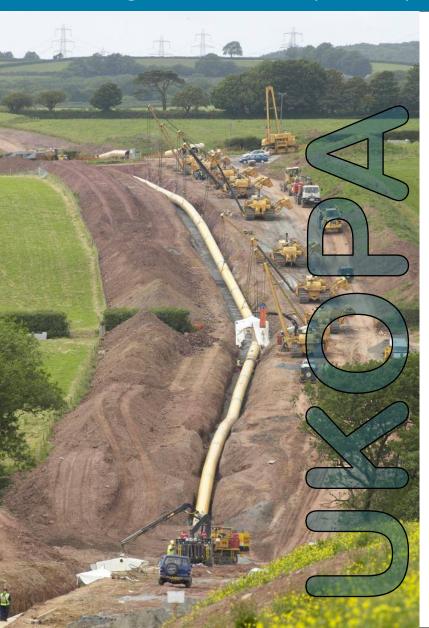
# **UKOPA**

#### **United Kingdom Onshore Pipeline Operators' Association**



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.