The Norwegian regulated gas transportation infrastructure

1 Gassco

Gassco AS was established 14th May 2001 under the provisions of a Norwegian White Paper. Operational responsibility for Gassco commenced on January 1st 2002. Gassco is assigned all the operator's responsibilities warranted in the Norwegian Petroleum Law and related Regulations.

As a State owned company, Gassco operates independently and impartially and offers equal services to all shippers. Systems operated by Gassco are the rich and dry gas systems previously operated by Statoil, Norsk Hydro and TotalFinaElf.

Gassco has about 100 employees. Operational tasks connected to the Norwegian gas infrastructure requires a much higher work force. As a consequence, a Technical Service Provider (TSP) agreement was signed with Statoil for the technical operations of the Kårstø gas processing plant and the pipeline infrastructure operated by Statoil in the past. Further, Norsk Hydro is TSP for the Oseberg Transport system and TotalFinaElf for the Vesterled system.

2 Ownwership

The licensees have agreed on the conditions for the establishment of a uniform ownership structure for the gas transportation system on the NCS. All rich and dry gas facilities that today are, or soon will be, used by third parties are to be included in the new uniform ownership structure, named Gassled. Other facilities are subject to inclusion in the common ownership structure at a later stage. A uniform organisation of the gas transportation activities, also when it comes to ownership, will have positive effects on the operation and development of the gas transportation system. The authorities have not yet approved the new ownership structure. Operational start-up of the new ownership structure is scheduled to commence January 1st 2003.

Figure 2.1 displays the Norwegian gas infrastructure.

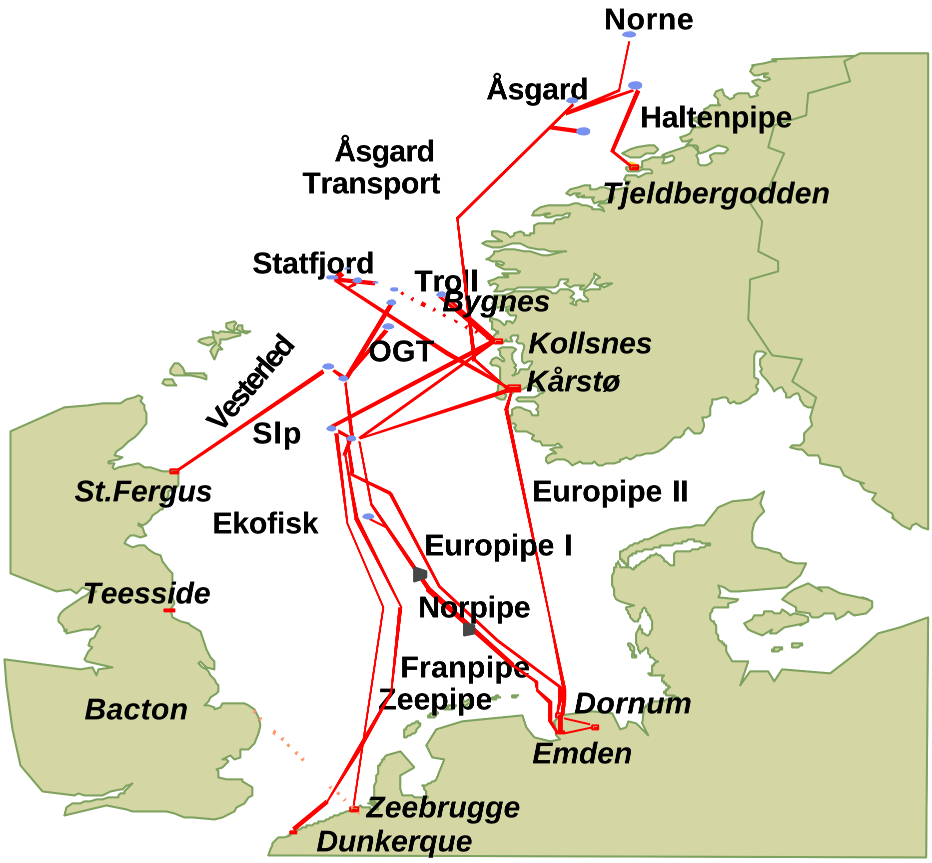

Figure 2.1 The Norwegian gas infrastructure.

3 A new regulatory framework

Abolishment of the GFU-system and the introduction of a system where the individual companies are responsible for disposal of their own gas reserves called for a new access and tariff regime. The governing principles of the new regulatory regime are assumed to feature the following:

- Keep the transport services effective and neutral
- Promote revenue of the gas sales as net-back to the production fields
- Provide for competitive position of Norwegian gas
- Objective, transparent and non-discriminating access

New regulations on access and services in the Norwegian gas transport infrastructure are expected be issued for hearing this fall.

4 System reinforcement and expansions

Development of the Norwegian gas infrastructure has been developed over many years, starting with the Norpipe system and Frigg system. Basically, large gas sales contracts have been the driving force for the infrastructure development.

In order to secure the Norwegian gas deliveries with high regularity with respect to quantity and gas specifications, the system has been developed as an integrated network. This has proved to be successful in terms of efficiency and reliability. For further details of the gas infrastructure, the Fact Sheets on the MPE Home Page are recommended; http://www.oed.dep.no

Gassco as operator of the gas transport facilities and terminals establishes a yearly revision of a transport plan for NCS. The transport plan suggests reinforcement solutions and possible expansions of the infrastructure necessary to accommodate the forecasted gas deliveries. The individual shippers establish forecasts of the gas deliveries.

5 Predictions of gas deliveries from NCS

Disposal of natural gas from Norway added up to 730 BCM as pr. 31.12.2001 according to NPD. Estimated recoverable gas resources from known fields add up to 3333 BCM. In addition, projections for new gas reserves not yet discovered are 3010 BCM.

Total sales gas deliveries predicted by Gassco for the period 2002 – 2010 are displayed in figure 5.1. On a daily basis the predictions level out at about 330 MSm^3/d that correlates with a yearly disposal of 105 BCM.

Prediction of the daily sales gas deliveries to the UK marked is shown in figure 5.2 together with the projected transport capacity development of Vesterled.

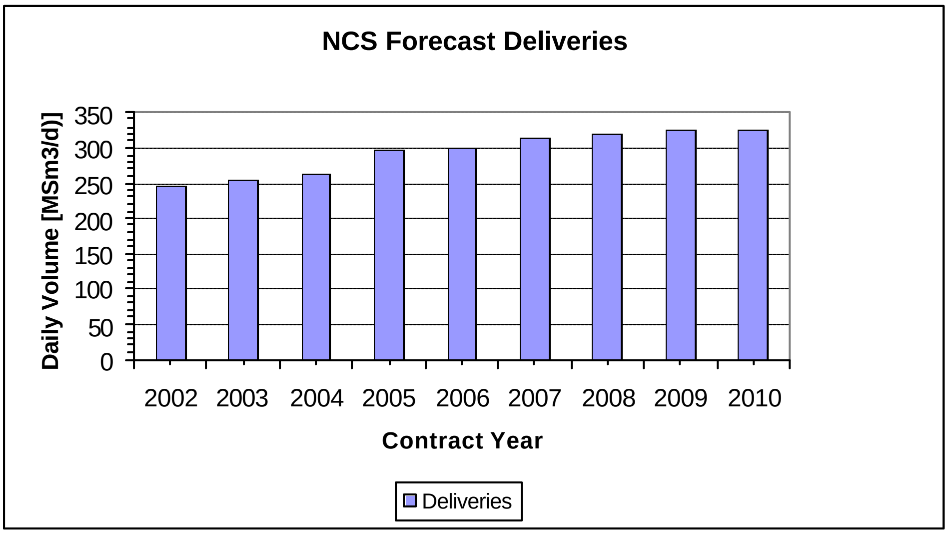

Figure 5.1 Gassco predictions of sales gas disposal from NCS.

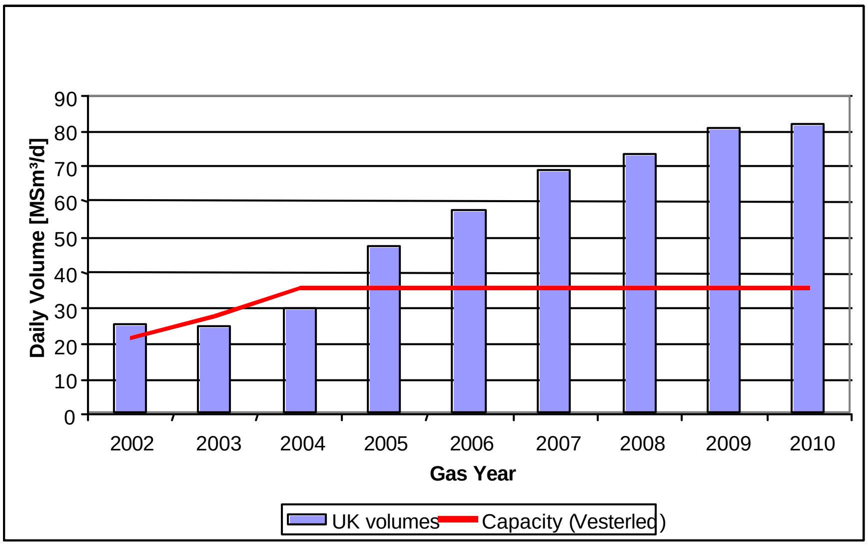

Figure 5.2 Gassco predictions of UK gas deliveries from NCS.