National Grid South Wales and the West Reinforcement Project – natural gas

Statement of Objection by the Brecon Beacons National Park Authority to the Department of Trade and Industry.

Executive Summary

- This response details our objections to the National Grid South Wales and the West Reinforcement Project on the grounds that it does not fulfil the requirements of sustainable development.
- We provide a copy of our letter in response to the Level 1 Survey Report (the Route Corridor Investigation Study). In this we object to the pipeline where it passes through the BBNP. We do not believe that an unequivocal case has been made for National Grid's preferred route option No. 13. We ask that the DTI read that letter in conjunction with this response.
- We raise a number of strategic and fundamental issues of concern about the ad hoc nature of UK energy policy and procedure that has given rise to this project.
- On the basis of what we have been told, we believe that a pipeline between Milford Haven and Aberdulais (connecting with the NTS) would be sufficient to fulfil Wales' gas energy requirements. We raise no objection to this.
- However, we do not believe that the strategic need (as opposed to commercial need) is proven for a pipeline beyond Aberdulais, which we object to.
- We take issue with the absence of any environmental impact assessment of the implications of capacity auctions.
- We believe that Strategic Environmental Assessment (SEA Directive) should be applied to capacity auctions where they give rise to the need for NTS reinforcements or other infrastructure requirements.

- We believe that SEA may also be required for NG's gas transmission and gas distribution licences.
- We believe that NG's licence obligations (regulated by Ofgem) have forced the pursuit of a project that cannot fulfil the requirements of sustainable development.
- We take issue with assumptions made about the UK's future gas requirements.

Objection in detail

In addition to our response to the Route Corridor Investigation Study (September 2005), the "Level 1 Survey Report" published by National Grid, we emphasise our formal objection to this proposal. We raise a number of strategic and fundamental issues of concern about the ad hoc nature of UK energy policy and procedure that has given rise to this project. These are set out below under our own headings.

We enclose a copy of our response to the RCIS report.

1. Gas auctions

1.1 We take issue with assumption in the Level 1 Survey report that "This project forms a part of what will potentially become the major importation route for supplies of natural gas into the United Kingdom," (section 7.5 page 131). We believe that this assumption may be at odds with the Government's own figures, such as the Secretary of State's First Report to Parliament on Security of Gas and Electricity Supply and the Ofgem fact sheet "Securing Britain's Gas Supply." According to these documents, larger import routes are already planned or underway in Britain and Europe and it is not inconceivable that further European routes could emerge in future.

1.2 We believe there to be a subtle but necessary distinction between the *option* for the LNG shipping companies (the shippers) to provide up to 20% of LNG following the September auctions and the *strategic need* to provide up to 20% *via this route*. The strategic need has not been proven whereas the shippers' needs appear to be paramount.

1.3 Furthermore, given that the companies have bid for supplying 20% of Britain's gas, in the form of LNG, will this capacity be fully realised during the course of the pipeline? What if these shippers choose to speculate elsewhere in the world, in locations where the cost: benefit of access to market is better? Whilst this link might have the *capacity* to supply 20% of Britain's gas, this is not necessarily the same as actually supplying it.

1.4 Auctions are used as an economically efficient way of allocating capacity. However, we suggest that they are not an environmentally sustainable means of allocating capacity. Who's to say that having required a 1220mm pipeline

entry capacity in September 2004, other entry options might not prove more useful or more economically viable to the UK in future? Furthermore shippers can buy or option capacity up to 15 years in advance, i.e., they are speculating on the likely demand in the UK but they are not required to consider the environmental cost.

1.5 It seems clear that in the light of other interconnector and supply options, the case made by NG, that this 1220mm pipeline is required in order to help meet the UK's projected 67% shortfall in supply is not made. The case for this pipeline appears to be made on the basis of an entry capacity auction, whereas the decision had already been made prior to the September auctions that the entry requirements via Milford Haven could be served sufficiently (and Wales' needs for that matter) by a single pipeline as far as Aberdulais.

1.6 The offshore gas supply community has argued that NG does not get a clear enough steer when these auctions are held, on where the real investment is needed in the NTS to bring gas to market. The auctions now provide a more long term perspective but they still ignore the environmental consequences.

2. Strategic Environmental Assessment

2.1 Whilst we have no argument with a pipeline extending between Milford Haven and Aberdulais as originally proposed prior to the gas auctions, which we accept permits easier entry routes to market, reduces Wales' energy costs and contributes to diversity of supply, we object to the rationale behind the 1220mm pipeline beyond here. We believe there is a separation of needs associated with this project: Wales' needs (3.25 bcm per year) can be fulfilled with a pipeline between Milford Haven and Aberdulais. The shipper's needs (18.75 – 28.25 bcm) are fulfilled with the 1220mm pipeline beyond here and it is this that we believe is not sustainable.

2.2 Environmental impact should be captured at the time of auction through the regulatory process with Strategic Environmental Assessment (SEA) under the SEA Directive, as well as an environmental appraisal of likely impacts on each auction or on the licensed access to pipeline or storage facilities, whereby shippers can only bid for additional entry capacity where it is in the UK's environmental interests (terrestrial, aquatic and atmospheric). That is not just in terms of energy supply but all the factors that are encompassed within the UK SD Strategy ("Securing the Future – delivering the UK sustainable development strategy," March 2005) and also "One future – different paths," the UK's shared framework for SD.

2.3 Effective from May 2005, NG now holds separate licences for gas transmission and gas distribution. Should these be subject to SEA? (See Appendix 1, "other plans and programmes" in the ODPM's "A Practical Guide to the Strategic Environmental Assessment Directive.")

2.4 In relation to SEA was there an examination of alternatives such as the east coast of England and Scotland? What capacity exists at existing port facilities and European pipelines for additional shippers (e.g., the Bacton-Zeebrugge Interconnector, the new LNG terminal in the Thames and others listed in the

Ofgem fact sheet)? The September capacity auctions introduced the requirement for an additional pipeline but this was out of sequence with events that had already been determined when planning permission had been awarded for the new LNG terminals in Milford Haven. This change in circumstances should have been enough to re-visit or commence a strategic overview. Instead, owing to NG's requirements to fulfil Ofgem regulations, the dash for the additional pipeline commenced in order to keep pace with Ofgem's 3 year timetable, justified purely on the basis of the 20% capacity allocated during the September auctions, i.e., justified for the commercial interests of the shippers.

2.5 Where is the effort to increase fuel efficiency, particularly in gas consumption, in advance of assessing the need to import more gas? We accept that with a Welsh entry point there will be savings for Wales in reduced wastage during transmission, as well as reduced transmission costs but this can be achieved with the pipeline as originally envisaged between Milford Haven and Aberdulais.

2.6 We take issue with the current Government assumptions on future gas requirements, the increase in volume of which is based upon projections of current gas consumption. We believe that future figures should include a range of scenarios, including *reduced* gas consumption in future. This should be achieved through efficiency savings, reduced reliance on gas imports and a more comprehensive shift to a diversified renewable energy economy, irrespective of the distortions to renewable energy caused by the onshore wind option. Otherwise by default the Government will continue to promote unsustainable projects for fossil fuels.

2.7 How can Wales reduce its greenhouse gas emissions when, with the introduction of additional LNG and, presumably CCGT or CHP power stations using the gas, Wales' CO_2 emissions will increase as a consequence? Where's the CO_2 mitigation action plan to more than offset this? Where's the plan to ensure that current and emerging CO_2 reduction efforts by local authorities, landowners, manufacturers and so on are not undermined by this proposal in Wales? Where's the SEA?

3 Fulfilling the Requirements of Sustainable Development

3.1 We are concerned that the gas auctions do not appear to require any sustainability assessment. How sustainable is it for Britain to rely on LNG that is shipped from as far away as Qatar and Malaysia? What quantities of fossil fuel are consumed (and CO_2 emitted) in the extraction and transport of this cargo? If the future is to include LNG, does this mean that the UK's net CO_2 emissions in this sector will increase as a consequence of transport emissions during import?

3.2 Similarly, what of the Welsh Assembly Government's duty for achieving sustainable development enshrined in the Government of Wales Act? How does this tally with the energy costs and transport emissions from importing LNG? Given that planning permission for the LNG terminals has been

granted, it appears to be too late to give this sort of assessment any serious consideration. However, the DTI might be able to mitigate the environmental impact somewhat by considering whether it fulfils the Welsh Assembly Government's sustainable development remit to permit an additional pipeline *beyond* Aberdulais.

3.3 The BBNPA is very concerned that the additional length of pipeline required for avoiding most of the BBNP and the World Heritage Site is leading to significantly more agricultural land being affected. Whilst this approach can be argued in terms of reducing impacts on biodiversity, we believe that this may be additional evidence of an unsustainable proposal. Sustainable development must be measured in terms of the social, economic and environmental impacts.

3.4 We are concerned that given the limited lifespan of the completed pipeline, as well as the limited viability of gas imports, this proposal is not sustainable.

3.5 Following the completion of reviews of national park authorities (NPAs) in England and Wales in 2003 and 2004, these authorities are tasked with being at the forefront of sustainable development. We believe that this proposal through the Brecon Beacons National Park will impede this Authority's ability to fulfil this undertaking.

3.6 We are very concerned because during meetings with NG and other stakeholders, it emerged that were another pipeline ever to be required in addition to this proposal, the area of search would again focus on the BBNP. We believe that the presence and functions of a Protected Landscape Area and its authority should force a re-think of this approach otherwise the functions are undermined. The 'end of chain' environmental consequences should be placed at the forefront, in advance of shipping and transmission considerations.

4 The Sustainability of National Grid obligations

4.1 We believe that as a consequence of the chain of events leading up to this project, including the lack of any strategic environmental controls on the allocation of supply capacity, the National Grid is presented with an impossible task. That is to fulfil the requirements of sustainable development whilst reinforcing the NTS with an additional pipeline route that has inevitable consequences for the environment. We believe that where a Protected Landscape Area (whether national park or AONB) and/or sequence of European and national designated sites (not to mention other highly valued landscapes) are affected by a proposal of this scale, this should set alarm bells ringing in Government that national energy policy and regulation may be contrary to the requirements of sustainable development.

4.2 We believe that as a consequence of national, European and UNESCO designations along the central route options and the doubts expressed over the ability to mitigate adverse impacts effectively, NG has been forced to seek a significantly longer route. The regulatory processes that conserve the natural environment and World Heritage Site have shown the central route

options to be unsustainable. This has forced NG to propose a longer pipeline but it does not necessarily follow that by avoiding the designated areas along the central routes, any other longer route by default fulfils the requirements of sustainable development. Each proposal must prove its case for fulfilling sustainable development requirements, at a local as well as national level, on its merits.

4.3 By NG's own analysis in the report, the longer routes (options 12 and 13) will affect more land, more designated features and more people. We ask the DTI to consider, in the light of the social, environmental and economic requirements, how can this fulfil the requirements of sustainable development?

4.4 To quote the Route Corridor Investigations Overview, p. 2 paragraph 6, "When determining the optimum reinforcement strategy to meet supply and demand growth in the UK [National Grid] considers what may be required for future developments up to 10 years ahead in order to minimise the long term cost of providing both entry and exit capacity. This 'strategic' analysis is a critical requirement in demonstrating that the Company's development proposals represent an efficient and economic solution." We argue that if this analysis can be described as at all strategic, it is very limited and divorced from environmental constraints and spatial planning, not least of all the impact of additional pipeline capacity over and above that envisaged at the time of consents for the LNG terminals.

4.5 We query the process whereby NG provides the DTI with bcm (billions cubic metres) electricity forecasts. In a competitive market, there will be a disincentive to achieve energy efficiency or to reduce forecasts, thereby creating a market in which shippers and transporters can operate profitably. Also, with liberalisation of supply in Europe, how will this create an incentive to be energy efficient? Where's the environment in this?

End.