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Economics and Industry Standing Committee
Legislative Assembly
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Dear Committee members

Inquiry into the WA Domestic Gas Policy

The Chamber of Commerce and Industry of Western Australia (CCIWA) is the peak body advancing trade and commerce in Western Australia. We are fundamentally committed to using our insights to develop and advocate for public policies that will help realise our vision to make WA the best place to live and do business.

The production and supply of liquified natural gas (LNG) is of paramount importance to Western Australia and the nation, representing a production value of over \$51 billion in 2022. Reliable and affordable gas reserves are critical for the competitiveness of key sectors, including manufacturing, mining, and electricity generation as well as underpinning new areas of emerging opportunity, such as downstream processing. As WA embarks on its energy transition to renewables, with the shift away from coal-fired power generation from 2030, gas will play an even more important role in WA's energy security, ongoing economic growth, and successful transition to a more sustainable energy future.

We thank you for the opportunity to provide comment on this important inquiry. Notwithstanding the importance of other aspects of the Terms of Reference, our submission focuses on the State Government's role in ensuring adequate availability of domestic gas into the future, particularly over the short to medium term.

The importance of gas for the domestic market

The WA Domestic Gas Policy, formalised in 2006, is commonly credited with securing WA's long-term gas needs and ongoing economic development by ensuring enough gas is available for the domestic market. For most of its existence, the policy has required LNG producers to commit 15 per cent of export volumes for domestic use, develop and obtain access to the necessary infrastructure to facilitate this commitment, and show diligence and good faith in marketing gas to existing and prospective consumers.

The 15 per cent offshore domestic gas reservation requirement has contributed to WA's competitive positioning as being a low-cost energy jurisdiction. We saw this in 2022, when gas prices in most other national and sub-national jurisdictions increased sharply, exacerbated by the geopolitical fallout of the Russo-Ukrainian war. It has also meant that WA has escaped any disruptive Federal Government intervention as seen in the east coast gas market. Notably, these interventions are significantly damaging Australia's reputation as a reliable supplier of energy to our international trading partners, undermining future investments and threatening our nation's domestic energy security.

In the context of this review, we note there have been some concerns about adequate security of supply, including forecasts by the Australian Energy Market Operator of a potential shortfall of domestic gas supply between 2023 to 2026, and again from 2030 onwards. Therefore, it seems prudent to assess whether the policy is effectively achieving its intended objectives and its ongoing success, noting the reliance on gas, both domestically and internationally, will intensify over coming years.

In 2020, the policy was updated to prevent the export of onshore gas, but with the capacity to make exemptions on a case-by-case basis. While the rationale for this decision was to ensure the State had the capacity to transition from coal-fired power by 2030, the capacity to provide an exemption remains a concern to CCIWA. As a first principle, it is important that any law or regulation can be consistently applied and interpreted by government agencies, as well as the businesses that seek to make investment decisions.

To allay any concerns with respect to security of supply, competitive pricing and case by-case exemptions, the State Government must ensure transparent and robust mechanisms are in place to monitor and evaluate the policy's outcomes – thereby also limiting the potential for any Federal Government interference, as well as addressing any supply-side challenges and related price increases.

Government needs to focus on incentivising supply

While it is critical that transparent and robust mechanisms are in place to ensure commitments under WA's Domestic Gas Policy are fulfilled, it is equally if not more important to ensure the regulatory landscape supports ongoing investment in gas projects in WA. The recent surge in interest regarding the development of new projects in the Perth Basin presents an opportunity to bolster gas supply and secure the State's energy needs. However, members across sectors, including LNG producers, report that the regulatory landscape is becoming increasingly complex and difficult to navigate, making it harder to justify investment in new assets.

To minimise the risk of any supply-side challenges and related price increases, the regulatory approvals landscape for major projects in WA must be as efficient and effective as possible. Both tiers of government can continually improve this by removing regulatory conflicts, addressing areas of duplication, better coordination between

departments with approval responsibility, digitising more processes and resourcing approval teams more adequately, which are the major drivers of costly delays.

While we acknowledge the WA State Government has made some advances in this regard and is committed to further improvement, policy coordination between the Federal and State Government is needed, particularly in the context of the Federal Government's impending environmental reform. To this end, we also suggest that industry is consulted widely and involved early in any decision-making processes to avoid any unintended and damaging policy consequences.

As a final remark, it is important to view any policy considerations in relation to domestic gas in the context of the broader policy environment that will support the energy transition. To this end, we are concerned that, whether in relation to hydrogen, critical minerals or carbon, capture, utilisation and storage (CCUS), the State Government has a more comprehensive and realistic view of how to progress various options than the Federal Government, especially accounting for recent shifts in the international investment environment with regard to the energy transition. It is important the Federal Government mature its approach in this respect.

Thank you for the opportunity to engage in this important matter.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'CR', with a horizontal line extending from the end of the signature.

Chris Rodwell
Chief Executive Officer