

**Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
Industry and Science Portfolio  
2015-16 Budget Estimates  
3 and 4 June 2015

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**AGENCY/DEPARTMENT:** DEPARTMENT OF INDUSTRY AND SCIENCE

**TOPIC:** Gas Markets

**REFERENCE:** Written Question – Senator Conroy

**QUESTION No.:** BI-64

1. Does the Government have any views on the Interconnector project, and its possible effects on the East Coast gas market?
  - a. Has the Government contemplated providing a subsidy, underwriting, or otherwise providing support for the Interconnector?
2. AEMO's 2015 Gas Statement of Opportunities was released in April 2015, and forecast that there would be no gas shortfall in 2015 to 2019 in East and South East gas markets. What does the Department consider to be the implications of this report for Australia's East Coast gas market?

**ANSWER**

1. The Australian Government considers a pipeline linking the Northern Territory with eastern Australia has the potential to make a major contribution to the development of Australia's gas markets by providing new sources of supply and increasing competition. This potential includes creating a market for Northern Territory and South Australian stranded gas projects and the potential to augment gas supplies into Queensland and New South Wales.
  - a. No.
2. The Australian Energy Market Operator (AEMO) releases an annual Gas Statement of Opportunities (GSOO) which reports on the adequacy of eastern Australian gas markets to supply maximum demand and annual consumption. The forecasts are sensitive to small changes in key assumptions, which is problematic as reliable information remains a pervasive problem in the eastern Australian gas market. The Government's gas market reform work through the COAG Energy Council and its decision to hold an Australian Competition and Consumer Commission inquiry into wholesale gas prices is intended to address this issue.

The specific purpose of the GSOO is to highlight "opportunities" for investors, so the key implication is likely to be that industry will look at these forecasts in the identification of possible investments in the gas sector. From a policy perspective, the Department does not consider the GSOO's conclusion to be a cause for complacency, particularly as a key assumption is the extent to which conventional and unconventional gas supplies will be able to respond to price signals, and therefore the Commonwealth Government's work in leading the national agenda on gas market development remains a high priority.