



Pipeline Rates Update

February 2016

Pipeline Rates

- ☐ A business tax
- ☐ Based on pipeline construction costs
- ☐ Last valuation took place in 2010
- ☐ 2015 valuation delayed by Government to 2017
- ☐ Aim to agree basis by April 2016
- ☐ Team negotiating with Valuation Office (as previous)
 - ☐ Phil Glenwright – Shell
 - ☐ Keith Norman – Gerald Eve
 - ☐ Graham Howarth – Gerald Eve
 - ☐ Peter Davis - UKOPA

Status of Negotiations

- ☐ All material costs 0% (No change)
- ☐ All construction cost elements including crossings & block valves +15%
- ☐ Legal costs £1/m increase to £28/m run
- ☐ Design & Admin % addition. No change.
- ☐ Multi track allowances. No change.
- ☐ Pipe length adjustments. No change.
- ☐ Land Variables & Normal and Hard Terrain definitions. No change.
- ☐ Easements - increase by +5%
- ☐ Age allowance The Industry team asked the VOA/SAA team to review their position on this item and carry on increasing the scale beyond the 25% ceiling. Industry proposed increasing scale to 40% reduction (as with tankage) – pipeline of 50 years old.
- ☐ Convinced that we should escalate rather than use new construction costs

VO update in Feb 2016

- ☐ VOA/SAA will make a formal response to you very soon.
- ☐ I don't envisage any major issues to remain except perhaps obsolescence allowances.