

DECC

Rt Hon Michael Fallon MP
Minister of State for Business and Energy
Department for Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET

Ref RR/RS/mb

4 July 2014

Dear Minister,

Gas Storage Facility, Preesall, Lancashire

I am writing on behalf of Community to register comment in relation to the proposal for an underground gas storage facility at Preesall, Lancashire.

Whilst we are not in a position to comment on the application in detail, our experience representing members in energy intensive sectors of industry does leave Community well-placed to comment on the urgent need for additional gas storage capacity in the UK.

Community represents the majority of UK steelworkers, in particular employees of Tata Steel Europe. We have consistently called for a level playing field for UK steel plants, as they pay up to 50% more for their energy than sites in France, Germany and the Netherlands.

Steel is a foundation industry for UK manufacturing and it is vital for our economy: providing jobs, creating infrastructure and exporting across the globe. As well as employing 20,000 people, steel provides immense opportunities to support the government's ambitious plans for the development of UK infrastructure. It is vital, therefore, that we also have a secure and steady supply of energy to support these proposals in the coming decades.

As the government is aware, Community has been calling for action on industrial energy costs as we believe that a lack of action will put the UK at a competitive disadvantage. As the Chancellor made clear in his budget statement in March 2014, the cost of energy acutely impacts on the international competitiveness of the UK manufacturing sector and particularly for energy intensive industries such as steel

We welcomed the measures announced by the Chancellor in the budget, but also believe that more action is required, including diversifying and expanding the UK's energy capacity.

The proposed facility at Preesall, which will have a working capacity of 600million cubic metres, will help reduce price volatility, such as that experienced in March 2013, by releasing gas quickly into the national grid when required. Our members, especially those in the energy-intensive steel industry, would welcome action that would prevent a reoccurrence of this type of instability.

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It would also add to the UK's energy security, reducing our vulnerability to international events. As you will be aware, UK gas storage (as a number of days' usage) is among the lowest in Europe. It is concerning to our members that the UK has such low levels of gas storage. The UK has 14 days of storage to meet the UK's needs compared to 87 days in France and 69 days in Germany. In addition, we have become a net importer of gas. By 2025 we will be forced to import 75 per cent of all our gas needs.

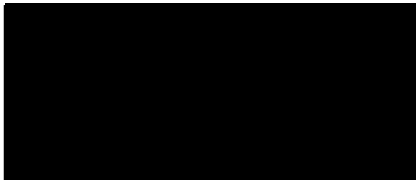
Moreover, there is the imminent removal of much UK coal-fired electricity generation capacity; most of which could be replaced in the short-term by gas-fired stations. Longer-term, more intermittent renewable generation will connect to the grid. The intermittent nature of such generation will require additional gas-fired generation capacity as back-up for those periods when the wind doesn't blow or the sun doesn't shine. This will introduce additional pressure on gas supplies and increase price volatility.

The facility at Preesall would, once constructed, be the largest onshore gas facility in the UK and would add an extra 20% of capacity.

Finally, while unemployment is falling, the North West continues to be above the national average. A facility which will not only be of value to our members once constructed, but will also create over 3,000 jobs during its eight year construction period, receives our full support.

I hope that Ministers will look carefully at the detail of this proposal and I would be very happy to meet if you wish to discuss this further.

Yours Sincerely,



ROY RICKHUSS
General Secretary