Submission No 26

INQUIRY INTO THE SUPPLY AND COST OF GAS AND LIQUID FUELS IN NEW SOUTH WALES

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To Whom it May Concern

I write to you today in relation to the Legislative Council Select Committee's Inquiry into the supply and cost of gas and liquid fuels in NSW. It is deeply concerning that such an Inquiry would have submissions close today, at a time when NSW families, such as my own, who have been taking a keen interest in this debate, are enjoying a break over the Christmas/New Year period. As such, my own submission will be severely curtailed, but nevertheless, I feel compelled to at least submit something that I hope will be of value.

My name is **Sarah Ciesiolka**. My family lives and farms on the highly productive and highly valuable lands between Narrabri and Wee Waa in North West NSW,
We are large scale producers of potatoes, peanuts and grains that feed the people of NSW, indeed, the people of Australia, and employ 20+ permanent and seasonal workers. In order to do this, we rely on access to our most precious resource, uncontaminated water. We also rely on that same water for drinking and everyday household tasks. In short, we have no other source of water.

To date, the gas industry lobbyists have successfully perpetrated the myth of a looming gas supply crisis in NSW, which by its very nature will necessitate the unlocking of our CSG resources as quickly as possible, if we are to avoid shortages and the price hikes that go with this. We have been lead to believe that the problem is that NSW produces only a fraction of the gas that its households and industrial users consume, with the shortfall being made up with supply from the other States. However, I fail to see this logic being applied to other goods, for example, fresh fruit and vegetables.

With the other States about to commence exporting their gas, at the much higher foreign price, NSW faces a massive shortfall. It is an absolute nonsense to think that a country which is on the cusp of becoming the world's largest exporter of gas, would have its most heavily populated State facing a gas supply crisis, with no mechanism, such as a legal binding domestic gas reservation policy, in place to avert such a crisis. Are we going to have a gas shortage in NSW because Australia's domestic gas supplies are going to be used to fulfil forward export contracts?

We are told that the only way to avoid this massive shortage of gas, which will cause up to a tripling in gas prices and threaten the jobs of thousands of people working in gas dependent industries, is for NSW to urgently fill this supply gap and avert the price hike by developing its own supply of CSG.

Unfortunately, this ignores the reality of how markets operate. This faulty logic has been exposed by countless highly regarding economists including, but not limited to, Matt Grudnoff and Ross Gittens.

For many years, the prices paid for natural gas by consumers on Australia's eastern seaboard have been a lot lower than prices paid in other countries. The absence of plants to liquefy the gas so it could be exported meant our market was cut off from the world market.

We had no liquefaction plants because we didn't have enough gas to make them profitable. However, new technology has enabled us to begin exploiting our extensive deposits of coal seam gas.

The development of ''unconventional'' gas in Queensland has progressed to the point where it's become economic for three liquefaction plants to be set up near Gladstone, at a cost of many billions of dollars, and all with large forward export contracts in place. With the imminent operation of those plants, the barrier that separated our eastern seaboard gas market from the world market will disappear and the era of low gas prices will end.

Grudnoff estimates the wholesale price of gas will double or treble from between $3 and $4 a gigajoule to the world ''netback'' price of $9 a gigajoule. ''This is because Australian gas producers will have the option to sell to the Japanese, who are willing to pay $15 a gigajoule,'' he says.

The difference between $15 and the netback price - also known as the export parity price - is the cost of liquefying the gas and transporting it overseas. Australia has already been through a similar process of the low price rising to the high world price when the Fraser government introduced export-parity pricing for oil in the late 1970s. We need to heed the lessons of the past.

The percentage rise in retail gas prices paid by households will be a lot smaller than the rise in the wholesale price. Estimates by Hugh Saddler, of the energy consultants Pitt and Sherry, suggest Sydney retail prices will rise by 11 per cent to 18 per cent - roughly twice the rise caused by the introduction of the carbon tax.

Markets dictate that wholesale and retail prices will rise to the new export parity price throughout the eastern seaboard.

Because of pipelines between the states, how much gas a state produces has nothing to do with the prices its households and businesses pay. According to the gas lobby's logic, the coming ability of producers to get much higher prices by exporting their gas should produce shortages of gas for local users in Queensland and Victoria, not just NSW.

In truth, there will be no shortages of gas in any state, just a requirement to pay the higher, netback price. With ready access to higher prices, it's not surprising gas producers are desperate to extract as much CSG as quickly as possible. But their argument that increased production in NSW could hold down NSW gas prices is an economic furphy.

Any gas producers in NSW won't be willing to sell to locals for anything less than the equivalent price they could get by selling to foreigners. At the end of the day, the gas producers have an obligation to make decisions in the best financial interests of their shareholders, and this means achieving the highest price for its product.

Sadly, it appears that governments have been persuaded by the largely overstated potential economic benefits of CSG, whilst failing to give adequate consideration to the large scale costs and risks in terms of water, health, air quality, noise, and impacts on agriculture and local communities. **This is about so much more than money; it is about the things that are priceless, clean air, clean water, and land to grow clean, healthy food.** There is rapidly mounting evidence of the harm caused to our agricultural land, our water resources and our health by CSG fields. For example, the recent scientific review by soil scientist Robert Banks (reported in the Australian newspaper, 7 November 2014) outlines the severe risk to the Great Artesian Basin (and all that depends on it) from CSG drilling in the Pilliga State Forest. The most serious risk is to the pressure exerted in the "recharge" area of the Pilliga which keeps the bores of the GAB flowing from "Cape York to Coober Pedy". The report states "removal of this pressure through water abstraction associated particularly with CSG risks removing the driving force of many of the free-flowing artesian bores and springs." It is unthinkable that any government would allow this to happen and make thousands of communities and millions of hectares across Australian entirely unviable for life and agriculture.

The recharge area of the Pilliga must be protected at all costs. Allowing the Narrabri Gas Project to proceed, putting at risk the productivity of the agricultural lands that surround the Pilliga Forest and the health of its residents, would be a catastrophically short-sighted decision, and as the evidence suggests, would not have any impact on keeping gas prices down. Once our water resources and our health are destroyed, there is no turning back. It is also a risk to the food security of an entire nation.

I am deeply concerned that Government appears to be prioritising energy security, underpinned by false economic principles, over long term food and water security.

Yours sincerely

Sarah Ciesiolka