Parliamentary time permits) to establish an offshore regime to enable innovative projects to go forward—gas storage in salt caverns offshore, and Liquefied Natural Gas (LNG) import projects with offshore unloading;
- a review of the onshore consents regimes, aiming towards simplification and streamlining of procedures, in co-ordination with the Energy Review, and with the Barker Review of Land Use Planning into the planning and land use system; and
- measures to improve public understanding of the need for additional gas supply infrastructure projects, including onshore projects, and to promote best practice among project sponsors when applying for regulatory consents.

This statement forms an integral part of the third action, and my department is actively progressing the other measures.

This Government believes that allowing the free operation of a competitive GB market, within an appropriate regulatory framework overseen by an independent regulator, is the most efficient way to ensure security of gas supply. Government policy establishes broad objectives, which are supported by light touch regulation. The private sector then takes commercial decisions to develop the infrastructure that can maintain and improve the reliability of

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<sup>4</sup> Written Ministerial Statement, Renewable Energy Statement of Need for Transmission System Upgrades, 21 July 2005

<sup>5</sup> Trade and Industry Committee First Report on Security of Supply, 13 December 2005

<sup>6</sup> House of Commons, 12 January 2006, Hansard cols: 486-534

<sup>7</sup> Consultation currently being carried out as part of the DEFRA Marine Bill: paras 9.76-9.79  
<http://www.defra.gov.uk/environment/water/marine/uk/policy/marine-bill/index.htm>

energy supplies. This Government warmly welcomes the potential diversity of solutions that the market is seeking to deliver. Both onshore and offshore, large and small solutions are required to meet our needs.

The storage of gas onshore and offshore is only possible in certain geological structures, which are present in a limited number of locations in Great Britain. Such salt formations must have a certain minimum thickness in order to store gas.

Gas is now also stored in some depleted oil and gas fields<sup>8</sup>. Only one field is currently in operation but there are several others at different stages of development. These provide "ready made" storage structures with seals that have proven to be secure for millions of years. The nature of these structures is well known from the data collected during their development. An additional benefit is that storage in oil-bearing reservoirs can increase the amount of oil ultimately extracted from them. However, the reservoir characteristics needed for storage can be different from those needed to develop the field and not all onshore fields will be suitable for gas storage. Local planning officers should take this into consideration when making or preparing advice on planning consents.

The DTI recognises the importance of local democracy in the decision making process, and the significant contribution that local involvement makes to the quality of decision making. The views of all stakeholders must be taken into account. But if we are to maintain a rigorous planning system, it must also enable decisions to be taken in reasonable time. A balance must be struck between meeting the concerns of local authorities and those they represent, and the national need for infrastructure that will provide us with secure energy supplies.<sup>9</sup>

As my Hon. Friend the Minister for Energy set out to the House last year<sup>10</sup>, the provision of energy infrastructure is part of a delivery system that provides an essential national service. Business and homes in the UK require a reliable supply of energy free from disruption and interruption. New energy infrastructure projects may not always appear to convey any particular local benefit, but they provide crucial national benefits, which all localities share. In particular, projects add to the reliability of national energy supply, from which every user of the system benefits.

Against the background of the clear national need for new gas storage infrastructure, it is important that developers, where they are not already doing

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<sup>8</sup> In some countries, aquifers are also used to store gas. Again specific geological conditions are required for such storage. There is some current commercial interest in such projects in the UK

<sup>9</sup> DCLG Planning Policy Statement 1 recommends planning authorities should "recognise the wider sub-regional, regional or national benefits of economic development and consider these alongside any adverse local impacts".

<sup>10</sup> Written Ministerial Statement, Renewable Energy Statement of Need for Transmission System Upgrades, 21 July 2005

so, start an early dialogue with planning authorities to ensure that appropriate policies are included in Regional Spatial Strategies and Local Development Frameworks. Where developments need to come forward ahead of changes to local planning policy, it will be vital for developers to begin an early dialogue with local planning authorities, and the community more generally, about their proposals. It will be important to ensure that the environmental impacts of their proposals are better understood, and that the national need for these developments is fully taken into account by local planning authorities when making their decisions regarding planning consents.

In summary, we need timely and appropriately sited gas supply infrastructure to be delivered by the market, because:

- Great Britain is becoming increasingly dependent on gas imports, and requires new gas supply infrastructure to help ensure security of supply;
- new projects enable extra supply and storage options if they proceed without avoidable delays;
- there are limited locations currently suitable for much needed gas storage projects;
- onshore storage is needed to enable slow-moving gas to be available close to market when consumers require it;
- new energy infrastructure projects provide national benefits, shared by all localities.

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I am today placing in the Libraries of the House a fuller note, including annexes, setting out Government policy, to help clarify the context for planning and consent decisions on gas supply infrastructure.

**DTI**  
**May 2006**

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