



Gas Fired Recovery Plan

Submission to Department of Industry, Science,
Energy and Resources

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1. Introduction

The South Australian Chamber of Mines and Energy (SACOME) is the peak industry body representing companies with interest in the South Australian minerals, energy, extractive, oil and gas sectors and associated service providers.

SACOME welcomes the opportunity to provide high-level input to the Department of Industry, Science, Energy and Resources (DISER) Gas Fired Recovery Plan Consultation Note (the Paper) to inform the development of both the National Gas Infrastructure Plan (NGIP); and establishing Wallumbilla as Australia's Gas Hub (the Hub).

SACOME recognises this consultation to develop and establish the NGIP and the Hub, is occurring parallel with other measures to achieve the Commonwealth Government's overarching policy objectives to improve gas supply and energy affordability; and support jobs as part of Australia's recovery from the COVID-19 pandemic.

The South Australian oil and gas industry is well placed to assist the Commonwealth Government achieve its objectives. The sector is well established in South Australia, with SACOME's ASX-listed member companies Santos, Beach Energy and Cooper Energy headquartered in Adelaide and holding significant interests in South Australia, interstate and overseas.

SACOME supports the Commonwealth Government's objective to promote resource exploration and basin development as identified in the National Resources Statement¹ and its 2020 update².

In South Australia, gas generation comprises approximately half of all electricity generation, with this generation being reliant upon a secure, economic supply of gas to ensure affordable production of electricity.

SACOME has long advocated that ensuring an affordable, diversified, reliable supply of gas is critical to meeting the State's energy demands and development of new gas reserves should be a public policy priority.

SACOME also submits that the cheapest form of gas for south-east Australia is gas sourced from south-east Australia. The Cooper Eromanga Basin is a mature reserve with established operations and infrastructure. Accordingly, SACOME submits that policymakers in developing the NGIP should also consider how:

- to facilitate the expansion of operations in the basin;
- encourage new developments in the basin;
- bring stranded assets to market; and
- ensure infrastructure is in place to bring new gas online efficiently.

¹ <https://www.industry.gov.au/sites/default/files/2019-02/national-resources-statement.pdf>

² <https://www.industry.gov.au/sites/default/files/2020-02/national-resources-statement-2020-update.pdf>

SACOME is committed to working collaboratively with DISER and the Commonwealth Government in developing the NGIP; establishing Wallumbilla as Australia's Gas Hub; and unlocking the nation's gas resources to support fully functioning, efficient domestic gas markets for the benefit of all stakeholders.

2. National Gas Infrastructure Plan

SACOME supports the development of a NGIP.

In SACOME's previous calls to the Commonwealth and the South Australian Government for exploration incentive funding to support the development of new gas reserves, we have also called for funding to upgrade pipeline infrastructure to aid the efficient transport of new gas reserves to end users.

SACOME reiterates its call for policymakers to use the development of the NGIP to assist both the development of new gas reserves; and to facilitate expansion/development opportunities in the Cooper Eromanga Basin that bring stranded assets to market.

SACOME strongly encourages policymakers to liaise directly with SACOME member companies Santos, Beach Energy and Cooper Energy on projects that should be considered as part of the NGIP.

3. Wallumbilla Gas Hub

SACOME broadly supports mechanisms that improve transparency for both producers and customers.

SACOME notes that several market efficiencies measures have been introduced over the past decade which have improved market transparency, including:

- Short Term Trading Markets (STTM) commencing in Adelaide, Brisbane, and Sydney.
- Deregulation of retail markets (ACT, TAS, SA, NSW, QLD) via National Energy Retail Law and National Energy Retail Rules.
- National Energy Customer Framework commencement (ACT, TAS, SA, NSW, QLD).
- Gas Supply Hub trading exchange for Wallumbilla (North) and Moomba (South).
- Capacity Trading Platform (CTP) and Day-Ahead Auction (DAA) market mechanism.
- Australian Domestic Gas Security Mechanism (ADGSM) introduced for export controls in instances of forecast domestic shortfall.
- Introduction of trading hubs.

- Australian Competition and Consumer Commission (ACCC) gas inquiry.

SACOME recognises the long-term goal of the Hub is to form the basis of a transparent gas-trading market based on the American Henry Hub system.

SACOME notes the establishment of the Hub would represent a fundamental shift in the way producers conduct their business in the East Coast Gas Market.

SACOME submits that the key constraint on the Hub replicating the Henry Hub is increasing the number and diversity of participants.

SACOME further submits measures that encourage the extraction of new gas supply; and greater investment in gas infrastructure such as pipeline capacity and storage will assist the market to grow, increasing the participants in the market and enabling increased transparency over time.

SACOME reiterates its commitment to working with DISER on the development of the Hub.

4. Conclusion

SACOME welcomes the opportunity to provide input into DISER's Gas Fired Recovery Plan Consultation Note, recognising that SACOME and its members are key stakeholders in the establishment of both the NGIP and the Hub.

SACOME has sought to provide high-level commentary on both measures in a constructive way, emphasising the importance of the South Australia oil and gas sector to the State and the nation.

SACOME member companies support increased transparency in gas markets that improve their efficiency, alongside the removal of barriers to energy supply; and the discovery and extraction of new gas reserves that will ultimately lower gas prices for consumers.

SACOME is committed to working in partnership with DISER and the Commonwealth Government towards the establishment of the NGIP and the Hub.