

U.K. Issues Gas Balancing Alert as Supply Falls (Update1)

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(Adds comment from consultant in fifth paragraph.)

By Ben Farey and Marianne Stigset

Jan. 7 (Bloomberg) -- National Grid Plc, manager of the U.K.'s natural-gas network, issued a gas balancing alert for today, the second this winter, after supplies from Norway fell and it forecast record demand.

A gas balancing alert is designed to ensure the safe operation of the network. It's meant to act as a signal to gas shippers to increase flows, while some companies may need to reduce consumption. National Grid also issued an alert Jan. 4.

Norwegian gas-production difficulties caused deliveries from the U.K.'s largest foreign supplier to drop as demand was forecast to reach a record with Britain in the grip of the longest cold spell since 1981. Gas is the main fuel for heating and power generation in the U.K., Europe's biggest gas market.

North Sea gas supplies are in decline and the U.K. is becoming more dependent on pipeline imports of the fuel from Norway, the Netherlands and Belgium as well as tanker-borne imports from the Middle East and elsewhere.

"We are now seeing the effects of the U.K.'s import dependency when the Continent as a whole is cold, which is very much a new experience," Craig Lowrey, a consultant at J.C. Rathbone Associates Ltd., said in an e-mailed statement.

Gas for delivery today rose as much as 26 percent to 56 pence a therm, according to broker data compiled by Bloomberg.

It was at 47 pence as of 12:40 a.m. in London. That's equal to \$7.49 a million British thermal units.

Norway Halts

Statoil ASA, Norway's largest gas producer, said output at its North Sea Troll, Kvitebjorn and Visund fields was halted due to "minor technical problems" at Troll, spokesman Gisle Johanson said by phone.

Deliveries from Norway through Langeled, the world's longest sub-sea pipeline, fell as much as 72 percent to a rate of 18.7 million cubic meters a day, according to National Grid.

Flows into Total SA's St. Fergus terminal in Scotland also dropped by 18 million cubic meters. St. Fergus receives Norwegian gas via the Vesterled pipeline.

Troll, Norway's largest gas field, was halted at 9:15 a.m. local time and is in the process of being restarted, Johanson said. Oil production at Troll and Visund was not affected by the closure, he said.

"Kvitebjoern and Visund automatically get shut down when Troll A is closed," Johanson said. "This was a minor technical problem, it wasn't safety related, and everything is working normally at Troll again now."

Troll Field

The Troll field contains 40 percent of Norway's offshore natural-gas reserves and 10 percent of all of the nation's oil and gas. The field produced 19.4 billion cubic meters of gas in the first 10 months of 2009, according to figures from the Norwegian Petroleum Directorate.

Yesterday U.K. demand fell short of a record, reaching 446.7 million cubic meters, grid data show. The record is 449 million, set in January 2003.

Consumption of the fuel is forecast to reach 455.3 million in the 24 hours through 6 a.m. tomorrow, National Grid data show.

Average temperatures in London may drop to minus 3 degrees Celsius (27 Fahrenheit) today from zero Celsius yesterday, CustomWeather Inc. data show. Colder weather raises demand for heating.

To contact the reporters on this story:

Ben Farey in London at +44-20-7673-2369 or bfarey@bloomberg.net; Marianne Stigset at +47-22-99-6109 or mstigset@bloomberg.net