

**Senate Economics References Committee – Corporate Tax Avoidance  
Committee's hearing held on Friday, 28 April 2017 in Perth  
Answer to Question Taken on Notice**

**Questions:**

**Senator WHISH-WILSON:** It is an opportune time for me to ask you this question: given that we have seen in newspapers today reports that, in the eastern states, the federal government is looking at policies to divert gas to the domestic market, could you tell the committee a little bit about your gas reservation policy here in Western Australia and how successful you think it has been, or how successful it has not been?

**Acting Chair:** How good is it?

**Answer:**

The following answer regarding the Western Australian domestic gas policy has been prepared after consulting with the Western Australian Department of State Development.

- The Western Australian Government's domestic gas policy secures the state's long-term energy needs by ensuring LNG exporters also make gas available in the domestic market.
  - Western Australia's gas reserves are remote and LNG exporters control 97% of gas reserves in Western Australia or off its coastline.
- The domestic gas policy requires LNG exporters to make gas equivalent to 15 per cent of their LNG shipments available in the Western Australian market.
  - LNG exporters comply as part of project approval by reserving gas, building or obtaining access to domestic supply infrastructure and marketing the gas in good faith to Western Australian consumers.
  - Gas prices and supply terms are determined in the market. If the market is well-supplied, LNG producers can reserve gas until the market improves.
  - The policy is flexible and allows LNG exporters to offset their obligations with gas or energy from other sources.
- Under the auspices of the policy, the Western Australian Government has entered into long term contractual arrangements with the Gorgon, Pluto, Wheatstone and North West Shelf LNG projects as follows:

<b>Agreement</b> ( <i>Project, operator, date</i> )	<b>Reserves</b> ( <i>2P, 2016</i> )	<b>LNG export capacity</b>	<b>Remaining domgas obligations</b>	<b>Domestic supply infrastructure</b>
Barrow Island Act 2003 ( <i>Gorgon, Chevron, 2003</i> )	42.9 TCF	15.6 mtpa	2,000 PJ	300 Tj/day
Pluto Domgas Arrangements ( <i>Pluto, Woodside, 2006</i> )	3.4 TCF	4.9 mtpa	500 PJ	-
Gas Processing (Wheatstone Project) Agreement ( <i>Wheatstone, Chevron, 2011</i> )	12.1 TCF	8.9 mtpa	1,300 PJ	200 Tj/day
North West Gas Development (Woodside) Agreement Act 1979 ( <i>North West Shelf Woodside, 2015</i> )	11.3 TCF	16.9 mtpa	1,050 PJ	650 Tj/day

- The policy provides certainty and has proven effective at meeting the needs of gas developers and Western Australian energy consumers.
  - LNG exporters have built more than 1,000 terajoules a day of domestic gas production capacity and are reserving almost 5,000 petajoules for the domestic market.
  - This has occurred as part of almost \$150 billion in investment in developing LNG projects in Western Australia.
  - LNG producers meet around half the domestic market and local-only gas operations supply the rest.
- The Western Australian domestic gas market is expected to remain well supplied until the mid-2020s as a result of the contractual commitments between LNG exporters and the state.
  - Domestic gas commitments from the Gorgon, Wheatstone and North West Shelf LNG projects are expected to meet more than half the state's needs over the next decade.
  - New sources of gas are likely to be required after this time, if demand remains at current levels.

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