

DOMESTIC GAS RESERVATION POLICY

1331. Hon CHARLES SMITH to the Leader of the House representing the Minister for State Development, Jobs and Trade:

I refer to the recent article on WAtoday dated 1 December headed “Why does energy-rich WA need to frack?”

- (1) Does the government intend to toughen up domestic reservation policy and/or renegotiate export contracts in the near future to offset the reported looming gas shortage?
- (2) If no to (1), why not?
- (3) Is the government in favour of fixed-price reservation?
- (4) If no to (3), why not?
- (5) Why was Chevron allowed to defer domestic supply from its massive Gorgon and Wheatstone gas projects until well after initial production began?

Hon SUE ELLERY replied:

I thank the honourable member for some notice of the question.

- (1)–(4) The WA gas market is currently well supplied. Gas available under the Gorgon, North West Shelf and Wheatstone domestic gas arrangements can meet half of WA’s gas needs over the next two decades at current levels of demand. At current levels of demand, the WA market will need new sources of gas within a decade. New gas supply could come from domestic gas commitments of third parties tolling gas through WA’s existing onshore LNG facilities, the implementation of Pluto’s domestic gas arrangements and the development of new reserves by domestic-only producers.

The next phase of LNG industry development in Western Australia is focused on brownfield sites with domestic gas arrangements in place. For example, the developers of the Browse and Scarborough, and Clio and Acme projects are seeking to toll their gas through existing LNG facilities in the Pilbara. The domestic gas arrangements covering these facilities will apply domestic gas obligations upon each of the third party users, consistent with the WA domestic gas policy. The WA domestic gas policy provides for gas prices and contract terms to be determined by the market.

- (5) Domestic gas agreements are negotiated on a project-by-project basis in line with the WA domestic gas policy. They are negotiated at project inception and cover reservation; marketing, including timing; and infrastructure obligations. Gorgon gas is being marketed in two tranches. The 300-terajoule-a-day Gorgon domestic gas facility has been constructed, and it commenced supply of the first tranche of a little over 150 terajoules a day in 2016. Supply of the second tranche is expected by 2021. Commissioning of Wheatstone’s 200-terajoule-a-day domestic gas facility is expected before the end of the year.