

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Resources, Energy and Tourism Portfolio

Additional Estimates 2007-08

21 February 2008

Question: AR-10
Topic: Strategic reserve policy for gas supplies.
Proof Hansard Page: E92

Senator Eggleston asked:

Senator EGGLESTON—We have been talking about huge volumes of gas reserve in the Gorgon, Pluto, Scarborough, Browse and so on up the Western Australian coast. When the North-West Shelf was developed, Sir Charles Court imposed a 20 per cent, I think, strategic reserve on the North-West Shelf which he wanted quarantined for domestic use in the future. The Carpenter government has, over the last couple of years, talked of the same sort concept of strategic reserve so that there is gas available for domestic consumption quarantined from international sale. This is really a question I suppose most appropriately directed to Senator Carr, since it is a question of government policy. Has the federal government considered this concept of a strategic reserve to preserve gas for future energy requirements for Australia or given any consideration to it?

Mr Ryan—Western Australia have their reserve policy. The government has not considered any reserve policy.

Senator EGGLESTON—The federal government. Would you consider it prudent to do that?

Mr Ryan—That is one for the minister.

Senator Carr—I will take that on notice. I do not have any advice from the minister on that issue.

Senator EGGLESTON—Thank you. I would be grateful if you would take it on notice.

Answer:

The Australian Government acknowledges that natural gas plays an important role in Australia's energy mix and is working with industry and state governments to find practical solutions to securing future gas supplies. While Australia has abundant gas resources and there is more than sufficient gas to meet current needs, gas policy has been under regular review.

The Ministerial Council for Mineral and Petroleum Resources and the Ministerial Council on Energy established a Joint Working Group (JWG) late in 2006 in recognition of the need to realise the twin goals of becoming one of the world's major LNG exporters and ensuring the long term supply of gas for domestic users. This decision came from a proposal by a number of jurisdictions and was supported by all members of the Councils. The JWG was chaired by Western Australia, and was tasked with making recommendations on three key issues: domestic supply/demand and prices, long term energy security and economic growth. The previous Government also asked the JWG to consider the need for and the validity of a National Gas Policy, including the possibility of a gas reservation scheme along the lines outlined in the WA State policy on future gas supplies.

The JWG delivered its final report to Ministers in December 2007 and the recommendations included reviewing the retention lease system and existing gas retention leases; improving the operation of existing market structures; development of an annual national Gas Statement of Opportunities; and further work to obtain a better understanding of new market developments such as the impact of emissions trading and east coast LNG export facilities. It was recommended that a

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Resources, Energy and Tourism Portfolio

Additional Estimates 2007-08

21 February 2008

National Gas Policy was *not* needed as many of the elements proscribed for inclusion were covered by other fora. It concluded that there would be some value in a National Gas Statement of Opportunities to provide a source of information for the industry to assist in planning future developments.

The recommendations of the JWG have now been endorsed by both Councils (subject to some qualification). The Councils are currently considering how these recommendations will be progressed.