



WA Gas Strategic Development

Policy Paper – January 2022



The Domestic Gas Alliance

The DomGas Alliance is a member-driven industry body representing natural gas users, infrastructure investors and domestic producers in Western Australia.

The Alliance seeks to ensure a reliable, affordable, and diverse supply of natural gas for industry and households in WA. Formed in 2006 in response to a serious shortage of gas supply for new developments in WA, the Alliance works closely with both State and Federal governments as well as other industry stakeholders to promote initiatives and debate on domestic gas supply issues.

Current members include Alcoa of Australia, Coogee Chemicals, CSBP, Wesfarmers Chemicals, Energy and Fertilisers and Yara Pilbara Fertilisers.

The Alliance is conscious of the need to transition into clean energy forms. It is currently engaging and working with stakeholders to outline the role of gas in both current and future markets as well as viable forms of clean renewable energy.



Key Policy Recommendations

Continued commitment to support the domestic gas industry

To achieve optimal economic and environmental outcomes for the State, the WA Domestic Gas Policy should focus on encouraging the timely development of additional gas supply to help enable WA to be at the forefront of the energy transition – using gas to support alternative energy solutions that facilitate decarbonisation in the WA economy.

The Government of Western Australia should continue to support the development of a domestic gas industry, both in production and use, capable of supporting the opportunity for new and ongoing investments, creating jobs and meeting the longer-term goal of net zero emissions.

Flexibility should be maintained by the Policy to consider arrangements that support new gas supply developments.

New supply development should be encouraged, and the circumstances of each development taken into account in the Policy to ensure overall domestic gas supply is maintained and increased to meet projected medium term shortages.

For example, the Alliance is not opposed to gas swaps allowing third-parties to meet domestic gas commitments (DGCs) of the major LNG players in the State so long as it brings into production gas that would otherwise have not been produced.

Domestic gas growth should be viewed on a more holistic basis, in terms of the role it has in facilitating further energy solutions and technologies that help accelerate the energy transition.

These energy solutions include:

- Carbon capture and underground storage (CCUS);
- Renewable energy;
- Battery storage;
- Ammonia production and export – embodied hydrogen; and
- Hydrogen production.

In particular, gas has a key role as an energy source in the production of commodities that are inputs to products that support zero emissions industries, such as lithium, rare earths, nickel, cadmium, etc.

Marketing of Commitment Gas

While gas will continue to play a vital role in Western Australia's economy for several decades, it is in this decade that it is needed most.

The Domestic Gas Policy has worked well to date, but supply is tightening around mid-decade, and this will impact on Western Australia's competitive position as a global leader in mining, mineral processing and fertiliser production. It will also impact the State's transition to net zero emissions as gas plays a crucial role in balancing the increasing penetration of renewable energy into the grids.

It is critical that gas committed under the 15% reservation policy be brought to market as soon as possible, and certainly within the next five years to avoid any shortfall in supply.

There are still large volumes of commitment gas that have not been brought to market, and the Government should ensure this gas is not left in the ground.

There is spare Domgas processing capacity to enable unsold gas to be delivered to the domestic market in a timely manner. Domestic Gas Commitment (DGC) holders should be given a limited timeframe – no more than three years – to market the gas still unsold under the 15% reservation policy.

Transparency

Many of the perceived problems regarding the domestic market commitments application lie in confusion and misunderstandings surrounding the performance and obligations of the varying domestic agreements.

Therefore, to further optimise the market, gas buyers would benefit from greater transparency of market information to make informed investment decisions.

We believe greater transparency would play a positive role in buyers and sellers finding common ground in the market, therefore the Alliance supports publishing additional information to provide insight to the performance and availability of DGC gas supply.

Suggested information that could be published includes:

1. Key volume, capacity, and production parameters of each DGC agreement

- DGC project initially agreed volumes plus total DGC volume agreed (where these differ);
- Timeframes – expected start and end years for production sources;
- Capacity – installed processing capacity (or where third parties are utilising export capacity, their DGC equivalent maximum production); and
- Indicative Annual DGC supply = Total DGC volume agreed / Timeframe (this should reflect effective production, not installed processing capacity). If there are known reasons for variation of annual volumes these should be noted.

2. Actual production and cumulative performance to DGC parameters

- Actual annual volumes produced – per DGC project; and
- Annual and Cumulative Shortfall of DGC supplies – Project DGC 'performance tracking' to assist as one measure of good faith marketing.

(In assessing DGC shortfall, consideration should be given to any production issues, buyer(s) nominations and planned and unplanned maintenance and the degree to which these factors may have impacted the sellers' ability to meet their DGC commitments.)

The above analysis should be undertaken and published, annually, as a minimum.

Additional information

Potentially, consideration could be given to providing information on:

- Company specific performance, as gas is now marketed on an equity basis; and
- LNG project operators providing year ahead indications of foreseeable production issues (major planned maintenance, upstream production issues) that are likely to have a material impact on their supply availability (volumes to be marketed).

Acronyms

CCUS

Carbon Capture Utilisation and Storage

CSBP

Subsidiary of Wesfarmers Chemicals Energy and Fertilisers Division

DGA

Domestic Gas Alliance

DGC

Domestic Gas Commitment

GPG

Gas-fired Power Generation

LNG

Liquefied Natural Gas

SWIS

Southwest Interconnect System

WA

Western Australia

WM

Wood Mackenzie

Closing Comments

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SPOKESPERSON
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Use it or lose it

“In ten years', the gas left in the ground may not be economically or environmentally viable to extract. The 'use it or lose it' approach to Retention Leases must be upheld to enable other producers to access and develop the gas if existing lease holders have been inactive.”

WA's Domestic Gas Reservation Policy

“It is a good policy. It is clear in its intent and gives certainty to both LNG developers and large gas consumers. It could be improved by increasing transparency and public accountability to ensure LNG producers meet their obligations to market their reserved gas in good faith, to local industry. These reforms are underway.”

Gas playing a vital role to a cleaner environment

“Gas will continue to play an important role in the energy mix going forward, as we transition to a low and even net zero carbon environment. A gas reservation policy encourages industry to use gas in preference to coal for power generation and to complement renewable energy.”