

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

Resources, Energy and Tourism Portfolio

Budget Senate Estimates

2 June 2009

**Question:** **BR-24**

**Topic:** Coal Seam Gas

**Proof Hansard Page:** **Written**

**Senator Scott Ludlam asked:**

Why is the coal seam gas not used directly as transport fuel (compressed natural gas) rather than exporting it as LNG?

**Answer:**

Coal seam gas (CSG) is currently only used in the east coast domestic gas market and is not being exported as liquefied natural gas (LNG).

CSG developments have a relatively high capital cost throughout the life of the project. Developers seek the highest value use for the gas to provide economic returns to justify these costs. At present, export of the gas as LNG is seen to provide the highest return. CSG has the potential to supply a strong export market as well as domestic needs.

In relation to the role of natural gas as a transport fuel, it requires abundant, appropriately placed, specialist refuelling facilities that are not readily adaptable to our highly developed petroleum (liquid fuels) distribution infrastructure. As a result, the costs involved in establishing the necessary infrastructure to support the roll out of a national fleet of natural gas vehicles are substantial. Accordingly, LNG and CNG are predominantly used in Australia as niche transport fuels in heavy vehicle fleets such as metropolitan bus services, waste management trucks and line haulage.

The Australian Government supports the role of CNG and LNG as alternative transport fuels and is investigating options for their wider use in Australia in developing the Government's Energy White Paper, which is currently under way.