

MEDIA RELEASE

FOR IMMEDIATE RELEASE
8 September 2010



New Government must focus on gas security

Western Australia's peak energy user group has urged the new Federal Government to act on the State's serious gas shortage and rising prices.

DomGas Alliance Chairman, Tony Petersen, congratulated Gillard Government on its re-election and said both the Federal and State Governments had a good track record of supporting gas developments.

However, the domestic gas shortage continued to impact long term growth prospects, investment and jobs, as well as household living costs in Western Australia.

Key Federal Government priorities should include:

- Stringent enforcement of offshore retention leases – to stop warehousing of gas resources that could otherwise be developed to assist supply to the domestic market;
- Exempting domestic gas production from any proposed Petroleum Resource Rent Tax – so Australia's energy resources are available for local development to encourage local jobs and businesses;
- Commonwealth support for the State's 15 per cent domestic gas reservation policy; and
- A more efficient offshore exploration release process.

The Alliance expressed disappointment at the Australian Competition & Consumer Commission's recent decision to allow the six North West producers to continue to combine together and set prices for customers.

"The ACCC decision locks Western Australia into less competition and higher gas prices for the next 20 years," Mr Petersen said.

"The onus must now be on ensuring supply to put downward pressure on prices."

In its decision, the ACCC referred to the State Government's power under the North West Shelf State Agreement "to exert significant influence over domestic supply volumes".¹

¹ ACCC, North West Shelf Project Determination, 8 September 2010, para.5.139.

Clause 46 of the State Agreement requires the North West Shelf partners to reach agreement with the State on how the State's future gas needs will be met, before entering into any new contracts for the sale or export of LNG during 2010 to 2025.

"This provides a powerful mechanism to secure future supply from the North West Shelf Project if other sources of supply do not come to market," Mr Petersen said.

The North West Shelf Project currently supplies almost 70 per cent of Western Australia's domestic gas. The Project is however mature and gas production is expected to fall in the coming decade.

A recent report by Economics Consulting Services assessed the State would need to source at least 1,100 terajoules per day of new gas supply by 2020 to meet demand growth in Western Australia, and to replace existing supply as fields decline and contracts expire.

Western Australia's total current gas supply is around 1,000 terajoules per day which makes it by far Australia's largest gas market.

**Media contact:
Gavin Goh 0403 310 897**