



Domestic Gas Sustainability

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Overview

- Importance of natural gas supply
- Current market conditions
- Proposed responses
- New approaches may be needed
- Energy sustainability



Dampier Bunbury
Pipeline

DomGas Alliance Members



Importance of domestic gas supply

- WA is the most energy and gas dependent State
- Natural gas accounts for **51%** of primary energy and fuels **60%** of electricity generation
- Natural gas is critical to resource processing
- WA gas consumers are seeking approximately **900 TJ/day** of gas in the next 6 years
- Natural gas will play a key role in meeting greenhouse gas reduction targets



Current market

- Users unable to secure long term gas supplies in substantial quantity
- WA gas prices have **almost tripled**
- Prices reported for recent sales now **more than double** delivered prices in the Eastern States
- Significant impact on new project development
- Consequences for economic and environmental sustainability



Current market opportunity

- Domestic gas market presents **significant opportunity**
- 17 large projects in WA are currently seeking gas
- These projects will deliver:
 - over \$23 billion in capital investment
 - 15,800 construction jobs
 - 5,250 permanent operating jobs
 - \$9.2 billion in annual economic output



Fortescue port
under construction

Proposed responses

- Increased scrutiny of Retention Leases
- Facilitating third party participation in upstream gas supply infrastructure
- Removing anti-competitive joint selling arrangements
- Resolving gas quality issues
- Support for domgas exploration and development



Boddington mine
under construction

Reforming Retention Leases

- 53% of WA's gas reserves held under Retention Leases
- Need for greater scrutiny by Joint Authority to ensure fields are developed when commercially viable
- Retention Lease fields with the potential to supply the **domestic market** on a commercial basis should be assessed on this basis
- Need for greater transparency and disclosure



Facilitating third party participation

- High costs are a significant barrier to developing new offshore gas fields
- Gas users and infrastructure operators can reduce the risks associated with new domgas developments
- Third party investment in upstream gas gathering systems and processing also creates opportunities for shared use facilities
- Government can play a role in facilitating participation



Removing anti-competitive joint selling

- Joint selling **significantly reduces competition**
- This is exacerbated by concentration in supply
- Two operating entities hold close to 100% of reserves in developed fields that supply domestic market
- No justification in current market environment for maintaining joint selling



Resolving gas quality issues

- Some fields such as Macedon have gas quality issues that currently limit access to domestic market via the DBNGP
- These issues are amenable to commercial resolution
- Changing the gas specification for the DBNGP is no panacea
- While Macedon could contribute 100 – 150 TJ/day, a total of approximately 900 TJ/day will be sought in next 6 years



Domgas exploration and development

- The scale and cost of LNG developments has increased dramatically
- WA cannot afford to rely on export projects for its domestic requirements
- Targeted support is required for domgas exploration and development



Gas fired
cogeneration plant

New approaches may be needed

- Government intervention and support alone is unlikely to be sufficient
- Producers, consumers and infrastructure investors need to assess alternative structures to ensure gas remains competitive in the domestic market
- This might include physical systems, ownership structures, contractual frameworks, and financing structures, etc



Alumina refinery

Energy sustainability

- Energy sustainability, climate change policy and economic growth
- Competitively priced energy has underpinned growth, prosperity and living standards in WA
- Importance of energy sustainability will continue to grow
- Natural gas has **key role** in transition to low carbon economy



NewGen Kwinana
combined cycle gas-fired
power station

Energy sustainability

- Government and producers are aiming for 50 – 60 million tonnes LNG production per year
- This will mean the bulk of North West Shelf gas will be **fully committed** between 2015 – 2020
- New project and infrastructure investment requires long-term certainty
- Need for effective policy framework to ensure gas remains available and competitive in the long term



Conclusion

- The domgas debate is critical to WA's future growth and prosperity
- DomGas Alliance will continue to promote the significant domestic gas supply opportunity
- Alliance will continue to play a positive role with governments, producers and other stakeholders
- The active engagement of producers is essential





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