

MEDIA RELEASE

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Australian Domestic Gas Security Mechanism to complement the WA Domestic Gas Policy

Western Australia's Domestic Gas Alliance (DomGas Alliance) welcomes the Commonwealth Government's commitment to extending the Australian Domestic Gas Security Mechanism (ADGSM) until 2030, along with its stated intent to make it a less complicated and more effective mechanism to ensure gas supplies are adequate and affordable for Australian businesses and households.

DomGas Alliance spokesperson Richard Harris said while Western Australia was covered by the WA Domestic Gas Policy that requires the State's LNG producers to set aside 15% of their production for domestic sales of gas, the ADGSM could be a useful tool to adjust the delivery timing of committed domestic obligations to address supply shortfalls.

"WA's Domestic Gas Policy is certainly now recognised nation-wide as forward looking, and effective in ensuring the State benefits from its natural gas resources, but in the case of some LNG projects, it provides the commitment holders with significant flexibility in delivering on their obligations." Mr Harris said.

"The ADGSM could complement the WA Domestic Gas Policy in cases of a supply shortfall, like the one predicted as early as 2024, by requiring an acceleration of the delivery of already committed domestic gas volumes under the WA Policy, while observing a process determined under the proposed ADGSM mechanism," he said.

Government reporting demonstrates significant domestic gas supply commitments under the Domestic Gas Policy are yet to be delivered. And while the State is heading into a supply shortfall, domestic gas obligations could be brought forward with new production and transmission infrastructure now being in place across Pluto and the North West Shelf to support delivery of that gas. In fact, the North West Shelf's domestic gas production has retreated since 2020.

The policy has worked well in the last decade but is lacking enforceability and adaptation to market circumstances. Based on the latest WA Gas Statement of Opportunities (GSoO) from AEMO, LNG producers will be setting aside only 9 per cent of their LNG sales in the coming years. During that same period, the WA market may be heading into very similar circumstances to those that triggered the recent crisis on the east coast.

"WA is predicted to experience a gas supply shortfall of 20 to 69PJ per annum between 2024 and 2027. This compares to 56PJ in the east, and similar market fundamentals are at play. Since the last GSoO, the State Government has announced the closure of the State-owned Collie and Muja (7 & 8) power stations as early as 2027. While renewable project developments are planned to fill the gap, power supply security will need to be guaranteed by gas fired generation," Mr Harris said.

"The latest market operator's forecast does not take into consideration the increasing consumption of natural gas to support baseload power requirements in the short-to-medium term. It also relies on projects in the Perth Basin – the State's latest exploration hotspot – to be online by January 2024, which is doubtful given sector-wide delays in regulatory approvals and prevailing constraints in the State's project delivery capacity."



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“DomGas Alliance has always been very supportive of this policy, and we think it could be strengthened by being able to also use the AGDSM when there is a shortfall in supply.

We certainly wouldn’t want to see the situation where the widely praised Domestic Gas Policy leaves Western Australia with a false sense of security,” Mr Harris said.

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