

MEDIA RELEASE

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Report points to further gas shortages

Western Australia faces a decade or more of gas shortages, according to a new report by Economics Consulting Services (ECS).

The 2010 *Western Australia Natural Gas Demand and Supply Forecast* warns the State faces a shortfall of up to 600 terajoules per day (TJ/day) in the next decade. This is equivalent to half of the State's current gas consumption.

Key findings include:

- Production from existing gas fields supplying the WA market is expected to decline – by as much as two-thirds by 2020.
- The North West Shelf Gas fields have been in production for over 25 years. These fields currently supply around 70 per cent of the WA market and the majority of the largest fields are in decline.
- The State would need to source at least 1,100 TJ/day of new gas to meet new demand growth, and to replace existing supply as fields decline and contracts expire.
- Between 500 and 700 TJ/day of new production would be needed just to maintain existing consumption *without* taking into account any growth in demand.
- New projects such as Reindeer, Macedon and Gorgon would provide up to 500 TJ/day of new supply. While other projects have been identified, they have yet to be proven commercial or there is uncertainty over domestic supply commitments.
- Western Australia faces a potential shortfall of up to 600 TJ/day between expected supply and demand in the next decade.

The report identified over 40 new resource projects in Western Australia that potentially need gas supply. Together, these projects could deliver \$25 billion a year in economic output and employ 19,000 people.

DomGas Alliance Chairman, Tony Petersen, said gas supply was a critical challenge facing Western Australia now.

“The common belief that projects like Gorgon would solve the State's gas shortage by 2015 is clearly not the case,” Mr Petersen said.

“WA has a shortage of gas right now and it appears the State’s economy will be shackled for many more years.”

Mr Petersen said major producers have been “keeping their foot on the hose” while driving up prices. WA wholesale gas prices are now up to three times the price of gas in Victoria. The Alliance called on the State and Federal Government to:

- give teeth to the State’s domestic reservation policy;
- apply domestic gas obligations to the Browse and Wheatstone Projects;
- stringently enforce retention leases to stop producers warehousing gas that could supply the domestic market; and
- remove anti-competitive joint selling arrangements.

“Unless action is taken, business and households face even higher energy costs, higher greenhouse emissions and the potential for significant job losses.”

Media contact:
Gavin Goh 0403 310 897

The DomGas Alliance

The DomGas Alliance is Western Australia's peak energy user group and represents natural gas users, infrastructure investors and prospective domestic gas producers. The Alliance promotes security and affordability of gas supply.

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

Alliance members represent around 80 percent of Western Australia's domestic gas consumption and transmission capacity, and supply gas and electricity to 200,000 small businesses and 2 million West Australians.

