

Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry, Innovation and Science Portfolio
2017 - 2018 Budget Estimates
31 May – 1 June 2017

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY, INNOVATION AND SCIENCE

TOPIC: Australian Domestic Gas Security Mechanism Design process

REFERENCE: Written Question – Senator Ketter

QUESTION No.: BI-143

Australian Domestic Gas Security Mechanism Design process.

- a) Which government departments are involved in the design of the Domestic Gas Security Mechanism?
- b) Specifically, who has the government consulted with on the design of this mechanism?
- c) Is the government consulting with electricity generators and manufacturing businesses (and their associations), as well as gas exporters? Can you give a total number of organisations being consulted?
- d) Will the government release any discussion paper or similar document on this mechanism? If so, when? If not, why not?

ANSWER

- a) The Department of Industry, Innovation and Science (DIIS) is leading the development and implementation of the Australian Domestic Gas Security Mechanism (ADGSM). The following Australian Government agencies have also been consulted as part of the design process:
 - The Department of the Environment and Energy
 - The Department of Immigration and Border Protection
 - The Australian Government Solicitor
 - The Department of the Prime Minister and Cabinet
 - The Department of Foreign Affairs and Trade
 - The Treasury
 - The Department of Finance
- b) Before considering intervention in the gas market, the Prime Minister hosted meetings with east coast gas producers and exporters on 15 March 2017 and 19 April 2017. The Government also met with gas pipeline operators, and relevant peak bodies on 29 March 2017.

Following the Government's initial industry meetings, Senator the Hon Matthew Canavan, the former Minister for Resources and Northern Australia, wrote to industry and government stakeholders in late April 2017 to inform them of the proposed ADGSM. His letter included a discussion paper, which outlined the ADGSM's initial design. Minister Canavan requested feedback on the ADGSM, and asked for participation as the Government continued to develop the mechanism.

DIIS conducted three meetings (4 May 2017, 11 May 2017 and 26 May 2017) with each of the joint venture partners involved in each of the east coast LNG projects. These meetings aimed to provide clarity about the policy intent of the ADGSM and its proposed operation.

On 15 May 2017, DIIS also consulted with interested parties at the 2017 APPEA Oil & Gas Conference and Exhibition.

On 5 June 2017, exposure drafts of the regulations, guidelines and explanatory material for the ADGSM were released for consultation. These documents were published on the DIIS website. Stakeholders including LNG projects, major gas users, peak industry bodies, individual consumers, and state and territory governments, were invited to make submissions. On 6 June, DIIS held a further meeting with representatives of east coast LNG projects.

Thirty-five submissions were received by 16 June 2017, from stakeholders including LNG projects, other gas producers, large gas consumers, businesses, state and territory governments, and members of the public. DIIS considered the feedback from the submissions, and used it to inform the further development of the ADGSM.

During the week beginning 19 June 2017, DIIS conducted international consultations with major trading partners including Japan, South Korea, Malaysia and China.

DIIS is also in discussions with the Australian Competition and Consumer Commission, and the Australian Energy Market Operator on how they can help to facilitate the ADGSM's implementation.

In addition to the formal meetings, Minister Canavan engaged directly with industry leaders in person, and by correspondence. The Minister has engaged with gas producers, exporters, and domestic consumers.

- c) As described in b), the Government has consulted with a range of stakeholders that are not LNG exporters. This includes state and territory governments, domestic gas consumers, producers, wholesalers, peak bodies and consultants.

As outlined in b), the Government received 35 submissions during the formal consultation period in June 2017. Seventeen of these submissions were from gas consumers, wholesalers, consultants, or gas traders. Some of the submissions were from organisations that represent a large number of consumers. The Government also consulted with organisations that did not participate in the formal consultation sessions.

- d) As mentioned in b), DIIS published explanatory material on its website for public comment.

The *Customs (Prohibited Exports) Amendment (Liquefied Natural Gas) Regulations 2017* (the Regulations) require the Government to review the ADGSM in 2020. The review will consider issues including whether the ADGSM is meeting its objectives.