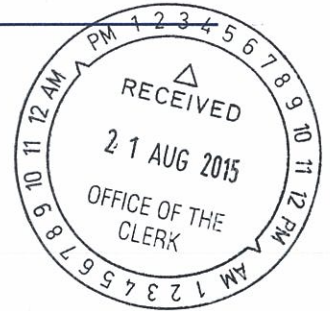




**The Hon Anthony Roberts MP**  
Minister for Industry, Resources and Energy



David Blunt  
Clerk of the Legislative Council  
Parliament of NSW  
Macquarie Street  
SYDNEY NSW  
2000

Dear Mr Blunt,

Please see enclosed *The New South Wales Government's Response to the Final Report of the Legislative Council's Select Committee on the Supply and Cost of Gas and Liquid Fuels in New South Wales*.

Yours sincerely,

**The Hon Anthony Roberts MP**  
Minister for Industry, Resources and Energy

Received at 3:30pm  
Friday 21 August 2015



# **NSW Government Response**

## **To the Final Report of the Legislative Council's Select Committee on the Supply and Cost of Gas and Liquid Fuels in New South Wales**

**August 2015**



**The new state of business**

The NSW Government welcomes the Final Report of the Legislative Council's Select Committee on the Supply and Cost of Gas and Liquid Fuels in New South Wales (NSW).

Recognising the importance of action as the eastern Australian gas market faces a period of significant change, the Government released the NSW Gas Plan in November 2014. The Plan sets out a strategic framework to deliver best practice regulation of the gas industry while securing vital gas supplies for the State.

The Government's Response to this Report is written in the context of the current implementation of the NSW Gas Plan and ongoing work being progressed by the Council of Australian Governments' (COAG) Energy Council to secure reliable and affordable energy supplies for NSW households and businesses.

### **Recommendation 1**

**That the Minister for Resources and Energy, through the Council of Australian Governments' Energy Council, seek to have information detailing the amount of gas available for purchase included on the National Gas Bulletin Board.**

*Government response: Support in principle*

The NSW Government has been a driving force for improving gas market transparency and particularly the availability of information to all market participants. For a market to function well, it is critical that the playing field is level. The COAG Energy Council has committed to "the provision of accurate and transparent market making information on pipeline and large storage facilities operations and capacity, upstream resources, and the actions of producers, export facilities, large consumers and traders" within its Australian Gas Market Vision.

In working with the COAG Energy Council to deliver this outcome, the NSW Government will seek to improve information on gas available for purchase.

The COAG Energy Council has directed the Australian Energy Market Commission (AEMC) to review the design, function and roles of gas markets and gas transportation arrangements on the east coast of Australia. This work includes looking at initiatives which can be pursued to improve information.

### **Recommendation 2**

**That the Minister for Resources and Energy:**

- **through the Council of Australian Governments' Energy Council, seek to create a gas market equivalent of the National Electricity Market**
- **undertake an audit of all regulatory tools available to the NSW Government to improve transparency and openness in the gas market in New South Wales and Australia.**

*Government response: Support in principle*

The NSW Government has also been a driving force on examining options to improve the design of the national gas markets. As mentioned above, the AEMC, at the request of the

COAG Energy Council, has commenced a review on gas market structures and pipeline transportation arrangements. The Terms of Reference for the review require the AEMC to consider:

- the appropriate structure, type and number of facilitated markets on the east coast, including options to enhance transparency and price discovery, and reduce barriers to entry;
- opportunities to improve effective risk management, including through liquid and competitive wholesale spot and forward markets which provide tools to price and hedge risk; and
- changes to strengthen signals and incentives for efficient access to, use of and investment in pipeline capacity.

The Terms of Reference also ask the AEMC to develop specific actions that can be implemented to strengthen the structure and competitiveness of the east coast gas market, and make recommendations for immediate implementation, where possible.

The Energy Council has set clear deliverables and timeframes to ensure that this important work is progressed in a timely manner.

Concurrently with this work the NSW Government will look at tools available within the NSW regulatory framework to improve transparency in the gas market.

### **Recommendation 3**

**That the New South Wales Government fully implement the Chief Scientist and Engineer's Final Report of the Independent Review of Coal Seam Gas Activities in NSW (September 2014) before any expansion of the coal seam gas industry in New South Wales is contemplated.**

*Government response: Support*

The NSW Gas Plan is the Government's clear strategy to deliver world's best practice regulation of the State's gas industry. The Plan commits to implementing all 16 of the Chief Scientist & Engineer's recommendations, while securing vital gas supplies for NSW from a variety of sources. Details of the plan to implement these recommendations can be found in the Government's response to the report.

Significant work has already been undertaken to address the Chief Scientist and Engineer's recommendations and many of these items were identified in the Gas Plan. This includes:

- Releasing the Gas Plan - the Government's public statement of intent to deliver a high performing industry, with a clearer and improved regulatory framework that is rigorously enforced (recommendation 1).
- Publishing all petroleum approval documents (including reasons for decisions), and scoping a whole-of-government environmental data portal (recommendations 2, 10).
- Developing a Community Benefits Fund, on which the Government will consult with the community (recommendation 3).
- Implementing the recommendations of the Walker Review to make the land access arbitration framework more efficient, balanced and transparent (recommendation 3).

A rigorous new regulatory framework will be introduced in 2015, including:

- A Strategic Release Framework to release new areas for gas exploration following an assessment of economic, environmental and social factors (recommendation 5).
- An enhanced role for the Environment Protection Authority in compliance and enforcement of conditions of approval for gas activities (recommendation 7).
- A Code of Practice for Petroleum Drilling and Well Servicing: Competencies to mandate training and certification for operational roles in the petroleum industry (Recommendation 14).

#### **Recommendation 4**

**That the Minister for Resources and Energy, through the Council of Australian Governments' Energy Council, pursue the implementation of an Australia-wide domestic gas reservation policy, while the recommendations in the Chief Scientist and Engineer's Final Report of the Independent Review of Coal Seam Gas Activities in NSW (September 2014) are being implemented.**

*Government response: Not supported; alternative measures are being implemented to secure affordable gas supplies.*

As per our submission to the Inquiry, the NSW Government does not support a national domestic gas reservation policy. New South Wales is unable to compel other states to supply NSW with the gas they produce. A gas reservation policy would also restrict trade, discourage investment and cause development costs in NSW to rise.

As the Productivity Commission noted in its March 2015 report *Examining Barriers to More Efficient Gas Markets*, "Policies... such as domestic gas reservation, could distort important signals for adjustment and are unlikely to be efficient or effective in the long run."

At its December 2014 meeting, the COAG Energy Council rejected the need for interventions such as a national gas reservation policy as solutions to pressures facing the eastern gas market. Instead it considers there are opportunities to improve the function of the gas market and remove impediments to supply.

Nonetheless, through the NSW Gas Plan, the Government has committed to only provide Strategic Energy project status to those projects that demonstrate that they can make a significant contribution to the state's gas supplies.