



New report highlights challenges facing domestic gas supply in WA.

The DomGas Alliance says the latest report on Western Australia's gas outlook has underlined the high degree of uncertainty facing supply to domestic industry and confirmed that higher prices are already suppressing domestic demand.

The 2nd Gas Statement of Opportunities (GSOO) has highlighted the growing concerns about the ability of the North West Shelf (NWS) project to provide gas to the domestic market once existing contracts expire by 2020.

The NWS Karratha Gas Plant provides almost half the total domestic gas market but the GSOO warns that due to a range of factors "the continued availability of domestic gas supply from the KGP for the 2014 to 2023 period is uncertain."

The GSOO has also confirmed the sensitivity of domestic industry to the surge in domestic gas prices pointing to data showing "recent price increases have started to affect domestic gas demand." The report notes, "This means increases in average medium to long-term new contract gas prices will be reflected more rapidly by suppression of gas demand over the forecast period."

DomGas Alliance Executive Director Matt Brown said the report has serious implications for domestic industry and Western Australian jobs.

"The GSOO forecasts confirm the Alliance's long-held concerns about domestic supply as the NWS project inevitably ramps down or diverts gas to LNG exports," Mr Brown said.

"The forecasts point to a supply shortage by 2021, a prediction which we believe potentially under-estimates the gravity of the situation. While 2021 may seem a long way off to the public, domestic industry makes long-term investment decisions, which require certainty of supply.

"As the GSOO notes, 'the supply of gas is vital to the operation of the WA economy'.

"The uncertainty surrounding the future of supply from the NWS project simply confirms the importance of the State government's domestic gas reservation policy. We need to ensure the certainty of supply of competitively priced gas into the domestic market to underpin economic growth and provide job security for Western Australian workers.

"While the GSOO confirms the State has the resources and the capacity to meet its domestic demand needs, the domestic reservation policy ensures those resources support local industry and jobs and are not diverted to LNG exports."

Mr Brown said the findings on the sensitivity of domestic industry to recent price rises corrects a mistake made in the original GSSO report in 2013.

“We are already seeing a reluctance of some companies to commit to new projects in Western Australia due to the elevated price of domestic gas,” Mr Brown said.

“The GSOO also points to fuel switching by companies where that is an option. Given that natural gas is the cleanest form of fossil fuel, this outcome should be of concern.”

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