



A division of NSW Business Chamber

Port Kembla Gas Terminal

Submission from the Illawarra Business Chamber to the NSW Department of Planning and Environment

Illawarra Business Chamber
Level 1, 87-89 Market Street
Wollongong NSW 2500
(p) (02) 4229 4722
(e) policy@illawarrabusiness.com.au

7 December 2018

A division of NSW Business Chamber Limited ABN 63 000 014 504

Invigorating business



illawarrabusiness.com.au

Summary

The Illawarra Business Chamber (IBC) is proud to support Australian Industrial Energy's (AIE) proposal to develop the Port Kembla Gas Terminal, which will accommodate Liquefied Natural Gas (LNG) carriers, an LNG handling facility, wharf infrastructure and a pipeline to connect to the existing NSW east coast gas transportation network.

Illawarra Business Chamber/Illawarra First

The IBC is the Illawarra region's peak business organisation, dedicated to helping businesses of all sizes maximise their potential. The IBC directly represents some the 2,500 businesses.

Through initiatives such as Illawarra First, the IBC promotes the economic development of the Illawarra through evidence-based policies and targeted advocacy. Illawarra First membership comprises a select group of leading businesses in the Illawarra, sharing a commitment to driving the development and prosperity of the Illawarra.¹ Through their leadership and direction, the Chamber has commissioned research to advance the economic interests of the Illawarra.

The IBC is a Division of the NSW Business Chamber (NSWBC) – a founding member of the Australian Chamber of Commerce and Industry.

State significance

The IBC notes that the NSW Government has declared AIE's proposal 'Critical State Significant Infrastructure', in recognition of its potential to contribute to the state's future security and reliability of gas supply.² The IBC welcomes this acknowledgment of the strategic importance of the project, which presents as an opportunity to address the state's energy requirements into the future.

Energy security and affordability

Reliable and affordable energy is a critical and fundamental concern of consumers and businesses across the state. In the September 2018 NSWBC Business Conditions Survey, 45.6 percent of businesses identified reducing energy costs as a priority.³ The IBC continues to receive feedback from its membership that rising energy costs, particularly those in energy-intensive sectors, are impacting opportunities to expand and impeding employment outcomes, compromising businesses and forcing them to find efficiencies elsewhere.

It is important to too that NSW is now almost entirely reliant on interstate supplies of gas. In order to curb further price increases and improve energy security, this project presents a means to ensure the state has a dedicated gas supply by expanding its supply chain, and decreasing reliance on an interstate supply that will be strained further into the future.

¹ Illawarra Business Chamber, *Illawarra First Membership*, <<https://www.nswbusinesschamber.com.au/About/Our-Locations/Illawarra-Region/About-Illawarra-Region/Illawarra-First-Members>>, accessed 20 November 2018.

² Department of Planning and Environment, *Port Kembla Gas Terminal declared Critical State Significant Infrastructure*, <<https://www.planning.nsw.gov.au/News/2018/Port-Kembla-Gas-Terminal-declared-critical-State-Significant-Infrastructure>>, 24 June 2018

³ NSW Business Chamber, *Business Conditions Survey – Regional Recap*, <<https://www.nswbusinesschamber.com.au/NSWBC/media/Policy/BCS-SEP2018-Region-Recap-FINAL.pdf>>, September 2018

Importantly, a new player in the concentrated pipeline and gas supply market will create downward pressure on energy prices. Further, global sourcing of LNG and transportation by sea, which is typically 20 percent of overland costs, contributes to more competitive pricing. AIE’s project has the capacity to provide cheaper energy and address the issue of affordable and secure gas supply at the state level.

Regional significance

It is also noteworthy that Port Kembla has been selected for state’s first-ever LNG import terminal, on account of the investment confidence and opportunity for future growth that it presents.

Investment confidence

The IBC considers AIE’s move into the Illawarra as indicative of the region’s open-door approach to investment – leveraging the cost-benefits and inherent advantages of the region, and the utility of Port Kembla in particular. The IBC considers the project a vote of confidence from a large international consortium, choosing to invest in the Illawarra.

Future growth

The IBC also notes the strong potential for future development of a gas-fired power station, which would create further downward pressure on energy prices and to the investment attractiveness of the region.

Economic impact

The economic benefits to be derived from the Port Kembla Gas Terminal are significant.

Following its completion in early 2020, the project will have the capacity to deliver 70 percent of the state’s total gas needs. It will provide significant relief for the 33,000 businesses across the state (including 500 heavy industrial users) that rely on gas for their energy requirements.

The project represents a \$246 million capital investment, which will see the creation of up to 150 jobs during construction and up to 50 ongoing positions.

Table 1 - Port Kembla Gas Terminal

Economic benefits	Illawarra	New South Wales
Capital investment	- \$256 million	
Employment	- 130-150 during construction 40-50 ongoing - Gas-dependent businesses support 15,000 (largely manufacturing) jobs in the Illawarra	- Gas-dependent businesses support 300,000 jobs in NSW
Industrial energy usage		- 33,000 (incl. 500 heavy industrial users)
Gas supply	- Contributes to investment attractiveness of Port Kembla and growth of new businesses	- Currently imports 95% of domestic needs - Capacity to provide for 70% (100 PJ), incl. all industrial needs
Energy security		- 10-12 days gas storage in case of supply disruptions - Significantly reduced reliance on interstate supply

Political considerations

The business chamber has advocated for the NSW Government to ensure the adequate supply of gas in NSW. As deliberations at a national level are unclear, it is important that the state government sends the right signals to the international AIE consortium and that red tape does not negatively impact or impede this much-needed gas supply to NSW. It is important that foreign investment is not dissuaded by undue delays or unnecessary regulatory hurdles.

The AIE project presents an opportunity that that does not require policy levers to enact, but does require an approach to energy policy (at a state and national level) that provides certainty to the consortium going forward.

Environmental considerations

The IBC understands that an Environmental Impact Statement (EIS) is required to support the application for approval for determination by New South Wales Minister of Planning. The IBC is not aware of any environmental factors that should delay this project, and trust that any identified will be rationally and thoroughly negotiated.

Conclusion

The IBC supports this project, which also has the support of most stakeholders and other regional peak bodies in the region. On behalf of business community, and our immediate membership of 2,500 businesses – this is a welcome and needed project of critical importance, at the state and regional level.