



22 August 2022

### **Submission: Securing Australia's domestic gas supply**

The Australian Pipelines and Gas Association (APGA) represents the owners, operators, designers, constructors, and service providers of Australia's pipeline infrastructure, connecting natural and renewable gas production to demand centres in cities and other locations across Australia. Offering a wide range of services to gas users, retailers and producers, APGA members ensure the safe and reliable delivery of 28 per cent of the end-use energy consumed in Australia and are at the forefront of Australia's renewable gas industry, helping achieve net-zero as quickly and affordably as possible.

APGA welcomes the opportunity to contribute to the Federal Department of Industry, Science and Resources (**DISR**) consultation on the Securing Australia's domestic gas supply issues paper (the **Consultation**). APGA supports Energy Ministers intent to ensure affordable, reliable gas supply is available to all Australian gas customers.

APGA agrees with DISR's conclusion that *Australia's east coast gas market is increasingly sensitive to external shocks due to a tightening supply-demand balance*. APGA further agrees with DISR's recognition of the importance of gas to industry and manufacturers, businesses and households, and to the electricity grid via the support Gas Power Generation provides the NEM when coal-fired or variable renewable electricity (VRE) generation are unavailable.

Solutions to the current challenges will need to consider customers, both domestic and international, at its core while avoiding unintended consequences including market distortion. Balancing this customer focus with a need to encourage investment, APGA encourages Energy Ministers to listen to all participants within the gas supply chain in order to deliver a balanced approach to ensuring affordable, reliable domestic gas supply.

To this point, APGA provides the following recommendations with relation to:

- Consultation Principles;
- Consultation Options; and
- Other options to strengthen the security of Australia's domestic gas supply – increased renewable gas production

## Principles

Overall, APGA supports the principles outlined in the Consultation. Having recognised that the tightening supply-demand balance is the primary cause of current market conditions, it is fitting that Principle 1 directly addresses the need to ensure continued investment in new gas supply. This will in turn support the downward pressure on prices identified under Principle 2.

APGA recommends appropriate nuance be considered when applying Principle 5. Achieving an 82% VRE NEM by 2030 will be heavily reliant upon GPG to provide electricity system reliability and security during peak demand and extended periods of low VRE. The rapid transition to electric vehicles will apply additional pressure to the electricity system during this period.

Recognising the role which Australia plays in ensuring the energy security needs of its trading partners is also important. These trading partners have made long term commitments on relying upon Australian energy imports to provide for their own energy needs. Honouring existing agreements under these energy partnerships is important not just for the LNG export industry of today, but for the future energy export industries of tomorrow as well.

### Proposed new principle – supply method & locational neutrality

When delivering more affordable and reliable gas supply via the Options considered within the Consultation, APGA proposes that method or location of delivery remain unspecified. Australia's gas markets are dynamic and continually evolving. Any attempt to specify where or how additional supply is delivered into markets risks becoming rapidly outdated, undermining the Option's ability to address specific shortfall events. By staying silent on these details, the proposed Options can enable producers to optimise how they deliver additional supply into markets to the benefit of gas customers.

## Proposed Options

APGA supports the development of a solution which delivers affordable and reliable gas for Australian gas customers. The needs of domestic and international customers will need to be considered, as well as the impacts on investor certainty in recognition of the need for ongoing investment in gas supply. In considering each of the options to amend the ADGSM, APGA stresses the need to keep all principles in mind, as well as future gas production and energy export investment markets. APGA is pleased by DISR's recognition of the imbalances in state gas supply and demand which have increased across the past decade. APGA proposes that state government intervention into gas production markets is as much to blame as the long-anticipated decline of Bass Strait production. APGA would welcome Federal initiatives that support State Governments in facilitating increased gas supply.

## **Other options to strengthen the security of Australia's domestic gas supply – increased renewable gas production**

All potential sources of gas production should be considered in line with the principles outlined within this paper. Support for increased renewable gas production could help address the tightening supply-demand balance within Australia's domestic gas market by introducing new sources of production to market.

To discuss any of the above feedback further, please contact me on +61 422 057 856 or [jmccollum@apga.org.au](mailto:jmccollum@apga.org.au).

Yours Sincerely,



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