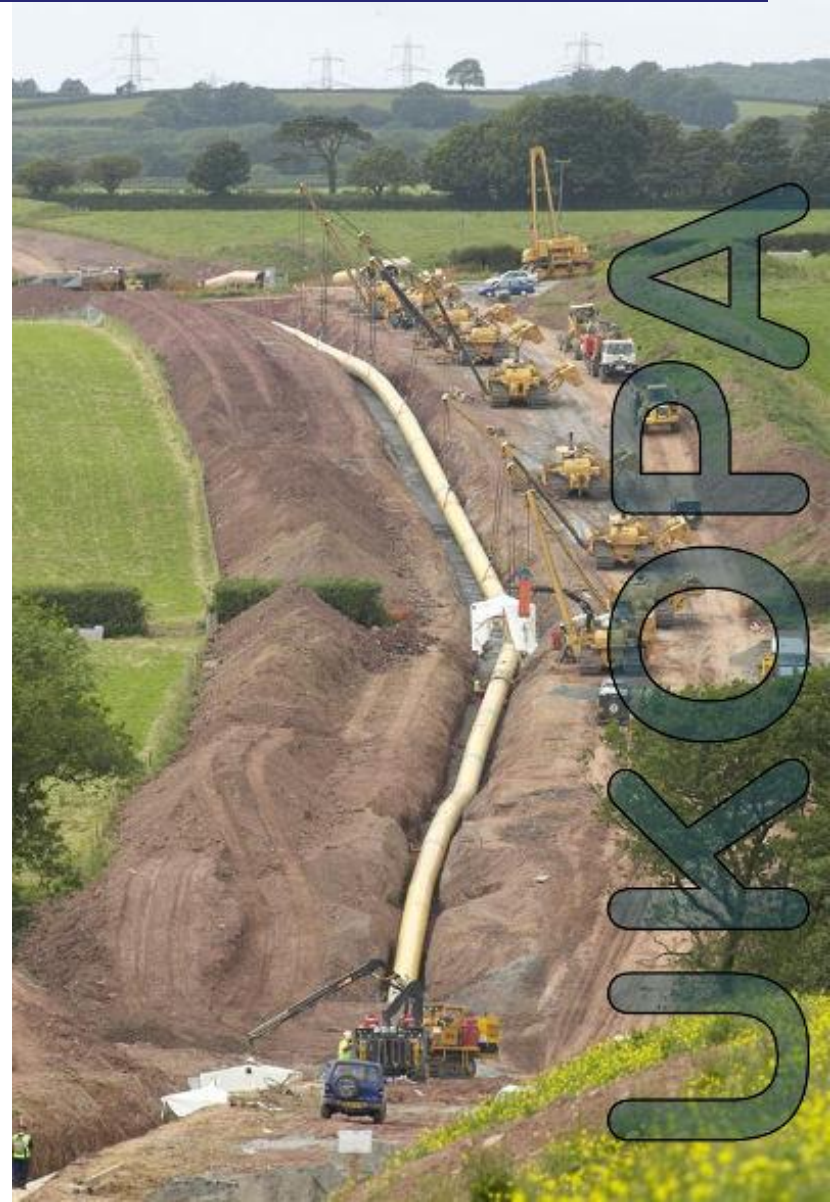


## Pipeline Rates 2026 Revaluation

February 2025



# Pipeline Rates

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Valuation Office Agency

Based on cost of construction of new pipelines

Considers changes in materials and construction costs

Last undertaken 2022 (for 2023 on)

Revalue every 3 years, next due April 2025 (for 2026 on)

Operators may have received questions individually

# Total Construction Cost of New Pipelines

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- Basic Pipe Costs
- Protective Coating Costs (internal and external)
- Cathodic Protection Costs
- Basic Construction Pipe Build Costs
- Special build costs
- Cost of Road, River and Railway crossings
- Land / Easement costs
- Legal costs
- Design & contract costs
- Pig trap connection costs and Block Valve costs

# Memorandum of Agreement

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Confirms agreement of methodology

Applies to England and Wales

Scotland VO typically adopts England and Wales outcome

Newmark (formerly Gerald Eve) facilitate

UKOPA represent wider “industry” view

Individual companies may negotiate with VOA

Economics

Usage (pipeline throughputs)

Special cases

# 2026 Revaluation

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Cost data since 2022

## Limited evidence from Industry

1 pipeline constructed since 2022, and costs were unique  
Construction – generally short lengths

## Established construction and commodity indices

BCIS indices up to April 2024 (except for easements & legal costs) partially offset by increase in age of individual pipelines from the 2023 rating list. Decapitalisation rate unknown (may stay at 4.4% for England) and the UBR(s).

## Easements and legal costs from actual cost evidence

# 2026 Proposed Changes

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- Line pipe +20% (was 15%)
- Coatings and CP +20% (was 15%)
- Easements + 29.7% (not changed since 2017)
- Legal costs +25% (not changed since 2017)
- Crossings +20% (was +15%)
- Construction – No change (was +15%)
  
- Land – No change
- Design and Administration (% of cost) – No change
- Multitrack allowances – No change
- Pipeline length allowance – No change
- Age allowance - No change

# 2026 Approval

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The % changes to be used as basis for 2026 rating

Operators individually have right to challenge

Economics

Usage (pipeline throughputs)

Special cases

No information on UBR or Transition

# Recommendation

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## Recommend acceptance

Uplifts very favourable to pipeline operators & includes construction costs evidence and sharp rise in material cost

Industry evidence limited (1 pipeline constructed in valuation period)

## Operators have rights to appeal individually

## Next steps:

Comments / acceptance from Membership?

If confirmed, VOA advised & Memorandum of Agreement formalised