



The Australian Industry Group
51 Walker Street
North Sydney NSW 2060
PO Box 289
North Sydney NSW 2059
Australia
ABN 76 369 958 788

19 November 2018

Department of Planning and Environment
New South Wales

Dear Sir/Madam

Importance of new sources of gas supply

Eastern Australia remains beset by a serious energy crisis in which the price and availability of gas is a major element. Scarcity of contractable gas drove gas prices for industry far above export parity in 2017 and contributed heavily to the dramatic increase in electricity prices.

New sources of supply are needed to help avert a repeat of 2017 and bring prices down to the lowest levels at which they can be sustained. The Liquefied Natural Gas import capability that Australian Industrial Energy propose to bring to New South Wales is a very important opportunity to improve the situation.

New South Wales consumes around 140 petajoules of gas each year, most of it supplied from other States, and Eastern Australia uses around 700 PJ domestically while exporting up to 1400 PJ from the Queensland terminals that have transformed the local market. In this context, the over 100PJ per annum that AIE could supply is highly significant to New South Wales and the wider domestic market. This proposal would also bring new competitive pressure to the upstream, transport and retail segments of the gas market: new gas coming to market, a change to the assumption that pipeline costs from Queensland should help set prices in southern states, and a new player in the industrial segment of the retail market.

While new supply can help ease gas prices, Eastern Australian gas prices will not return to low historic levels – an ongoing challenge for many manufacturers. Demand side efficiency and fuel substitution will also be important. But for all of us who care about the competitiveness of Australian industry, it is important that the AIE import proposal, along with other new supply options, gets the chance to meet industry's needs.

Should you wish to discuss this submission further, please contact our adviser Tennant Reed on (03) 9867 0145 or by email at tennant.reed@aigroup.com.au.

Yours sincerely,

Innes Willox
Chief Executive