$40 Billion Investment Needed By 2020 To Meet Gas Demand

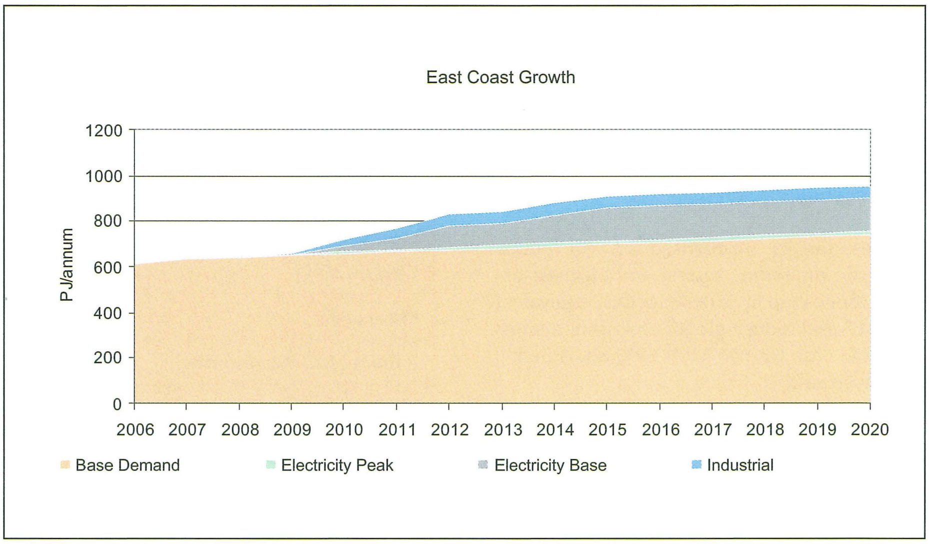
More than $40 billion in new investment in natural gas developments and production will be required by 2020 as demand for the greenhouse-friendly fuel jumps by more than 50%, according to energy-focused corporate advisory and strategy consulting firm Core Collaborative.

Chief Executive Officer, Paul Taliangis, said the next decade promises to be the most challenging and exciting for country's domestic gas sector since its foundation more than half a century ago. "The industry must respond to a range of major forces including growing demand, increased competition from new entrants and integrated energy companies, increased cost structures, new technology and critical environmental issues such as climate change", Taliangis said.

He said demand for natural gas could grow by over 50% over the next 10-13 years, which would need over $40 billion in investment. Major growth areas are projected to be gas-fired electricity generation and industrial applications such as mineral processing. "Australia has adequate gas reserves and resources to meet demand through to at least 2017 and well beyond 2020 if we achieve modest success from proposed exploration", Taliangis said.

A quarterly review of the outlook of Australia's domestic gas sector through to 2020 published by the company revealed the increasing contribution from coal seam methane, which the study indicates will supply up to 35% of demand on Australia's East Coast, and offshore Victoria are offsetting a decline of traditional sources such as the Cooper Basin.

However, Australian gas consumers should expect price hikes, primarily due to higher cost of doing business and the reducing levels of associated gas liquids, despite the balance of demand and supply. The study also addresses the key environmental role that gas is likely to play in the future and the resultant strategic forces that will drive the behaviour of industry participants.



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"Natural gas is expected to be the most significant element of Australia's mid to longer term response to climate change", Taliangis said. "Use of gas in electricity generation will halve emissions relative to coal alternatives. No alternative, perhaps with the exception of nuclear energy, can deliver the size of the gains that gas can in terms of emission reductions."

But he said the federal and state governments must promptly establish a coordinated approach to greenhouse emissions policy to prevent delays in major gas investment. "This is not to ignore the importance of our world class coal resources, but the reality of a world focused on the carbon intensity of energy sources is likely to place limits on growth in this area."

"An appropriate blending of gas and renewable sources to complement low-cost coal resources, and therefore create a balanced energy portfolio, is the strategy that will differentiate the successful players in the new world of energy. This will take time and we must be patient. The extent to which this is achieved will also define the winners and losers in the industry and drive the next round of industry consolidation as players position to achieve a portfolio based strategic advantage." ■