

30 November, 2006.

Energy Green Paper Submissions,  
Energy Planning Division,  
Department of Communications, Marine and Natural Resources,  
Adelaide Road,  
Dublin 2.

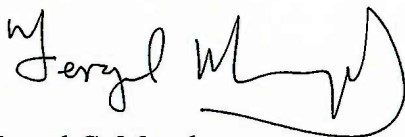
Dear Sir or Madam,

Re: Green Paper on Energy

Attached please find Marathon Oil Ireland's submission on the Green Paper 'Towards a Sustainable Energy Future for Ireland'.

Marathon welcomes the opportunity afforded by the Department to comment on this important area of Government policy.

Yours sincerely,



Fergal G. Murphy

Encl.

## **MOIL Submission Green Paper on Energy**

### General:

Rather than respond within the context of the security, sustainability and competitiveness policy areas, Marathon's response is framed around the sectoral areas of interest to us.

### E&P Sector:

Of key interest to Marathon are the policy objectives, strategies and actions with regard to the E&P sector. Marathon is a member of the Irish Offshore Operator's Association (IOOA) and our views on this sector are reflected within the IOOA submission on the Green Paper.

### Diversity of Fuel Supplies:

In the context of Ireland's lack of indigenous resources and the ban on nuclear energy, diversity of fuel supplies is obviously a key issue impacting (at times in a conflicting manner) on energy security, sustainability and competitiveness.

It is clear from the Green paper that the Government's proposed policy in this regard is to significantly increase penetration of renewables in the electricity sector to 30% by 2020. Such a policy may fit well with sustainability objectives and with security objectives (so long as back up mechanisms, if required by the technology, are in place), however, there is potentially a significant conflict with the competitiveness objective.

Penetration of renewables of this scale and in this time frame would appear to be very aggressive given where Ireland currently stands.

The Green Paper does not appear to address the potential costs to Ireland Inc. of adopting such a policy over and above what might be payable were a different policy pursued. MOIL would suggest that an attempt to quantify these costs (whether via direct or indirect subsidy, back up costs, or increases in delivered electricity costs) should be carried out as part of the debate. This would enable the cost of meeting the energy policy 'pillars' via high renewable penetration to be compared with other policy alternatives. Examples of such policy alternatives would be:

- Incentivisation of (or State participation in) the exploration sector to increase drilling activity levels so as to access Ireland's 'yet to find' hydrocarbon potential as identified by the Department.
- Investment in Strategic Storage so as to mitigate the perceived concern of greater gas dependency.
- Incentivisation of clean coal and other 'low emission' fossil fuel power generation technology and the associated carbon sequestration activity.

### Gas Storage:

It is Marathon's view that gas storage can play a significant role in providing gas security of supply. Marathon is pleased to have commenced operation of Ireland's first commercial gas storage service in June of this year. Marathon welcomes the decision to commission a study of gas security of supply on an all Island basis and looks forward to sharing its views with the appointed consultant at the appropriate time.

Marathon would make the following points with regard to gas storage policy issues at this time:

- The economics of commercial gas storage ventures are difficult due to relatively large capital investments involved, the significant opportunity cost of cushion gas and the uncertainty and volatility of the revenue stream.
- It is important therefore that Irish gas storage ventures have the opportunity to export any surplus storage capacity to the larger and more liquid EU internal market. This export capability could be provided by adjusting the current Moffat administrative arrangements and would not require the construction of any new pipelines or gas compression facilities.
- An explicit recognition of the security of supply benefit of commercial storage ventures should be considered.
- Incentivisation of new gas storage ventures may have to be considered, as is currently being considered by the DTI in the UK, however, discrimination against existing storage ventures would have to be avoided.
- It is difficult to see how large scale strategic storage could be contemplated without direct investment by the State, however, such an investment may be justified in the context of security of supply and the policy alternatives. Any strategic storage development should not adversely impact the operation of commercial storage ventures.

#### Carbon Sequestration

'Clean coal' and other such technologies, whereby the CO<sub>2</sub> associated with the power generation process can be captured and stored, has the potential to offer significant benefits to Irish energy security and sustainability and, potentially, competitiveness.

Coal is in abundant supply and is relatively price uncorrelated with other fossil fuels. Capture of the associated CO<sub>2</sub> would result in a power generation process with the sustainability and environmental credentials of renewables but with the reliability and availability of fossil fuels.

Carbon storage is obviously a key component to this process and Marathon believes that the Kinsale Head gas field, now nearing depletion, could have the potential to store significant volumes of CO<sub>2</sub> in the future.

In this regard, Marathon welcomes the very recent London Convention decision to permit the storage of CO<sub>2</sub> beneath the seabed in suitable geological formations.

Marathon believes that, from a policy perspective, the following actions would assist in advancing potential clean coal and carbon sequestration projects:

- The development of a transparent and expeditious regulatory regime with regard to the sequestration of CO<sub>2</sub> in geologic formations.
- Clarity on how CO<sub>2</sub> sequestration would fit within the EU ETS scheme.
- Availability of R&D funds to advance understanding and knowledge of the technologies involved and their specific application in Ireland.