

**Submission
No 53**

DOWNSTREAM GAS SUPPLY AND AVAILABILITY IN NSW

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The Committee Manager
State and Regional Development Committee
Parliament House
Macquarie Street
Sydney NSW 2000

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RE: Downstream gas supply and availability in New South Wales

General Electric (GE) welcomes the opportunity to comment on the New South Wales Legislative Assembly’s State and Regional Development Committee Inquiry into Downstream gas supply and availability in NSW.

GE has been an active supplier, partner and employer in NSW since installing electric motors on the gates of Pyrmont Bridge, Sydney in 1902.

All of GE’s businesses – Oil & Gas, Power & Water, Energy Management, Capital, Healthcare, Aviation, Transportation and Lighting – are working in NSW with customers, partners and governments through our dedicated local teams.

GE Oil & Gas is a world leader in advanced technologies and services with 37,000 employees in more than 100 countries supporting customers across the industry—from extraction to transportation to end use. In Australia, GE is actively engaged in the development of major LNG projects, including coal seam gas-LNG projects in Queensland from exploration to downstream as well as treatment of CSG-produced water, and offshore LNG projects off the Western Australia coast.

GE notes the Terms of Reference for the Inquiry focus on downstream gas supply and availability, including the “barriers to the expansion of downstream gas supply”.

While the emphasis of the Committee's Inquiry appears to be on downstream demand issues, the Committee needs to consider issues around unlocking upstream gas supplies within NSW and local energy security in terms of adequately addressing the barriers to the expansion of downstream supply as well as the capacity to meet current and future demand.

GE contributed to the NSW Legislative Council's General Purpose Standing Committee No. 5 Inquiry into Coal Seam Gas, which reported in May 2012 that:

*"The Committee was told by the NSW Government that 'for the past 30 years NSW has relied upon secure supplies of gas from South Australia and Victoria' and that New South Wales faces potential shortages of gas, as these supplies are nearing depletion..... [and noted] Mr Mark Paterson, Director General, Department of Trade and Investment, Regional Infrastructure and Services, observed that '...unless indigenous sources of gas are identified then significant pressure both in availability and price could come on from our key external sources'."*¹

The Committee also acknowledged evidence cautioning against:

*"[T]he failure to tap into domestic sources of coal seam gas could result in disruptions to supply.... [and] if coal seam gas reserves are not developed in New South Wales, the impact on the gas market would be 'wholesale gas prices between 20% and 25% higher in NSW, Victoria, South Australia and Tasmania; 8% to 9% higher in Queensland by 2030'. In relation to electricity prices, the impact would be that 'NSW wholesale electricity prices on average 7.4% higher relative to the Base Scenario over the period 2020 to 2030'."*²

The Committee concluded:

*"Gas plays an important role in meeting energy needs in New South Wales, and demand is projected to triple in the next twenty years. Given that New South Wales is reliant on depleting gas supplies from interstate, the Committee considers that New South Wales must develop its own coal seam gas reserves if it is to enhance its energy security and contain gas price increases."*³

The Committee also recommended a moratorium on production approvals, a domestic gas reservation policy and a series of additional regulatory measures for CSG production in NSW.

The NSW Government's response to the Committee in October 2012 did not endorse the recommendations for a moratorium or a domestic gas reservation policy. In terms of the recommendation for a moratorium, the Government stated the *"Strategic Regional Land Use Policy package has implemented a comprehensive framework for the regulation of the CSG industry"*.⁴

¹ General Purpose Standing Committee No 5, *"Inquiry into Coal Seam Gas; Report"*, May 2012, pages 190-191

² *ibid*, page 192

³ *ibid*, page 194

⁴ NSW Government, *"Response to the General Purpose Standing Committee No. 5 Inquiry into CSG"*, October 2012, page 15

Yet in February this year, the NSW Government announced “*tough new measures to further strengthen the regulation of the Coal Seam Gas industry in NSW*”.⁵

GE’s submission to the General Purpose Standing Committee CSG Inquiry proposed the key features for the safe and environmentally responsible development of unconventional gas resources, including CSG in Australia.

More specifically, GE supports ongoing industry programs to develop and use best practices to mitigate environmental concerns. These best practices should include:

- the elimination of routine surface disposal of produced water;
- the reduction of freshwater consumption by economic recycling of produced water for beneficial use; and
- the implementation of controls to reduce methane emissions during completions and well-lifting.

GE also supports the deployment of best available technology to further reduce environmental impacts. Use of advanced technologies can:

- reduce the size of the drilling footprint;
- reduce fugitive methane emissions;
- reduce greenhouse gas emissions from drilling sites; and
- improve the sustainable treatment of CSG-produced water and management of associated brine.

In addition, GE supports increased transparency by the broader unconventional gas industry to improve understanding of the impacts of unconventional gas production and its contribution to the energy mix.

Disappointingly the NSW Government and, most recently, the Australian Government – through the *Environmental Protection and Biodiversity Conservation Amendment Bill 2013* - have introduced regulatory constraints on the development of CSG on an ad hoc basis.

This has occurred so despite the ongoing agreed work program of the Standing Council on Energy and Resources (SCER) preparing the Draft National Harmonised Regulatory Framework for Coal Seam Gas, which has been focusing on issues impacting on investment in resources exploration and development, including land access, community, infrastructure and labour.

In GE’s view this co-operative approach to harmonise and fill any “gaps” in the existing regulatory framework is preferable to developing new regulation in an ad hoc basis either by the Australian Government or state/territory governments.

⁵ The Honourable Barry O’Farrell MP, “*Media statement: Tough new rules for coal seam gas activity*”, February 19, 2013

Specifically, the SCER's focus through the December 2011 Coal Seam Gas Policy Statement encompasses water management, multiple land use framework, best practice standards and co-existence.

The SCER process was originated with the support and engagement of state and territory governments, including NSW, and the Australian Government to:

*"[P]ut in place a suite of leading practice principles, providing guidance to regulators in the management of natural gas from coals seams and ensuring regulatory regimes are robust, consistent and transparent across all Australian jurisdictions. The Framework focuses on four key areas of operations which cover the lifecycle of development: well integrity, water management and monitoring, hydraulic fracturing and chemical use."*⁶

The SCER's 2012 CSG Policy Statement recognised there was:

*"[M]ounting public concern about the safety and environmental impacts of coal seam gas" and that governments were responding through a strengthening regulatory frameworks and enhancing community engagement processes. While it conceded there would be "variations between jurisdictions on how each element is treated. The harmonized framework will not lower existing jurisdictional standards and practices, but will build on and enhance work already underway by state and territory governments".*⁷

The State and Regional Development Committee would be aware of projections of acute gas shortages in NSW and associated price rises. The Committee would also acknowledge the evidence from the NSW Department of Trade and Investment, Regional Infrastructure and Services to the 2012 CSG Inquiry on these matters.

The downstream supply and demand issues are intertwined with capability of industry to develop NSW's CSG resources upstream and the identified reserves that would be able to address likely shortfall in gas supply and longer term.

Therefore, GE recommends the State and Regional Development Committee:

- report on the timing and extent of the "significant pressure both in availability and price" identified by the Department of Trade and Investment, Regional Infrastructure and Services in 2012 if NSW to does not develop its local gas resources;
- consider the contingency measures the NSW Government can initiate to avert or at least mitigate the anticipated gas supply shortages and associated price increases and other costs for households and businesses in NSW; and
- consider appropriate balance between the regulation underpinning the safe and sustainable development of CSG in NSW and the industry's advancement in NSW, describing

⁶ Standing Council on Energy and Resources, "National Harmonised Regulatory Framework for Natural Gas from Coal Seams"; May 2013, page 3

⁷ SCER, "Coal Seam Gas Policy Statement", December 2011, page 2

the benefits from unlocking gas reserves and creating demand in terms of energy security and affordability, job and investment generation.

For further information or clarification, please contact me on [REDACTED]

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