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NSW CUSTOMERS TO PAY HIGHER GAS PRICES WITHOUT LOCAL GAS DEVELOPMENT

Santos has lodged a submission with the NSW Legislative Council Select Committee that highlights the importance of NSW developing its natural gas resources.

Local projects such as the Narrabri Gas Project will put downward pressure on gas prices to the benefit of families and businesses that rely on this essential energy resource.

The NSW Legislative Council *Select Committee on gas and liquid fuels supply* seeks to examine the operation of the Eastern Australian natural gas market and in particular what is driving gas prices higher for NSW families and businesses and what the NSW Government can do to ensure that reliable and affordable natural gas continues to be supplied to the citizens of the State.

Santos' submission highlights a number of key issues that unless addressed with some urgency risks NSW customers paying significantly higher prices for natural gas:

- NSW is the only mainland Australian State that doesn't have a material natural gas industry with NSW importing 97% of its natural gas requirements. From 2015 NSW's legacy gas contracts begin to expire at the same time Queensland's LNG export facilities become operational and NSW will need to compete for its ongoing gas supply. Not developing its own natural gas resources will put NSW at a significant competitive disadvantage and result in its customers paying unnecessarily high prices for their gas requirements;
- The cost of finding and developing natural gas has increased six fold during the last decade. A range of factors have led to this outcome including lengthy regulatory and approval processes. Anti-fossil fuel activists have also played a role with a deliberate strategy of causing increased costs in an attempt to prevent ongoing supply of this essential product.
- The notion that there is a single global price for natural gas is a furphy. The price paid by Asian countries varies considerably. Even at a forecast wholesale gas price range of \$6-9/GJ, businesses in Eastern Australia will continue to benefit from one of the cheapest gas prices in the region.
- Increasing the supply of NSW's indigenous gas resources will result in NSW families and businesses paying less for their gas than if these reserves were not produced. Arguments that no amount of additional NSW gas production will impact price are fundamentally flawed as it ignores:
 - the Queensland LNG facilities are not an unlimited sink for new gas supply;
 - the recent US example. The US natural gas market which is ten times the size of Eastern Australia's expanded market (even post LNG export projects) has seen a more than halving of price due to new supply sources;
 - transportation costs. If NSW continues to seek to rely on Queensland, SA and Victorian supply it will pay the additional cost of transporting gas produced in those States thousands of additional kilometers.
- Calls for a "National" reservation policy, that is, other gas producing States such as SA, Queensland and Victoria being forced to reserve their gas for the benefit of NSW which is choosing not to develop its own indigenous supplies, is ill conceived. This option appears to be fundamentally flawed for a range of reasons including Constitutional, practical and commercial.
- The development of NSW natural gas would provide significant benefits to both regional communities and the state's economy as a whole. Manufacturing Australia has highlighted that close to 200,000 jobs are at risk if reliable and affordable supplies of natural gas are not maintained. The Narrabri Gas

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Project alone would create over 1,000 jobs, inject \$160 million into a Regional Community Benefit Fund and deliver \$1.6 billion in royalties to NSW.

Santos' proposed Narrabri Gas Project, located about 500km north west of Sydney, has the potential to deliver up to half of the state's natural gas needs. The gas produced will flow south through a new dedicated pipeline that will connect to the existing Moomba to Sydney Pipeline and deliver the gas to the domestic NSW market.

Santos Vice President of Eastern Australia, James Baulderstone, said the natural gas contained in Santos' NSW licences is vital to the future economic viability of domestic manufacturing and in putting downward pressure on the cost of energy for families in NSW.

"NSW is the only mainland Australian state that does not have a material natural gas industry, currently importing 97 per cent of natural gas requirements," Mr Baulderstone said.

"NSW has the ability to become self-sufficient in its natural gas requirements for decades if it takes the opportunity to develop the state's existing natural gas reserves.

"NSW historic gas supply contracts effectively expire in 2015-16. If we don't advance in developing our own resources, we will be at a significant competitive disadvantage.

"Failing to develop the reserves in the Narrabri area will result in a less secure energy supply as well as much higher and more volatile natural gas prices for NSW families and businesses in the future."

The Narrabri Gas Project will be carried out with comprehensive community consultation and provide significant benefits to both regional communities and the state's economy.

"The Narrabri Gas Project will create more than 1000 jobs during construction, deliver \$1.6 billion in royalties to NSW and contribute to a \$160 million fund to benefit regional communities," Mr Baulderstone said.

"Santos is committed to undertaking the Narrabri Gas Project in a safe and sustainable manner ensuring the environment is protected for the people of NSW."

To view the submission, visit

<http://parliament.nsw.gov.au/prod/parlament/committee.nsf/0/E8C0710AD9A81DD2CA257DCF0019DF48>

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