

# **MEDIA RELEASE**

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## **North West Shelf Gas must end supply uncertainty**

Energy users have called on Western Australia's biggest domestic gas supplier to commit to maintaining current levels of supply to the local market until at least 2025.

DomGas Alliance Chairman, Tony Petersen, said gas users were alarmed at reports the North West Shelf Project partners were marketing 20 million tonnes of LNG for the 2015-2025 period at a time when existing domestic gas contracts are expiring and users are struggling to obtain future supply contracts.

"The North West Shelf Project is the single biggest energy supplier to the State with domestic supply capacity equivalent to around 4 million tonnes of LNG every year," Mr Petersen said.

"WA businesses and households deserve certainty that current supply volumes will be maintained to 2025 and beyond."

Mr Petersen said the State Agreement provides a powerful mechanism for the WA Government to prioritise the State's long term energy needs over LNG exports.

The WA Parliamentary Inquiry into Domestic Gas Prices urged the Government to secure a commitment from the Project partners that domestic gas supply will continue at current levels until at least 2025 as per the terms of the State Agreement.

"It should be remembered that development of the Project was made possible with significant financial support by the State and gas users," Mr Petersen said.

"The Project has been an important part of the WA business community and the backbone of the State's energy security for the last 25 years. What we are now seeking is a firm commitment to the State's future energy needs."

"Unless current levels of domestic supply are maintained, investment, growth and jobs in the State will be lost."

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## Background

- The North West Shelf Project currently supplies 65% of WA's domestic gas or around 40% of the State's total energy needs.
- The Project is however over 25 years old with mature fields. Production is expected to decline in the coming decade.
- Clause 46(1a) of the State Agreement compels the Project partners to meet and reach agreement with the Minister for State Development on "... the requirements in the State and the manner in which they will be met" before entering into further arrangements for the supply of natural gas between 2010 and 2025.<sup>1</sup>
- Development of the North West Shelf Project was underpinned by the State entering into long-term take-or-pay contracts for domestic gas and constructing the Dampier to Bunbury Natural Gas Pipeline.
- The original SECWA contract required the State to pay for gas even if there was no demand for it. By the mid-1990s, the State had paid over \$300 million for gas it had not received.
- The domestic supply contracts were high priced contracts and did not result in "subsidised" gas prices for domestic customers.
- Under the pricing formula, two-thirds of the gas was priced against what was then high-priced Collie coal. One-third was priced against imported oil.

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<sup>1</sup> North West Gas Development (Woodside) Agreement Act 1979 (Western Australia), Schedule 2, Clause 46(1)(a).

## 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.

Alliance members represent around 80 percent of Western Australia's domestic gas consumption and transmission capacity, and supply gas and electricity to the State's 800,000 households and 200,000 small businesses.

