

GB Gas Security of Supply studies published by DECC from Pöyry

12 July 2010: Pöyry Energy Consulting is pleased to announce the publication of three studies commissioned by the Department of Energy and Climate Change (DECC) in support of the April 2010 Gas Security of Supply Policy Statement and referred to in today's answer to a Parliamentary Question.

A Pöyry spokesman said:

“The UK has built a significant amount of new gas import capacity which counterbalances the decline in our own indigenous gas supplies in the North Sea. This additional import capacity provides us with diverse gas supplies, makes us more resilient to gas supply problems and improves our overall security of gas supply. We saw this in action during the last winter – the coldest in 31 years.

However, secure UK gas supplies depend on Europe continuing on the path to full liberalisation and energy companies being able to access a freely traded and global LNG market. New European projects, such as Nord Stream, are vital as they reduce the risks associated with potential disruption through Ukraine. Whilst the LNG market is both geo-politically and commercially diverse, the emergence of arbitrage opportunities and a liquid and freely traded LNG market is essential to ensure that LNG moves in response to demand and prices.

Without liquid European and Global gas markets we in Britain may have to pay more for our gas, although we believe that there will be little risk of significant physical supply interruptions.”

The studies reviewed availability of gas supplies to meet consumers' demands up to 2030, including stress tests against extreme peak day and severe winter demands across North-West Europe, and supply shocks covering the loss or disruption of major supplies from Norway, Russia or LNG. The studies conclude that Britain's current and expected gas infrastructure is sufficient to meet all but the most extreme supply failures until the end of the next decade. They identify that the most effective policy contribution comes from delivering on the current renewable and energy efficiency targets. Furthermore, the policy option of investing directly in strategic gas storage does not appear to provide sufficient benefit to justify its costs.

In addition, Pöyry's work showed that, with realistic combinations of unusual demand, supply shocks and oil prices, the probability of there being insufficient gas to meet demand is very low. However, the outlook is not risk free and the studies show that under some extreme stress tests prices can be higher than normal.

Notes for Editors

Pöyry Energy Consulting is Europe's largest specialised energy consultancy, with over 250 energy specialists located across 15 European offices in 12 countries. Pöyry plc is a global consulting and engineering firm focussing on energy, industry, urban & mobility and water & environment sectors.

To download a copy of 'GB Gas Security of Supply and Options for Improvement', 'Security of Gas Supply: European scenarios, policy drivers and impact on GB' and 'Global Gas & LNG Markets & GB's Security of Supply' please click here www.illexenergy.com/?t=7_0Latest#DECCGBSoS. The studies can be found on the DECC website, at www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/markets/gas_markets/gas_markets.aspx.

For further queries please contact Richard Sarsfield-Hall on +44 (0)7800 737356 or Andy Morris on +44 (0)7808 859116.

END OF RELEASE