

17 November 2023

Meghan Quinn PSM
Secretary
Department of Industry, Science and Resources
Industry House, 10 Binara St
Canberra ACT 2601



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Dear Ms Quinn

Future Gas Strategy

The Chamber of Commerce and Industry of Western Australia (CCIWA) is the peak body advancing trade and commerce in Western Australia. We are fundamentally committed to using our insights to develop and advocate for public policies that will help realise our vision to make WA the best place to live and do business.

We thank you for the opportunity to provide input into the development of the Future Gas Strategy. The significance of natural gas in Australia, and indeed in Western Australia, cannot be overstated, not least related to it being an affordable energy fuel for WA business, but also in ensuring energy security as the world undertakes a transformative journey to Net Zero.

However, in recent years, gas has often been unfairly demonised in discussions surrounding decarbonisation. Misconceptions, perpetuated by a lack of community education, has led to a perception that gas is incompatible with sustainability goals. This oversimplification overlooks the vital role gas will play in the transition to a low-carbon future. It's imperative to change this narrative and acknowledge that natural gas, in conjunction with negative emissions technologies, will need to sit alongside renewable energy sources.

To this end, our submission directs attention to the pivotal role of Australian gas within the domestic and international landscapes. We also highlight the significant barriers that define the prospects for new supply, emphasising the imperative of overcoming these hurdles. Moreover, we underscore the critical nature of continuing to attract investments into this sector. By focusing on these key areas, we aim to contribute to a comprehensive strategy that recognises the value of Australian natural gas in addressing not only our nation's energy needs, but also our global commitment to achieving emissions reductions targets.

The vital role of gas

a. Domestic context

Natural gas holds a unique and indispensable position within the domestic landscape. Economically, it has been a consistent driver of prosperity, providing employment,

revenue, and growth opportunities throughout the country. The industry contributes significantly to Australia's gross domestic product (GDP), with economic analysis by ACIL Allen Consulting finding gas generated over \$70 billion in domestic economic activity in 2020-21, which represents 3.4 per cent of GDP. This is in addition to the 241,600 Australian jobs it has created. In Western Australia alone, gas contributed over \$31.7 billion to gross state product and supported more than 95,600 jobs.

Natural gas is also integral to the functioning of numerous industrial sectors in Western Australia, including manufacturing, mining, and agriculture - and underpins the development of new industries as well, including critical minerals processing, as well as the production of hydrogen, ammonia, methanol and other downstream processing value-add opportunities. As capital and energy intensive industries, these sectors rely on accessing affordable natural gas for their energy needs. They too need a dependable energy source, and natural gas provides the stability and reliability many industries require.

Lastly, natural gas will also play an integral role in enabling the energy transition, acting as a critical transitional fuel while other technologies, including green hydrogen, become more commercially viable at scale. As a flexible fuel source, it will become crucial in filling gaps left by intermittent renewable energy generation over the short-term. Reliability of energy is after all, the most important factor for the WA business community.¹ Ultimately, Australia's natural gas will safeguard Australian businesses, households, and critical infrastructure from costly and problematic power disruptions.

b. International context

Just as natural gas will continue to underpin Australia's energy requirements, and ensure a just transition, Australian gas will continue to underpin global energy security and the decarbonisation goals of our trading partners.

Australia is a world leader in liquefied natural gas (LNG) production and export, supplying around 21 per cent of global LNG in 2022. Australia's LNG industry plays a vital role in the international context, particularly when it comes to accelerating global decarbonisation without compromising energy security or affordability.

Australia's LNG exports contribute to the energy security and economic development of many of its trading partners, particularly those in the Asia-Pacific region such as Japan, China, South Korea, Taiwan and India. These countries are increasingly reliant on LNG imports to meet their growing energy demand and to diversify their energy sources.

¹ In 2021, CCIWA asked its members a range of questions related to the energy transition, including, for example, what was the most important factor when it came to energy: 1. Reliability, 2. Cost and 3. Low emissions. Members were only allowed to select one factor, and reliability was overwhelmingly the most important factor.

By providing a reliable and affordable supply of LNG, Australia not only supports these countries to maintain energy security and sustain their ongoing economic development ambitions, but it also reduces their dependence on higher-emissions fuel sources such as coal, thereby lowering their overall greenhouse gas emissions footprints.

The importance of incentivising gas supply

As the demand for natural gas continues to rise both domestically and internationally, ensuring a robust regulatory investment framework in Australia, and across State and Territory jurisdictions, underpins future supply is paramount. As detailed above, natural gas is not only a fundamental component of our current energy landscape, but will remain so, as the global transition to net-zero accelerates.

To meet these escalating demands, it is imperative that we proactively incentivise and support the development of new gas projects. By doing so, we can continue to service our domestic needs as well as continuing to position ourselves as a dependable supplier in the international market.

To this end, the Federal Government needs to ensure the right frameworks are in place to underscore new energy supply, including:

a. Competitive regulatory regime with sensible requirements

A significant barrier is Australia's proliferating regulatory approvals, which is impeding investment in new projects, creating significant delays, and increasing Australia's sovereign risk profile. In particular, there is a need for urgent reform following the Federal Court's decision to rule against NOPSEMA's approval of Santos's Drilling Plan. This was further highlighted in September 2023 when the Federal Court ruled that NOPSEMA invalidly exercised its powers by granting conditional approval to Woodside Energy's Scarborough Project Seismic Survey Environmental Plan, and again in November. In this case, the Federal Court blocked Santos from installing 176km of its 262km-long Barossa gas export pipeline off the coast of the Northern Territory over claims of the presence of underwater songlines. This has created an ongoing lack of clarity and regulatory certainty over the details of who to consult and what constitutes adequate consultation of all "relevant persons".

Key energy projects are now subject to significant delays for key energy projects, with a backlog of more than 40 offshore project Environmental Plans under assessment by NOPSEMA as of October 2023. The practical effect is significant, with consultation requirements now having exponentially increased, causing lengthy delays in investment timeframes. In addition, some offshore activities have been called off entirely, due to there being no line of sight to receipt of an environmental approval.

Any onshore activity will also be subject to the Commonwealth's 'Nature Positive' agenda on the horizon, which represents the most comprehensive remaking of the national environmental law since the Environment Protection and Biodiversity

Conservation Act 1999 (EPBC Act) was introduced. There is a real sense that the Commonwealth's burgeoning Federal regulation will lead to a much more challenging environment for businesses in Australia and could see investment in critical energy projects redirected to more favourable jurisdictions.

Increasingly so, major energy projects are also subject to appeals processes against a given project (for example, the extension of the North West Shelf), which are designed to simply delay and frustrate. Interventions of this nature need to be moderated.

To support major energy projects going forward, the Federal Government must immediately legislate changes to Regulation 11A of the *Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2009*, ensuring greater clarity in relation to consultation requirements. It must also work to address the appeals process by ceasing funding to the Environmental Defenders Office.

b. Build confidence in carbon capture by providing regulatory certainty

As a result of the Safeguard Mechanism, any new investment in major energy projects will need to be net zero. Carbon capture will, therefore, be even more integral for major energy projects. The Federal Government's recent success in passing the *Environmental Protection (Sea Dumping) Amendment (Using New Technologies to Fight Climate Change) Bill 2023* was a critical step in enabling the cross-border storage of carbon dioxide. By doing so, it also legitimises the suite of negative emissions technologies that are associated with carbon capture. To this end, it is critical that the Federal Government continues giving industry regulatory certainty, including by developing a National Carbon Capture Strategy, and address underlying social licence concerns.

c. Changing the narrative

In addition to having a more attractive regulatory regime in place, a crucial aspect of incentivising new gas supply involves changing the narrative around gas. Natural gas has often been unjustly portrayed as an impediment to decarbonisation, overshadowing its pivotal role as a facilitator of the transition to net zero.

It is imperative that the messaging around gas shifts, dispelling any misconceptions surrounding gas and instead underscoring its unique attributes in the broader energy landscape. Rather than viewing it as an adversary to renewable energy sources, the community must recognise the legitimate role of natural gas as a complementary force that plays a foundational role in achieving a balanced and dependable energy mix.

Furthermore, advancements in negative emissions technologies in the oil and gas sector will legitimise its role as a critical energy source. Emphasising and supporting these technological innovations is paramount in illustrating that gas is not only part of the solution, but an evolving and adaptable force for sustainable energy practices.

d. Encouraging regulatory certainty by avoiding ad hoc regulatory interventions

The Strategy should also emphasise the importance of regulatory certainty, by limiting market interventions. The decision to cap gas prices, for example, created regulatory uncertainty, and increases Australia's sovereign risk profile for key trading partners.

The Strategy should also include the role of States in addressing barriers and encouraging additional supply with respect to onshore gas. For example, in 2017, the WA Labor Government introduced a moratorium on fracking existing or future petroleum titles in Southwest, Peel and Perth Metropolitan areas. While this prevents any new onshore gas development in this region, existing licence holders have also been unable to progress onshore development in other areas due to regulatory constraints.

Concluding remarks

The Future Gas Strategy presents as a pivotal opportunity for the Federal Government to not only provide a clear roadmap for the future of gas in Australia, but to also shape the narrative surrounding gas, and move to address the regulatory barriers that exist. As we stand at the crossroads of transformative energy transition, it is essential that the Strategy reflects the nuanced and indispensable role that gas plays in both our current energy mix and the future we envision.

Sincerely

A handwritten signature in black ink, appearing to be 'CR', with a horizontal line extending from the end of the signature.

Chris Rodwell
Chief Executive Officer