

MEDIA RELEASE

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State leads way on energy security

Energy users have endorsed Western Australia's new domestic gas reservation policy announced as part of the State's Strategic Energy Initiative *Energy 2031*.

DomGas Alliance Chairman, Tony Petersen, said the State's reservation policy has been significantly tightened. At the same time, LNG producers have also been given more 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.

Mr Petersen congratulated Premier Colin Barnett and Energy Minister Peter Collier for the new policy and noted the State's bipartisan approach to reservation

"WA governments from all sides of politics have long understood the importance of domestic gas security," Mr Petersen said.

"This is a great example of a practical energy policy that helps keeps the lights on."

State utilities Verve and Synergy recently secured a 20 year contract from the Gorgon Project for 125 terajoules per day of gas, starting in 2015. The gas is part of the Gorgon Project's reservation commitment to supply 300 TJ/d of gas to the local market.

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

A bipartisan WA Parliamentary inquiry last year concluded that without domestic reservation, major LNG projects like Gorgon and Wheatstone would not supply the Australian market.

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.

“Australia is the only major gas producing country facing serious shortages and sharply rising prices,” Mr Petersen said.

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.

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The DomGas Alliance

The DomGas Alliance 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. Alliance members also have operations in New South Wales, Queensland and Victoria.

