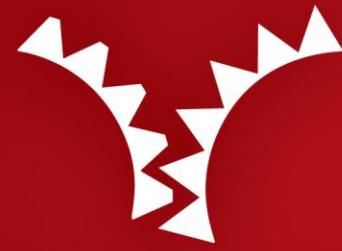


**Submission
No 38**

DOWNSTREAM GAS SUPPLY AND AVAILABILITY IN NSW

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LEADING BUSINESS

Hunter Business Chamber

NSW Government

Parliamentary Inquiry into Downstream Gas Supply and Availability in NSW

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Introduction

The Hunter Region has long held the reputation as the powerhouse of the NSW economy and ranks highly as one of the most valued, diverse and resilient regions in Australia.

The Hunter Business Chamber is the largest regional business chamber in Australia and is now over 127 years old. The Chamber represents 1200 member businesses to all levels of government. The Hunter Business Chamber is experiencing a period of unprecedented growth and is the peak industry association in the Hunter which represents all sectors of business in the region.

The Hunter Business Chamber welcomes the opportunity to provide a brief submission to the NSW Parliamentary Inquiry into Downstream Gas Supply and Availability in NSW.

While it is understood the Inquiry covers broad terms of reference this submission will focus on those issues most immediately relevant to our members in terms of pricing as well as long-term provision and security of supply.

Long-term supply and security

The Hunter is home to some of the State's largest consumers of gas and electricity. Gas is typically used by large manufacturers in the region for their production processes. Security of energy provision is critical to ensure the flow of production and their ability to meet projected deliverables.

It is important to note that a substantial number of other businesses use gas on a smaller scale and collectively consume large amounts of gas in the region. The Hunter is well known for its diversity and the significant contributions it makes to the state and national economies. There are a number of industries that make up this diversity and their ongoing viability is integral to our overall economic contribution.

NSW currently produces only 5% of the gas it uses each year, importing 95% of its gas supplies from other States, specifically South Australia, Victoria and Queensland. With evidence mounting that Queensland production will increasingly be tied up with its own use as well as off-shore contracts in the coming years, it is increasingly concerning that NSW will be gradually starved of its historic supply chains.

With current limited capacity of its own, NSW is vulnerable to the potential of future reservation policies in other states as well as the move to a lower carbon economy and the introduction of a carbon price. Demand for gas as an alternative energy source is forecast to grow as the move to a lower carbon economy is pursued and supported by pricing regulations.

Timing is critical in ensuring that alternative sourcing and supply mechanisms are developed to guarantee that NSW continues to be able to access the necessary base-load supply of gas for its own use.

The adequacy of transmission pipeline systems and distribution networks for future downstream gas needs and supply challenges

Whether or not transmission and distribution systems are adequate depends on where the gas is coming from and where it needs to go. A detailed analysis needs to include the forecast long term growth for gas demand and the implications for where NSW will source its supply from.

If increased supply for Queensland is sourced from Moomba what limits does this place on NSW's own provisions from the Moomba line? If as such, NSW had to source all its supply from Victoria through the Eastern Gas Pipeline how will sufficient capacity be guaranteed to supply and meet the needs of both Victoria and NSW? In order for this to occur, significant investment would be required to upgrade and expand the gas processing capacity with typically long development lead times associated.

A strategy needs to be developed to meet any short term gaps in supply and transmission as well as to address and control potential pricing irregularities as a result.

Barriers to the expansion of downstream gas supply and distribution networks

While this Inquiry seeks to focus on downstream gas supply and distribution, a complete picture cannot be made without consideration of current and potential upstream sources for the NSW market.

Consideration needs to be given to alternative supplies and their future development. Where is there potential for this to occur and how will it be distributed? Government policy across a number of platforms needs to reflect support for the ability of our State to access adequate supply at reasonable consumer rates well into the future.

The effectiveness of competition in the downstream gas market and consumer pricing implications

NSW must secure long-term gas supply that will meet its needs into the future. Its reliance on other states as a primary source has the potential to drive up domestic prices as it competes for export bound supply.

Distribution networks and transmission pipelines that induce a single source and supplier scenario, pose a significant risk in security of supply as well as creating a risk of driving prices higher due to a monopoly situation.

NSW needs to be able to better supply its domestic market, particularly in light of projected growth in demand, but also to ensure fair and reasonable price frameworks for consumers. Reliance on other states and on single suppliers will have negative price implications.

Conclusion

The Hunter Business Chamber appreciates the opportunity to be involved in discussion around this Inquiry.

The Chamber will continue to work with the NSW Government in order to ensure the ongoing provision of access to critical resources and infrastructure for business in the Hunter Region.

Industry is already feeling the strain of a tough economy and investment certainty will only be guaranteed with long-term security and supply of energy resources at equitable rates.

This is never more important than now when the market is already seeing losses in production and the shelving of potential capital investment due to uncertain forward supply and price conditions.

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