

Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry, Innovation and Science Portfolio
2016 - 2017 Additional Estimates
2 March 2017

DEPARTMENT: DEPARTMENT OF INDUSTRY, INNOVATION AND SCIENCE

TOPIC: LNG exports

REFERENCE: Written Question – Senator Whish-Wilson

QUESTION No.: AI-87

1. Prior to the approval and commissioning of LNG export facilities at Gladstone, Queensland, did the Office of Chief Economist (OCE) or its predecessors conduct or commission any analysis of how LNG exports would affect:
 - a. East coast gas prices?
 - b. Industries that use gas as a major input?
 - c. Household prices for gas?If yes, please provide.
2. Has the OCE or its predecessors conducted or commissioned any cost benefit analysis of the decision to open the east coast market to LNG exports, either prior to or subsequent to the approval and commissioning of LNG export facilities? If yes, please provide.
3. Has the OCE or its predecessors conducted or commissioned any analysis, particularly quantitative analysis, of how policies limiting onshore gas extraction in Australia affect:
 - a. World gas prices
 - b. Domestic gas pricesIf yes, please provide.
4. Has the OCE or its predecessors conducted or commissioned any analysis on how domestic and export gas price differences incentivise investment in further gas export capacity? If yes, please provide.
5. Has the OCE or its predecessors conducted or commissioned any quantitative analysis on how an east coast gas reservation policy would affect:
 - a. Prices for domestic gas consumers
 - b. Gas exploration and productionIf yes, please provide.
6. Has the OCE or its predecessors conducted or commissioned any empirical research on how gas reservation policies affect investment in gas exploration or production in Australia? If yes, please provide.

ANSWERS

1. The Office of the Chief Economist (OCE) and its predecessor, the Bureau of Resources and Energy Economics (BREE), produced an annual Gas Market Report between 2012 and 2015. The first of these was published in July 2012. In addition, BREE produced a more detailed analysis of the eastern gas market in the Eastern Australian Domestic Gas Market Study, published in 2014. These reports are attached.

The Final Investment Decisions for the three Gladstone LNG projects were taken in 2010 and 2011. These decisions pre-date studies conducted by the BREE and the OCE.

2. The 2014 Gas Market Report looked at some of the economic impacts of CSG extraction on the Queensland economy. Other Gas Market Reports and the Eastern Australian Domestic Gas Market Study discuss the establishment of LNG exports on the east coast. However, this does not constitute a cost benefit analysis of the opening up of LNG exports.
3. The Gas Market Report 2015 analyzed the dynamics of supply and demand in the east coast gas market, but did not explicitly examine the effect of policies limiting onshore gas extraction.
4. Neither the OCE nor its predecessors has conducted or commissioned an analysis on this specific topic.
5. In the 2014 Gas Market Report, there was an overview of gas reservation policy, but it did not include any quantitative analysis and empirical research.
6. As per question 5. In the 2014 Gas Market Report, there was an overview of gas reservation policy, but it did not include any quantitative analysis and empirical research.