

Senate Environment and Communications Reference Committee
Inquiry into the Middle Arm Sustainable Development Precinct
Australian Energy Producers, Response to Questions on Notice

5 July 2024

1) Question from Senator Pocock taken on notice during hearing:

Senator Pocock: *Thank you for your time this afternoon. I am interested in how APPEA or AEP was involved in lobbying to secure funds for the Middle Arm gas hub?*

Ms McCulloch: *To the best of my knowledge, we have not been involved at all in securing any funds for Middle Arm.*

Senator Pocock: *There were no meetings with ministers or shadow ministers about Middle Arm?*

Ms McCulloch: *I'd have to take that on notice. I'm sure Middle Arm may have come up in some meetings with ministers, but I would stress that the government funding going to Middle Arm doesn't directly benefit the oil and gas industry. It's not something, to the best of my knowledge, in my time in this role, that we have lobbied for.*

RESPONSE

As stated in my evidence to the Committee, to the best of my knowledge Australian Energy Producers (or APPEA, as we were named at the time) did not lobby the Federal Government for the \$1.5 billion in funding for the Middle Arm Sustainable Development Precinct that was allocated in the 2022-23 Budget.

2) Question from Senator McDonald – supplementary response

Senator McDonald: *The previous witnesses said that gas demand has decreased by 50 per cent. I couldn't quite get that to stack up.*

Ms McCulloch: *I would say that is not correct, unless they're looking at a particular part of the market, perhaps. The reality is—and this was confirmed in the Future Gas Strategy—gas is playing an increasingly important role now, domestically, particularly in power generation, where it is needed to back up renewables, as well as in terms of supporting manufacturing. The GSOO, including the AEMO GSOO on the west coast, points to quite strong growth in gas demand, not just for power generation but in particular for mining, recognising that gas is powering the mining industry in WA. Those new opportunities around processing critical minerals or new industrial facilities that are being planned, like the Perdaman facility, are all linked to growing gas demand domestically; hence the need to ensure that we are investing in the supply to meet that demand and address those gas shortfalls that AEMO and ACCC continue to warn about.*

SUPPLEMENTARY RESPONSE

Senator McDonald's question to Ms McCulloch related to the below evidence from an earlier witness, Mr Tom Quin from Springmount Advisory, in response to a question from Senator Grogan:

Senator Grogan: *Perhaps I can stop you there because I'm really interested in this point. People say, 'No-one is calling for it immediately,' yet, when we're talking about projects starting in 2026, they're saying, 'Well, everything has to be transitioned by then.'*

Mr Quinn: No. I think we need to, again, look at the numbers. The numbers show that, currently, the Northern Territory only procures five per cent of its energy from renewable sources. That is a sixth of the national average; it is well behind. When we look nationally, too, gas demand for electricity generation in particular has declined 50 per cent since 2014. If we're talking about gas as a transition fuel, the peak is 10 years behind us and it's on the way down. The gas statement of opportunities is showing that it will continue to decrease over the next decade. When we're talking about a transition, the challenge for the NT is that it is currently hooked to very expensive gas for its own electricity generation. This will not transition it; it will merely exacerbate its dependence on gas.

Having had the opportunity to review Mr Quinn's evidence, and specifically the statement that Senator McDonald's question referred to, Australian Energy Producers provides the following supplementary response:

The assertion that gas demand for electricity has declined by 50 per cent since 2014 is factually wrong.

Nationally, natural gas accounts for 19 per cent of electricity used, and this has remained constant at this share since 2011. In 1996 gas accounted for just 6 per cent of electricity used in Australia.¹

Furthermore, the Australian Energy Market Operator's 2024 Integrated System Plan released 26 June found that natural gas will play an increasingly important role in the National Electricity Market to back up renewables as coal is phased out. The NEM connects Queensland, NSW, Victoria, ACT, South Australia and Tasmania. The ISP found the NEM will need an additional 13 gigawatts of gas power generation capacity to be built by 2050 "to ensure the NEM remains resilient under a range of power system and extreme weather events".²

This increased role of gas for electricity also means new gas supply is needed. Both AEMO and the ACCC have repeatedly warned that the east coast gas market and the NEM urgently need investment in new gas supply to meet future energy demand to 2050 and avoid gas shortfalls forecast from 2027³ – all of which the Federal Government's Future Gas Strategy reaffirmed.⁴

AEMO's 2024 Gas Statement of Opportunities for the east coast, for example, found: "While the scale of gas consumption remains uncertain through the energy transition, particularly in relation to gas usage for electricity generation, all scenarios identify the urgent need for new investments to maintain supply adequacy."⁵ (emphasis added).

The GSOO found demand for gas powered generation (GPG) for electricity is forecast to increase in the long term due to electricity demand growth, coal retirement, and the need to firm renewable energy generation in the NEM. AEMO states that "annual GPG consumption is forecast to increase from the early 2030s, with significant growth in peak day consumption", rising from 70.8 PJ in 2024 to over 190 PJ in 2043 in AEMO's Step Change scenario – an increase of 268% over the next 20 years¹.

Meanwhile, in Western Australia and Northern Territory natural gas is the main source of electricity generation, responsible for 60 per cent and 86 per cent respectively of electricity generation in 2022.⁶

¹ <https://www.energy.gov.au/energy-data/australian-energy-statistics/data-charts/australian-electricity-generation-fuel-mix>

² <https://aemo.com.au/en/energy-systems/major-publications/integrated-system-plan-isp/2024-integrated-system-plan-isp>

³ <https://www.accc.gov.au/media-release/east-coast-gas-supply-sufficient-for-2025-but-concerns-remain-for-longer-term>

⁴ <https://www.industry.gov.au/publications/future-gas-strategy>

⁵ https://aemo.com.au/-/media/files/gas/national_planning_and_forecasting/gsoo/2024/aemo-2024-gas-statement-of-opportunities-gsoo-report.pdf?la=en

⁶ <https://www.energy.gov.au/energy-data/australian-energy-statistics/data-charts/australian-electricity-generation-fuel-mix-calendar-year-2022>

