



11 January 2016

Mr I Blayney MLA
Chairman
Economics and Industry Standing Committee
Parliament House
West Perth, WA, 6005

Dear Mr Blayney,

The DomGas Alliance represents major industrial users of gas in Western Australia; companies that provide jobs for thousands of Western Australians, help drive our State's economic growth, and support regional development.

In recent years policy debate and development in regards to the crucial issue of the supply of gas to the domestic market has been heavily influenced by the annual Gas Statement of Opportunities (GSOO) which, to date, has been compiled by the Independent Market Operator.

DomGas Alliance members have expressed concerns about each of the GSOOs prepared to date, believing they do not accurately represent what is occurring in the market place.

These concerns have been heightened by the recent release of the 2015 GSOO that we believe portrays an overly optimistic view of the future domestic gas supply.

The 2015 GSOO reports that; "Potential gas supply is at least 107 TJ per day greater than demand over the next four years in the base forecast scenario. This excess supply is forecast to rise to more than 400 TJ per day by the end of the forecast period as several large domestic gas production facilities commence operation."

The Alliance responded strongly at the time noting we believed the GSOO had potentially understated growth in demand while being unrealistic in its assessment of domestic gas supply. This was particularly so for the post-2020 period.

These concerns have been confirmed and amplified by independent research by respected market analysts Wood Mackenzie showing a domestic gas "supply shortfall of over 150 million cubic feet per day."

Wood Mckenzie were quoted as saying; "The key thing is that the shortage is there and we don't really have a line of sight to where that gas is going to come from, right when everyone is going to be re-contracting. It looks like it could potentially be quite painful for gas customers in WA who need that security of supply."

Even more concerning was their view that “the LNG DMO from Gorgon and Wheatstone is unlikely to be enough to replace decline from the NWS and domestic fields.”

There is clearly a serious discrepancy between what the GSOO is reporting as the outlook compared to what domestic consumer, backed by the independent views of Wood Mckenzie, believe is unfolding in the market place,

The danger here is that if the government is making energy policy decisions based on the GSOO outlook, there is a serious possibility it will be making the wrong decisions.

The consequences of this for domestic industry in Western Australia are potentially disastrous.

The DomGas Alliance believes there needs to be an independent review of the compilation of the GSOO.

This need not be a long process as it could focus on key areas of concern:

- What are the powers available to the IMO in compiling the GSOO;
- How have these powers been exercised to date and have they been exercised effectively, particularly in relation to gathering data from producers; and
- Are any additional powers required to ensure a more accurate picture of future supply?

The Economics and Industry Standing Committee is well placed to undertake this inquiry in a timely and effective manner given the experience and knowledge base it has built in recent years from inquiries into domestic gas prices and the implications and safety of floating LNG operations.

The Alliance looks forward to hearing your views on this issue and would be willing to assist the committee in any way possible.

Yours sincerely,

Matt Brown
Executive Director