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Committee Secretary
Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600

To whom it may concern

RE: Oil and gas exploration and production in the Beetaloo Basin

The Australian Workers' Union welcomes the opportunity to make a submission in response to the Committee's inquiry into oil and gas exploration and production in the Beetaloo Basin. The AWU represents around 70,000 members nationally in a diverse range of industries, including large parts of the gas supply chain – from extraction (both onshore and offshore), through to transmission and storage, through to ultimate use in manufacturing. For AWU members in manufacturing – be it steel, aluminium, plastics, concrete, fertiliser, or many others – gas is an essential input to their work, either as an energy source to generate heat, part of their electricity generation, or as a feedstock into the final product.

The Beetaloo Basin – an untapped energy resource, with the right investment

The AWU supports the development of the Beetaloo Basin's gas resource. The basin has been assessed independently by the Australian Government and Geoscience Australia as highly prospective – with preliminary estimates that there are over 200,000 petajoules of gas in place in the region,¹ equivalent to 100 years of Australia's domestic gas consumption in 2021. Development of the NT's gas resources has potential to create up to 6300 new long-term jobs and provide an additional billion dollars in revenue to the Northern Territory Government over the next 20 years.²

The Beetaloo Basin is also geographically proximate to the Northern Gas Pipeline servicing Tennant Creek. One proponent has signed an MoU to secure access to the pipeline in order to provide 100 terajoules of gas per day to the east coast gas market – with production

¹ <https://www.industry.gov.au/data-and-publications/unlocking-the-beetaloo-the-beetaloo-strategic-basin-plan/the-beetaloo-sub-basin/beetaloo-gas-resources>

² Submission 44 (Australian Petroleum Production and Exploration Association), Oil and gas exploration and production in the Beetaloo Basin (9 July 2021).

forecast to begin by the end of 2025.³ Proposals to establish a new common-user pipeline to the Basin are also at the MoU stage.⁴

With a meaningful pipeline plan, gas developments in the Beetaloo can be treated as part of the east coast market – providing a boost to the strained gas market (discussed in the next section). Given the substantial economic gains on offer for the Territory and the country, the Commonwealth Government has sensibly supported explorers in finding prospective projects through the Beetaloo Cooperative Development Program, providing grants of up to \$50 million over 2 years. The AWU submits that this should be expanded to pipeline development to the basin – by the government underwriting pipeline development, increasing competition in the pipeline market, and also establishing a pipeline north to Darwin to provide secure energy supply to a new manufacturing hub.

Some critics of gas development in the Beetaloo Basin take aim at hydraulic fracturing, or ‘fracking’, as an industrial process, and have called for a complete ban on this process in any gas developments in Australia. However, every state and territory that has conducted a public scientific inquiry into the safety of fracking – including the Pepper Inquiry in the Northern Territory – has found that all safety environmental risks can be managed effectively. A complete ban would fail to apply a risk-based lens to resources development, which could instead be done with comprehensive regulation of groundwater and local environmental impacts alongside strong enforcement of workplace health and safety legislation.

Australia needs to increase gas supply

Supporting project proponents through the exploration process to the extraction of gas in the Beetaloo Basin is one critical measure to improve supply of gas to Australia’s east coast.

The Russia-Ukraine conflict, extremely cold weather, and undersupply of electricity (from ageing coal generators and a failure to invest substantially in new renewable generation) has lead to an unprecedented crisis for gas users like our members’ employers. This has forced households, industry and electricity generators to fight for scraps in a ‘Hunger Games’-style contest over the arbitrarily-limited domestic supply of gas, while multinational gas companies export most of their product at sky-high world prices.

Despite Australia being the world’s biggest gas exporter, Australian businesses and households are now paying sky-high prices for their own resource. Before the government intervened with price caps at the end of May, the spot price for gas reached an eye-watering

³ <https://www.proactiveinvestors.com.au/companies/news/985843/tamboran-resources-to-secure-northern-gas-pipeline-access-through-mou-with-jemena-985843.html>

⁴ <https://www.afr.com/companies/energy/apa-ramps-up-pipeline-wars-for-beetaloo-gas-20211027-p593iq>

\$800/GJ in Victoria. The institution of price caps saw price fall to \$40/GJ on the east coast – still more than four times higher than the average spot price over the last 5 years.

Meanwhile, major gas suppliers have been forced to stop trading as they faced difficulty securing affordable gas in the wholesale market. Their customers (including both industry and government agencies) were forced onto steep default plans with retailers of last resorts.

Some AWU worksites are on fixed-price contracts for all or part of their gas supply, meaning that they are not exposed to the current spike – for now. But others are already paying as much as \$100,000 a day more for their operations – and warning that if high prices continue, they will be required to close, temporarily or permanently.

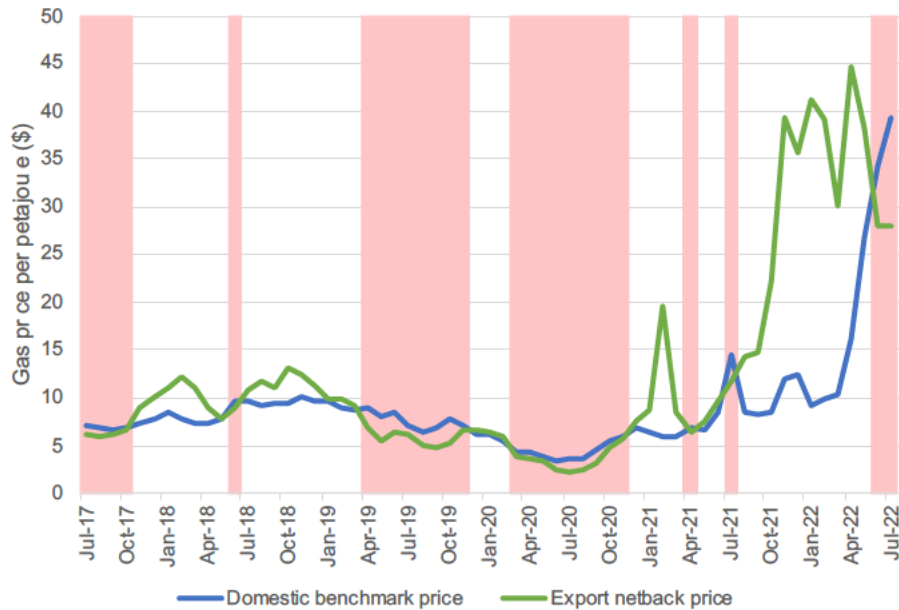
Despite government investment in new exploration and marginal policy changes, previous Commonwealth Governments have failed to take any meaningful action on gas supply. Providing new gas supply to the east coast market is one of several measures critical to ensuring our members' jobs survive this crisis.

However, there remains a risk that the vast volumes of gas available in the Beetaloo Basin are exported from Darwin, with no benefit for local manufacturing jobs. Australia is now in the absurd position of facing a domestic gas shortage while being the world's largest gas exporter. In early August, the ACCC released its alarming assessment of the domestic gas market. It predicts a 10% shortfall of over 50,000 terajoules⁵ – while, at the same time, we export three-quarters of our gas production overseas.

This means that Australian companies are forced to buy gas for the same price, or even more, than manufacturers in Beijing, Seoul or Tokyo. The chart below illustrates that for extended periods over the last 5 years (including during the current energy crisis), prices in the domestic gas market (from the Wallumbilla Gas Supply Hub) exceeded the price paid by Australia's export customers (as estimated by the ACCC's netback price series).⁶

⁵ <https://www.accc.gov.au/media-release/lng-exporters-must-divert-gas-to-the-domestic-market-to-avoid-shortfalls>

⁶ AWU calculations from Gas Supply Hub historical data published by AEMO and ACCC netback price series.



Before production begins from projects in the Beetaloo Basin, the Australian Government should establish a national gas reservation policy. The AWU began our ‘Reserve Our Gas’ campaign in 2014, calling for the Australian Government to require producers to make gas equivalent to 15% of exports available to domestic consumers. Queensland has since taken action to require some gas tenements to provide only domestic gas – but this is not enough.⁷ The Australian and NT Governments have the opportunity to set out a reservation policy as part of the conditions applying to new production in the Beetaloo Basin. This will provide long-term relief for gas users such as the industries employing AWU members.

Probity

Concerns have been raised about the probity of the grants program and of sector participants in responding to Parliamentary scrutiny. The AWU notes the concerns raised by Labor senators in the 2nd progress report for the last Parliament’s inquiry into this issue, namely:

- The provision of grants to Liberal Party donors and affiliates, who may have used their positions to influence the grants process without proper disclosure of their position
- The failure of former Ministers to provide unredacted answers and documents to the inquiry

⁷ <https://statements.qld.gov.au/statements/92958>

- The failure of Tamboran Resources to attend the inquiry as a grant recipient.

Like all taxpayer-funded grants, the Beetaloo Cooperative Development program should be open to public scrutiny to ensure grants are made on merit. The AWU would welcome examination of these issues further by the Committee, or by an independent body such as the Australian National Audit Office (ANAO).

The AWU welcomes the opportunity to provide any further assistance to the inquiry or participate in any hearings.

Kind regards

Daniel Walton

NATIONAL SECRETARY