



Report supports common use infrastructure to increase domestic gas supply

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The DomGas Alliance today released a report supporting the use of common use gas gathering and processing infrastructure to facilitate the development of new fields to supply the domestic gas market.

The report by Wood Mackenzie concluded that there were significant potential benefits from common use infrastructure including:

- lower barriers to entry for gas producers leading to increased competition;
- more efficient use of capital leading to lower gas supply chain costs; and
- increased transparency in supply costs.

DomGas Alliance Chairman Stuart Hohnen said domestic gas shortages and dramatic price increases for recent contracts were issues of major importance for the WA economy.

“The current approach is for gas gathering and processing infrastructure to be built to support individual projects. This can lead to higher costs and make development of some gas fields uneconomic,” Mr Hohnen said.

“By reducing project costs, common use infrastructure can increase supply and competition in the domestic market.”

The report examined two development scenarios in the Carnarvon Basin: three independent developments with their own gas gathering and processing facilities; and one integrated development with common use infrastructure.

By combining developments with common use infrastructure, capital costs could be cut by almost half – with potential savings of \$1 billion.

The report identified multiple opportunities for integrated development of gas fields in the Carnavon Basin through shared infrastructure.

Mr Hohnen said government can promote common use infrastructure and domestic supply by:

- recognising the impact that common use infrastructure can have on gas field viability when evaluating Retention Leases;
- improving transparency and disclosure in the Retention Lease system to promote opportunities for gas field consolidation by potential developers
- facilitating discussions between producers, infrastructure operators and gas users on opportunities for common use infrastructure
- assisting with land access and approvals required to facilitate the development of common use facilities
- improving competition by requiring independent marketing by Joint Venture partners – such as the North West Shelf Gas Joint Venture; and
- reinforcing the obligations of producers to meet the requirements of the domestic gas market.

“The Alliance supports common use infrastructure, provided that any consolidation of gas fields delivers increased supply to the domestic market,” Mr Hohnen said.

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For copies of Wood Mackenzie report and Alliance position paper, contact: Gavin Goh (gavin.goh@dbp.net.au)

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 investors.

Members include: Alcoa of Australia, AlintaAGL, Synergy, Dampier Bunbury Pipeline, ERM Power/New Gen Power, Newmont Australia, Fortescue Metals Group, Windimurra Vanadium and Horizon Power.

Alliance members represent the majority 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.

