MEDIA RELEASE

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DomGas
ALLIANCE

New report reinforces need for national gas reservation

Western Australia's peak energy user group says a report released today by the Australian Industry Group and the Plastics and Chemicals Industries Association reinforces the need for a national gas reservation policy.

The report found Australia's focus on maximising liquefied natural gas (LNG exports) at the expense of supplying local industry was destroying Australia's competitive advantage in energy. This will cost Australia some $22 - $46 billion in annual GDP as local manufacturers and industries are forced to close.

DomGas Alliance Executive Director, Gavin Goh, said Australia must implement a national reservation policy to set aside a proportion of gas production for the local economy.

"Australia is the only major gas producing country in the world where international oil companies can access gas on an open-access basis and then export it without prioritising the local economy," Mr Goh said.

"Australia is also the only major gas producing country in the world experiencing serious gas shortages and sharply rising prices."

"It makes little economic sense for Australia to link its energy prices to the world's highest prices in Japan."

The United States has conditioned LNG exports on producers prioritising the local economy and ensuring affordable supply to US industry and households. Canada requires export permits and export tests to ensure the domestic market is not disadvantaged from gas exports.

Domestic gas prices are around $2.60 per gigajoule in the US and $2.10 in Canada. This compares to $10 in Queensland and $8-12 in Western Australia.

Mr Goh said a national reservation policy similar to that applied in Western Australia would guarantee supply and help put downward pressure on energy prices.

"Domestic gas reservation has been a feature of the WA gas market since the 1970s when the North West Shelf Project committed to setting aside a proportion of production for the local economy," Mr Goh said.

"As projects like Gorgon and Wheatstone demonstrate, reservation has not discouraged investment or exploration in Western Australia."

Background:

- In the 1970s, Premier Charles Court secured a long-term domestic supply commitment from the North West Shelf Project. That commitment and construction of the Dampier to Bunbury Natural Gas Pipeline underpinned the North West Shelf Project and subsequent LNG export industry.

- In 2003, the Gallop Labor Government secured a reservation commitment from the Gorgon Project to deliver 300 terajoules per day of gas to the local market.

- In 2006, the Carpenter Labor Government announced a 15% domestic gas reservation policy to apply to future LNG projects.

- The Barnett Liberal-National Government has now strengthened the 15% reservation policy while giving LNG producers sufficient flexibility in how they meet domestic supply obligations. Key elements of the new policy include:

  - LNG producers to supply domestic gas equivalent to 15% of LNG production;

  - LNG producers to develop or provide access to necessary infrastructure (including a domestic gas processing plant) to meet domestic gas commitments as part of the approvals process;

  - domestic gas supply to coincide with the start-up of LNG production, although timing might vary depending on project circumstances;

  - prices and contracts for domestic gas to be determined by the market; and

  - producers will have sufficient flexibility in meeting commitments, for example by supplying gas from outside the LNG project through gas swaps.

- The Wheatstone Project has committed to supplying domestic gas equivalent to 15% of LNG production. Domestic supply is targeted for 2016 to coincide with LNG start-up.

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