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## **Proposed amendments to the Regulations of 20 December 2002 No 1724 relating to the stipulation of tariffs, etc. for certain facilities**

Reference is made to the consultation letter and consultation paper dated 15.01.13, regarding proposed amendments to the Regulations of 20 December 2002 No 1724 for stipulation of tariffs, etc. for certain facilities. ExxonMobil Exploration and Production Norway AS (ExxonMobil)'s comments to the proposed amendments are provided below:

### **Background**

ExxonMobil has played a significant part in the development of the gas infrastructure which today is incorporated in Gassled, and through this period, the company has been a large shipper. ExxonMobil also took an active part in the establishment of Gassled, and completed divestment of its equity in Gassled in 2011. However, ExxonMobil remains a large and significant shipper in the Gassled facilities, and an equity holder in other facilities/infrastructure developments that potentially could be merged into Gassled in the future.

As a large shipper, ExxonMobil believes that to ensure successful operations of the Gassled infrastructure system, the tariff regime should be transparent, predictable, and attractive to shippers, owners, and future investors. As such, the tariff regime needs to:

1. Facilitate production and development of hydrocarbon resources by resource owners / shippers;
2. Provide sufficient incentives for the Gassled owners to ensure long term system integrity, high reliability and efficient utilization of all infrastructure; and
3. Incentivise development of new system capacity and inclusion of such capacity into Gassled.

## **1. Development of hydrocarbon resources**

ExxonMobil agrees with the general view that the tariff level in Gassled will become increasingly important in order to stimulate future field developments on the Norwegian Continental Shelf, and therefore supports initiatives that will reduce future tariffs in a predictable and transparent way.

Concerning the current proposal, ExxonMobil believes that a reduction in tariff level should be made equally across the relevant gas transportation infrastructure in order to avoid distorting incentives for the efficient use of infrastructure, and use of different exit points.

The Ministry of Petroleum and Energy (MPE) is proposing to reduce the K-element in all transportation tariffs by ~90% except for in Area F (Tampen Link), and I (Gjoa), where it is proposing to maintain the existing tariff level based on current firm capacity bookings being “far below the level on which the stipulation of the K-element for these areas was based”. In ExxonMobil’s view, the proposal to differentiate the reduction in the K-element in the different tariff zones:

- a) is inconsistent with the overall rationale for reducing the tariff level
- b) will create a disincentive for shippers to utilize Tampen Link/Flags exit route, and appears to be contradictory to the rationale behind the proposal to harmonize the K-element for all landing points on the Continent and the UK in order to “exploit price differences between the different gas markets”
- c) may result in a situation where parts of the existing infrastructure are under-utilised as a result of disproportionately high tariffs, and other exit points are overbooked leading to infrastructure congestion. This sub-optimal use of the system as a whole, may delay offshore hydrocarbon exploration and development
- d) may therefore distort competition

Based on the above, ExxonMobil proposes that the K-elements in Area F and I should be reduced by the same proportion as the K-elements in the other parts of the Gassled system. The impact this would have on the future revenue stream for the Gassled owners could be compensated by adjusting the overall reduction in the K-element.

## **2. Gassled Owners’ Long Term Perspective**

ExxonMobil believes it is important that the Gassled owners have a long term industrial perspective, and that incentives are adequate to ensure continued investment and commitment to ensure high system reliability and long term system integrity. As users of the system, the shippers are relying on owners that are reliable, predictable, and

responsive to system conditions and shipper needs, including the need for modification and upgrades to the Gassled system.

As such, it is important that regulatory changes are implemented in a manner that preserves the confidence in and predictability of the system for all parties, and that potential conflicts and disputes concerning future system expenditures are avoided. The new tariff level needs to preserve sufficient incentives to all owners, and ensure they are aligned regarding the continued development, upgrade, and maintenance of the Gassled infrastructure.

ExxonMobil does not have a view on whether or not the proposed changes impact the Gassled owners' confidence and commitment, or whether the tariffs are sufficient to provide the right incentives, but we note the concerns raised by the new Gassled owners. We trust that the MPE will consider this as part of the consultation process, and potentially allow more time for the consultation process if needed.

### **3. New System Development**

ExxonMobil believes it is important that the principles and premises in Norwegian tariff regulations continue to be transparent and predictable for new capacity development to ensure that tariff levels can be readily forecasted by new shippers as basis for development of new hydrocarbon resources, and for potential new infrastructure investors who would take over the ownership of new infrastructure from the field owners when it is included in Gassled. As such, the MPE is encouraged to ensure current and potential future Gassled owners have confidence in the tariff regulations and how they will be implemented for future Gassled inclusions. This is important to ensure a continued efficient Gassled ownership structure and avoid that the old Gassled owners will have to re-enter as 'micro' owners in Gassled. This would increase the capital investment need for new resource developments, and result in a large number of Gassled owners making Gassled management more complex and cumbersome.

We would be glad to discuss the above comments further in a meeting with MPE if desired.

Regards,

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for and on behalf of  
ExxonMobil Exploration and Production Norway AS