

Study Backs Up Massive Investment In NSW Gas Industry

A major study has warned of dire consequences of NSW's economy if its gas resources are not commercialised, at a time when majors are making serious moves in the region despite a State Government Inquiry into coal seam gas (CSG).

On 18 July, Santos announced a 100% takeover of Eastern Star Gas Limited for \$924 MM and the subsequent sale of a 20% working level interest in ESG's permits in the Gunnedah Basin, northern NSW, for \$284 MM to TRUenergy Holdings Pty Ltd.

This gives Santos the largest natural gas reserves position in NSW, with 1216 PJ of 2P reserves and 2238 PJ of 3P reserves.

This move comes on top of Dart Energy's \$145 MM takeover of Appollo Gas, leading AWT International's Greg Peters to announce in the August/September edition of *PESA News Resources* that this suggests CSG has "finally come of age" in NSW.

Strategically, AGL and Dart are well placed for domestic supply to Sydney and an LNG port at Newcastle, while Santos is also well positioned to supply LNG activities in Queensland, Peters said.

Santos Chief Executive David Knox said that their transaction represents "the next major step" in the company's eastern Australia gas strategy and positions it to meet the expected increase in demand for natural gas from both domestic power generation and export LNG markets.

"The acquisition of ESG is a unique opportunity to consolidate our Gunnedah Basin interests and establish the leading position in Australia's next major natural gas province", he said.

The Legislative Council Inquiry, established on 5 August 2011, will report on the environmental, health, economic and social impacts of CSG activities. The role of CSG in meeting the future energy needs of NSW will also be examined.

"Substantial reserves of coal seam gas are located in NSW and the potential energy of these reserves is massive", Parliamentary Committee Chair Robert Brown MLC, a member of the Shooters and Fishers Party, said. "Known reserves of CSG in NSW could power

all current NSW residential energy use for the next 181 years.

"However, coal seam mining has the potential to affect the environment, particularly water supplies, and whilst it can bring economic and social benefits to communities, it can also raise issues of property rights and property values."

The NSW Government said that over the past five years interest in the industry has "sky-rocketed". Brown said on 15 September prior to a North Coast hearing that the Parliamentary Committee has received hundreds of written submissions from all over NSW. "We have heard from a number of North Coast residents, in particular landholders from around Casino and Kyogle, who are potentially affected by plans for coal seam gas development", he said.

The committee was also scheduled to hold three more public hearings in regional areas Taree, Narrabri and Bowral, plus two public hearings at Parliament House in Sydney.

An independent APPEA-funded study by ACIL Tasman called Economic significance of CSG in NSW, put to government on the last day of submissions to the NSW Legislative Council CSG Inquiry, said that developing a strong NSW gas industry will reduce energy price hikes and lower greenhouse gas emissions. It showed that unless NSW commercialises its gas resources:

- Wholesale gas prices across NSW, Victoria, South Australia and Tasmania will rise between 20% and 25% (in real terms) by 2030;
- Electricity prices will rise in all regions of Eastern Australia and NSW wholesale prices will rise on average 7.4% over the period 2020 to 2030;
- Coal-fired power will be used more, and gas-fired power will be used less, with CO₂ emissions from electricity generation being 4 MM tonnes per year higher by 2030 as a result; and
- NSW real income will be \$15.5 B lower in total over the period to 2034–35 (or \$5.1 B lower in net present value terms).

The NSW government told *PESA News Resources* that it would not comment on the results of this study, saying "these are matters for the Inquiry to consider".

APPEA's Chief Operating Officer for Eastern Australia, Rick Wilkinson, said that the report shows CSG can be "an economic and environmental game-changer for NSW".

"A strong CSG industry makes it possible for NSW to meet growing energy demand while maintaining economic growth and incorporating a strategy to curb greenhouse gas emissions", he added.

"NSW has significant natural gas potential resources, yet gas is used to generate less than 5% of the State's electricity; and of the gas used in NSW, about 95% is imported from other states."

The report shows that as energy demand increases in the coming decades, a continued dependence upon coal and imported gas will have significant economic and environmental impacts.

"The economic impact of Queensland's CSG industry is well understood. It has already created more than 8,500 jobs, it supplies one third of Eastern Australia's natural gas, and it is set to contribute \$850 million per year in State Government taxes", Wilkinson said.

He added that the 6 September NSW State Budget highlighted that CSG is the type of new industry that NSW needs and can "readily achieve".

He said that in Queensland, the annual royalties from CSG would soon be worth \$850 MM a year and the industry provides employment for more than 5000 people. He added that NSW is on a path to securing similar jobs growth, economic opportunity and an additional source of future revenue to pay for infrastructure, education, health and police.

"This (NSW) Budget is a stark reminder that the Government needs new sources of job creation and revenue if it so avoid substantial increases in taxes and charges. CSG represents the opportunity to build a new industry that will provide thousands of jobs, millions in royalties and real opportunities for struggling rural communities", he said. ■