



IRONMAN

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Deres ref :

Vår ref : JHar

Dato : 20.11.14

**Høring – Forslag til endring i tarifforskriften for fastsettelse av tariffer for bruk av rørledningene
Valemon gassrørledning og Haltenpipe.**

Reference is made to the consultation letter and consultation paper dated 21 November 2014, regarding proposed amendments to the regulations of 20 December 2002 No 1724 for stipulation of tariffs etc. for certain facilities. We appreciate this opportunity to present our comments to the proposed changes in the framework conditions for the use of these facilities.

Ironman Development AS ("Ironman") is involved since 2013 in the development of an iron ore Direct Reduced Iron/Hot Briquetted Iron (DRI/HBI) plant onshore Norway. The process will use natural gas to remove the oxygen from iron ore. Natural gas is therefore a key commodity in this process. Ironman has selected Tjeldbergodden as the preferred site for this plant due to its location in terms of supply. A final decision on the project is under consideration. Transportation cost for natural gas is an important element for this decision.

Ironman supports the creation of a new tariff Area K that will increase the transparency for the use of the gas transportation network offshore Norway, in particular for gas supplied at Tjeldbergodden.

Regarding the tariff applicable to this new Area K, the proposal is to set the K-element to 4.1 NOK₂₀₀₂/Sm³. This figure is substantially higher than the K-elements that will be in force after 01 October 2016 in the existing areas where (i) owners have already achieved a 7% return on infrastructure; (ii) the service provided is limited to transportation (without processing or separation). For instance the K-elements would be 5 to 11 times lower in Gassled Areas A, B and D.

In addition current estimates show that the O-element in the new Area K will be of a comparable magnitude to the proposed K-element.

Ironman believes that this aggregated cost level will significantly reduce the competitiveness of natural gas at Tjeldbergodden and create a disincentive to utilise the Haltenpipe. This may lead to a suboptimal use of the system where investors do not see benefits in developing gas-related projects at Tjeldbergodden, while at the same time gas exports via Gassled Area B are constrained by a lack of capacities. Neither does it give any particular incentive for the current Haltenpipe owners to





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maximise the utilisation of the pipe, nor for other companies to invest in new infrastructure as the rules for deciding the K-element after a 7% return is achieved are not transparent.

It is of particular relevance for Ironman that the owners' revenues in infrastructure after a reasonable return has been achieved do not prevent the development of new activities, especially if such activities are contributing to the Norwegian industry's competitiveness.

We would consequently be pleased to elaborate the above comments in a meeting with the Ministry of Petroleum and Energy.

With compliments,

Jan Haraldsen
Managing director
Ironman Development AS

