



Opening Statement – DomGas Alliance

Inquiry into the economic implications of floating LNG operations, Economics and Industry Standing Committee

November 15, 2013

(Check against delivery)

Chairman and members of the Committee, thank you for giving the DomGas Alliance the opportunity to appear before you today on an issue of such importance to this State. The Alliance has already participated in a background briefing and provided a written submission to the inquiry so I do not intend opening this session with a detailed statement. However to set the scene I would briefly like to remind the Committee about the purpose of the Alliance and make some key points before we happily take your questions.

The DomGas Alliance

The DomGas Alliance was formed in 2006 to respond to consumer concerns about domestic natural gas supplies and pricing. The Alliance aims to promote security, affordability and diversity of gas supply for industry and households in Western Australia. Our members include Alcoa of Australia, Alinta Energy, the Dampier to Bunbury Natural Gas Pipeline, Gold Fields Australia, Verve, Synergy and Horizon Power.

Western Australia is dependent on natural gas supplies for approximately 60% of its electricity generation. The development of the State's economy and job creation has been inextricably linked to the availability of long term world competitively priced gas supplies. The Alliance would also acknowledge the contribution that the Commonwealth made in the development of the North West Shelf Project to ensure sufficient gas was made available for State use.

Key Points

From the outset can I reinforce that the Alliance is not anti-LNG. The commercial potential of LNG exports has – dating back to the development of the North West Shelf – helped unlock allocations for domestic gas, albeit largely with State Government leadership or policy intervention.

As the representative body of major gas users we can say without a doubt that – even in the absence of floating liquefied natural gas - the outlook for this State's domestic gas market in the medium to longer term is extremely tight and we are facing significant supply shortfalls in future years. In short, North West Shelf supplies are declining and the Gorgon and Wheatstone projects are the only near to medium term developments believed to have uncontracted offshore gas. I would note that the Alliance is encouraged by the steps to develop unconventional gas reserves in this State but we believe it is unlikely to have an impact until beyond 2020.

So as domestic gas users look for new supplies, the Alliance believes floating liquefied natural gas will exacerbate the situation for WA.

Put simply FLNG threatens to render Western Australia's 15% domestic reservation policy irrelevant. Currently with onshore processing, reservation applies; however, with FLNG not one molecule of gas would land in WA so there would be no obligation on the producers to allocate a portion of supply for domestic use.

Take the Browse field which holds over 15 trillion cubic feet of gas, the decision to proceed with FLNG over onshore processing is well documented. The Alliance would ask how much of these reserves will be allocated for domestic use. I think most of us know the answer to that although the Premier continues to work to get some reward for the small portion of the gas which lies in WA waters. This is also setting a significant precedent and we have recently heard that the Scarborough gas field (once destined to be produced on-shore) may well also go floating.

As a Committee you have heard submissions covering project costs, local content, safety implications – all matters of great importance but for members of the DomGas Alliance the over-riding issue is that we face a very real possibility that domestic gas supply will not meet demand. This has major implications for our international competitiveness, threatens State growth and could play a critical role in changing our State's energy mix with key industries potentially forced to switch to coal fired power and away from natural gas as supplies fall and prices rise with all the consequent environmental impacts.

In conclusion, the Alliance would like to leave the Committee with an observation – how can a State such as Western Australia with such an abundance of gas reserves off its coast be facing a domestic gas supply shortage and what will the Commonwealth and State Governments do to deal with the issue?