

Application Letter; Hunter Gas Pipeline – Modification to Extend Lapse Date

(A) Proposal Modification

The Hunter Gas Pipeline was granted development approval under the relevant provision of the EP & A Act on 11th February 2009 subject to conditions. The approval was granted subsequent to an extensive environmental impact assessment process. The approval conditions specify that substantial commencement of construction to prevent the lapsing of consent should occur within 10 years of the date of approval that is by 11th February 2019. The gas pipeline approval was granted under the then Part 3A of the EP&A Act. The project has since transitioned as Critical State Significant Infrastructure (CSSI) in July 2018. “Commencement of Construction” of the Pipeline has not commenced to date due to uncertainties in the gas supply market particularly delays in development approval process of the proposed CSG Gas Field Project at Narrabri. The domestic gas market is going through a process of change. Sources of supply are shifting from Southern Australia to the North. The Northern Territory and the Galilee Basin are becoming important future supply sources, particularly as the traditional southern gas basins such as Bass Strait and Otway Basin are depleting. Hunter Gas Pipeline is now seeking an extension of five (5) years to “Substantially Commence” construction. This will provide an opportunity to safeguard a critical infrastructure essential to increase supply to the Australia East Coast market particularly NSW. The HGP will facilitate the gas flow from Northern Australia to the South Eastern States. Although Santos has not committed to use the HGP from Narrabri to Newcastle, the proposed Western Ranges Pipeline is not approved and the challenges with that process could slow Narrabri if the HGP approval lapsed.

(B) The required infrastructure project is the same as the approved project

There are no physical nor otherwise changes to the approved pipeline corridor, its size or the physical characteristics. There are no changes to the environmental or amenity impacts as assessed. The only modification being sought relates to the “Commencement of Construction” timing. Attachment 1 outlines the Pipeline corridor as approved and for which the modification to extend the lapse date is being sought.

(C) The conditions of approval

Attachment 2 is our report that explains construction readiness and overview of the relevant conditions of consent. A number of presentations to Local Councils and business

organizations such as the Chamber of Commerce have been done in order to demonstrate the significant economic and public benefits of the pipeline along with the security of gas supply to the community. Information has been provided to Landowners via direct communication and through our website.

(D) Justification for extending the lapse time

It is well established by evidence and trends that shortage in gas supply and reliability adversely impacts the NSW energy market. Gas shortage leads to higher prices not only in gas, but also the electricity as a portion of the baseload electricity generation relies on natural gas as a fuel. There are fundamental security of supply issues preventing the reliability of supply including:

- a) Some 95% of NSW gas supply is sourced from other States;
- b) There are diminishing opportunities for new gas sources particularly in light of the NSW Government buy backs of coal seam gas exploration licences;
- c) There are significant infrastructure constraints with limited pipeline capacity and alternative competition as reported by ACCC from time to time;
- d) The diminishing reserves of gas in Bass Strait and Otway Basin in Victoria (See Attachment 3, an article published in The Australian).

The ACCC's Gas Inquiry 2017-20 Interim Report concluded that suppliers may be finding difficulty to secure access to key pipelines. The report states "in some cases the key pipelines are close to being fully contracted in 2018, with most of the capacity held by the two largest retailers". The constraints on pipeline capacity to bring down gas from Queensland (given very limited supply sources in NSW) is clearly acknowledged by the ACCC report.

Attachment 4 broadly depicts the range of pipeline infrastructure current and planned to supply the NSW East Coast. The Hunter Gas Pipeline is an essential and critical "approved" infrastructure to deliver the outcome. This is required by AEMO 2018 in its 2018 Gas Statement of Opportunity. The Pipeline is identified as relieving supply transport capacity constraints and "allows more flows to be delivered South" (See Attachment 5).

It is noted that whilst providing for the most readily available (as approved) pipeline route to NSW gas market from the now under assessment Narrabri Gas Project, should it not proceed, HGP offers a critical supply line from the developing Galilee and Surat Basins, in Queensland (See Attachment 6, an article in the Australian dated 31st July 2018).

(E) Implications of the modification to lapsed time not be granted

The implications of allowing this approval to lapse are substantial and include the following:

- i) Significant loss of assessed and approved earlier infrastructure integral to facilitating gas supply to NSW with potential effects to price and reliability of gas and electricity;
- ii) Diluting the competitive advantage the infrastructure provides;
- iii) Requiring a new full approval process for an alternative proposal with untested environmental impacts, wide community concerns and unknown time frames would necessitate major resources from the Department and the private sector. This would put security of gas supply at greater risk as well as further delay capacity to market with adverse economic outcomes.

It is submitted that the need for this approved infrastructure project is well established and justified. The proponent is committed to start construction with the imminent development of new domestic gas fields in Narrabri, Surat and Galilee Basins in Queensland. An alternative project will not be in the public interest.

(F) The statutory context

The approved infrastructure project under the term Part 3A of the EP & A Act has been transitioned as Critical State Significant Infrastructure as gazetted on 20th July 2018.

(G) Consultation

Further consultation will be undertaken as requested during assessment process.