

17<sup>th</sup> April 2009

## Note from the Chairman TO Members of UKOPA

Subject: Rateable Value of Pipelines from 2010

The UKOPA rating team are pleased to report that an agreement has been reached with the Government Valuation Office for the assessment of rateable value of pipelines. A copy of the report explaining the basis of the rating assessment, agreement and a few examples is attached. This will be posted on the members section of the UKOPA website. Typically the rateable value assessments are 50-70% less than the initial valuation proposed by the Valuation Office. This means for the UK these negotiations have resulted in a reduction in the potential tax burden for the pipeline industry for 2010/11 in the order of £20 million.

Below are the conclusions of the report:

The agreement reached with the VOA / SAA is recommended for acceptance by the Pipeline Industry. There has been substantial benefit from the advanced discussions between the UKOPA team and the VOA/ SAA. In the absence of an agreement the construction cost evidence available could be used by the VOA/SAA to support substantially higher levels of assessment, as a result of the large increases in construction costs experienced between 2003 and 2008 in the natural gas industry. Agreeing a basis with the VOA / SAA that utilises indices and includes an enhanced age related scale has reduced the potential cost burden substantially and should provide Companies with greater confidence in predicting budget requirements from 2010 / 11 onwards. We therefore, have no hesitation in recommending the agreement to UKOPA members for implementation.

Phil will now be progressing formal endorsement of the report and assessment with the respective Pipeline Company advisors and we would appreciate if you could make them aware.

If anyone has any questions please contact one of the UKOPA rating team

Phil Glenwright Shell Real Estates 0783 6240248

Keith Norman Gerald Eve, London 0207 3336346

Graham Howarth Gerald Eve, Glasgow 0141 2272363

or myself telephone number below.

<<Final 2010 Pipeline Rates report for UKOPA members April 09.ZIP>>

### *Roger Ellis*

Manager Pipeline Group

Shell UK Oil Products Limited

Stanlow Manufacturing Complex, PO Box 3, Ellesmere Port, South Wirral CH65 4HB, United Kingdom

**Tel:** +44(0)151 350 4779 **Fax:** +44 161 933 3217

**Mobile:** 07831 258929

**Email:** [Roger.Ellis@shell.com](mailto:Roger.Ellis@shell.com)

**Internet:** <http://www.shell.co.uk/>

Shell U.K. Oil Products Limited

Registered in England

Registered number: 3625633

Registered office: Shell Centre, London SE1 7NA