

MEDIA RELEASE

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WA Government urged to reserve Gorgon gas for domestic use

WA's peak energy user group today urged the State Government to ensure that 15 per cent of gas production from the Gorgon Project is reserved for the domestic market.

DomGas Alliance Chairman Stuart Hohnen said it was important that the project delivers ongoing benefits by contributing to energy security, power generation, employment and value-adding in the State.

"Maximising domestic supply from Gorgon is vital to the WA economy, given our critical dependence on gas," Mr Hohnen said.

In an appeal to the Minister for the Environment, the DomGas Alliance has asked the Government to attach additional conditions to its approval of the expanded Gorgon Project. These include:

- A minimum 15 per cent of gas production from the Project should be supplied to the domestic market; and
- First delivery of domestic gas should be made no later than start-up of the first LNG train.

A 15 per cent domestic gas commitment is consistent with the State's existing domestic reservation policy which underpins Western Australia's long term energy security and economic development.

The current Gorgon State Agreement, which pre-dates the expanded Gorgon Project, only commits 2 trillion cubic feet (TCF) of gas to the domestic market. This represents 5 per cent of Gorgon reserves. A 15 per cent policy would commit 6 TCF of gas to the domestic market.

Mr Hohnen said that as well as maximising economic benefits, using Gorgon gas domestically was by far its most greenhouse and energy efficient use.

"Domestic gas supply is over 92 per cent energy efficient on a lifecycle basis, with less than 8 per cent of energy lost in the production chain," Mr Hohnen said.

"Unlike LNG, domestic gas does not need to be liquefied, shipped long distances in tankers and then regasified - an energy-intensive process - before it can be used as a fuel."

Mr Hohnen said a 15 per cent commitment could help offset the significant greenhouse emissions associated with the expanded Gorgon Project. Using Gorgon gas domestically also avoids the additional greenhouse impacts of burning coal if gas is either unavailable or unaffordable for local process industry and power generators.

“A 15 per cent commitment could potentially deliver greenhouse emission reductions of around 66 million tonnes over the project’s life,” Mr Hohnen said.

“This is equivalent to the annual emissions of 15 million cars, or removing 1 million cars off the road for 15 years.”

Western Australia is the most energy and gas-dependent economy in Australia. Natural gas supplies half or the State’s primary energy requirements and fuels 60 per cent of the State’s electricity generation. In contrast, natural gas supplies only 19 per cent of the primary needs of Australia as a whole.

The State is however experiencing a serious shortage of gas. Wholesale gas prices have risen four to five-fold over the past 18-24 months. Despite WA’s ‘abundance’ of gas resources, prices are four to five times gas prices in the Eastern States on a delivered basis.

Mr Hohnen emphasised that the Alliance welcomed the Gorgon Project and the economic benefits it would bring to Western Australia so long as the long-term economic and environmental benefits associated with increased domestic gas supply were also delivered.

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The DomGas Alliance

The DomGas Alliance represents natural gas users, infrastructure investors and prospective domestic gas producers in Western Australia. The Alliance promotes security, affordability and diversity of gas supply for industry and households.

The Alliance was formed in 2006 in response to a serious shortage of gas supply for new developments in WA. Alliance members represent around 80 percent of Western Australia's domestic gas consumption and gas transmission capacity, including smaller industrial and household users of gas. The Alliance also includes companies working to develop domestic gas fields.

Members include: Alcoa of Australia, Alinta, Burrup Fertilisers, Dampier Bunbury Pipeline, ERM Power / NewGen Power, Fortescue Metals Group, Horizon Power, Newmont Australia, Synergy, Verve Energy and Murphy Oil.

The Alliance works closely with State and Federal Government and other industry stakeholders to promote initiatives and debate on domestic gas supply issues.

