



Alliance urges producers to seize domestic gas opportunities

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In an address to the Australian Institute of Energy today, DomGas Alliance Chairman, Stuart Hohnen, called on gas producers to seize significant opportunities in the domestic gas market.

“Western Australia will require around 900 TJ/day of gas in the next 6 years to meet new and replacement demand. This is equivalent to the size of the existing domestic market,” Mr Hohnen said.

17 large projects are currently seeking natural gas for expansion or new developments. These comprise eight iron ore projects, and nine other projects including alumina, nickel, molybdenum, vanadium, gold and ammonia.

Together, these projects will deliver:

- over \$23 billion in construction capital investment,
- 15,800 potential construction jobs,
- 5,250 permanent operating jobs, and
- \$9.2 billion in annual economic output.

“Failure to secure competitive gas supply could see the deferral or loss of these projects and their economic benefits”, Mr Hohnen warned.

Mr Hohnen drew attention to the critical linkages between long term energy supply, economic growth and developing an effective response to climate change.

“These issues go to the heart of the sustainability challenge – whether economic, social or environmental,” Mr Hohnen said.

“Competitive priced energy has underpinned Australia’s economic prosperity for the past 20 years. In Western Australia in particular, natural gas has underpinned the manufacturing, processing and mining sectors, as well as electricity generation.”

“In an energy and carbon-constrained world, Australia’s demand for gas will continue to grow - subject to competitiveness.”

“Natural gas must play a key role in Australia’s transition to a low carbon economy. Natural gas produces around 45 per cent less CO₂ compared to coal. Increased reliance on gas will enable industry to meet greenhouse reduction targets.”

Mr Hohnen said the shortage of gas has already had an impact on project development in Western Australia, including investment in essential energy infrastructure and projects shifting from gas-fired energy to coal.

Mr Hohnen proposed responses to the current gas shortage, including:

- reforming the Retention Lease system;
- facilitating third party participation in upstream gas supply infrastructure;
- removing anti-competitive joint selling arrangements;
- resolving gas quality issues; and
- specific support for domestic gas exploration and development.

However, these responses alone would not address the long term challenge of energy sustainability.

“While the issue of gas reservations is a sensitive one, the DomGas Alliance is concerned that if current targets for 50-60 million tones of LNG production per year are met, the bulk of gas identified in the North West Shelf will be fully committed between 2015 and 2020,” Mr Hohnen said.

“This will create serious issues for investment in major resource development, as well as power generation and gas transmission infrastructure.”

“It is imperative that Australia has an effective policy framework to ensure energy sustainability for the long term.”

“The DomGas Alliance will continue to work cooperatively with government and producers to develop responses to the current and long term challenges of gas supply.”

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About the DomGas Alliance

The DomGas Alliance was formed in 2006 in response to serious concerns about the continued availability and competitiveness of gas supply to the WA domestic market. The Alliance includes current and prospective gas users and gas infrastructure operators.

Members include: Alcoa of Australia, Alinta Limited, Synergy, Dampier Bunbury Pipeline, ERM Power/New Gen Power, Newmont Australia, Fortescue Metals Group and Moly Mines.

Alliance members represent over 80 per cent of the State's domestic gas consumption and gas transmission capacity, including smaller industrial and household users of gas. The Alliance also represents a significant proportion of prospective demand for additional gas supplies.