

SECURITY OF SEMBCORP UK GAS SUPPLY ENHANCED BY EGDON DEAL

Sembcorp UK has successfully concluded negotiations with a UK gas exploration company for the development of a site close to the Wilton International site.

Egdon Resources Limited is looking at a £6million project to develop the Kirkleatham Gas Field, within metres of the Wilton fenceline, which is thought to hold anywhere between one and five years worth of natural gas.

The gas will feed Sembcorp's new £36 million Gas Turbine, built to supply steam and power to the site companies including new £250 million Ensus biofuels development on the site.

Negotiations with Egdon have involved a number of key commercial agreements covering the terms of gas sales, lease of a gas processing site, the grant of wayleave rights for pipelines and the operation and maintenance of on-site pipeline facilities.

Construction work is likely to start shortly and gas production is expected to begin by the end of the third quarter.

The contract also offers Sembcorp the potential to be involved in any development of the cavity for gas storage purposes once the gas has been extracted.

Bob Stonehouse, Sembcorp UK Commercial Manager, said: "Gas storage is a valuable commodity in the UK at the moment with North Sea fields declining and security is becoming more of an issue."

He added: "We are excited by the potential for gas storage. It would be a big asset for Wilton if it could be realised. In the long term, there will be an evaluation phase to see whether the site is suitable for storage - there are no guarantees, but there's an option for Sembcorp to be involved in that."

Gas storage capacity would have the added benefit of allowing supplies to be bought in during low pricing periods and used when prices were high.