



Department of
**Jobs, Tourism, Science
and Innovation**

Government response to the Economics and Industry Standing Committee's 'Inquiry into the WA Domestic Gas Policy'



Recommendation	Response and Comments
<p><i>Recommendation 1:</i></p> <p>That the State Government consider mandating that a relevant agency report on historical compliance by domestic market obligation holders against their commitments under the WA Domestic Gas Policy.</p>	<p>Noted.</p> <p>The Western Australian Government receives annual reporting from domestic gas commitment holders on compliance against their respective commitments.</p> <p>In addition, the Western Australian Government has worked with industry to develop the WA Domestic Gas Statement to increase transparency on expected gas supply.</p> <p>This will provide information on compliance, expected gas supply and marketing in good faith strategies.</p>
<p><i>Recommendation 2:</i></p> <p>That the State Government commence negotiations with Woodside Energy to modernise the Pluto Domgas Arrangements in line with a more recent domestic gas commitment agreement template; for example, the Scarborough Domestic Gas Commitment Agreement.</p>	<p>Supported.</p> <p>The Western Australian Government will work with Woodside to develop a plan to acquit the Pluto domestic gas obligations, including the modernisation of arrangements.</p>
<p><i>Recommendation 3:</i></p> <p>That the State Government commence negotiations with domestic gas obligation holders as necessary to make changes to the relevant domestic gas agreements to address identified weaknesses.</p>	<p>Noted.</p> <p>The Western Australian Government receives annual reporting from domestic gas commitment holders on compliance against their respective agreements, and regularly engages with them on these matters.</p>



<p><i>Recommendation 4:</i></p> <p>In the interests of regulatory certainty, the current reservation quantity of 15 per cent (or equivalent amount as specified in the relevant agreement) should be left unchanged for existing agreements, unless the obligation holder agrees otherwise.</p>	<p>Supported.</p> <p>For offshore LNG projects, the Western Australian Government will continue its policy of a 15 per cent reservation of domestic gas.</p>
<p><i>Recommendation 5:</i></p> <p>For new LNG projects or gas fields, the reservation amount is set as necessary to mitigate any expected domestic gas shortfall, based on the Western Australia Gas Statement of Opportunities (WA GSOO) forecasts.</p>	<p>Not Supported.</p> <p>For new offshore LNG projects, the Western Australian Government will continue its policy of a 15 per cent reservation of domestic gas, to ensure market and investment certainty.</p>
<p><i>Recommendation 6:</i></p> <p>That the State Government consider developing a new domestic gas security objective which promotes Western Australia's energy security and ongoing economic development, and advances the long-term interests of Western Australians in relation to:</p> <p>An adequate amount of gas being reserved for Western Australian gas consumers, and offered for supply when they need it.</p> <p>A transparent and effective market for gas and, if necessary to facilitate the gas market, a secondary market for pipeline and storage capacity.</p> <p>The prices and terms on which gas is supplied.</p> <p>The collection and transparent publication of information regarding gas supply, transportation, storage and demand.</p> <p>The environment, including reducing greenhouse gas emissions.</p>	<p>Noted.</p> <p>The WA Domestic Gas Policy's overarching objective is to ensure energy security and ongoing economic development.</p> <p>It has been critical to growing Western Australia's economy and maintaining energy security over the past two decades, and will continue to support affordable and reliable energy, local jobs and our path to net zero.</p>



<p><i>Recommendation 7:</i></p> <p>The scope of the WA Domestic Gas Policy should be widened to constitute a broader domestic gas security policy. The Policy could then accommodate domestic-only gas projects, market dynamics including the liquidity and transparency of gas trading markets, emergency responses, forecasting, the interface with the electricity system and gas transportation and storage.</p>	<p>Noted.</p> <p>The WA Domestic Gas Policy has been critical to Western Australia’s energy security over the past two decades. Further investigation will be undertaken to consider how the Policy interacts with other parts of the gas supply chain, including transportation and storage, its role during emergency responses and the electricity market.</p>
<p><i>Recommendation 8:</i></p> <p>That the State Government consider the development of a legislative framework within which a future WA gas security policy could be enacted.</p>	<p>Noted.</p> <p>The current arrangements with LNG producers ensure that the WA Domestic Gas Policy is being given effect and securing the State’s long term energy needs.</p> <p>The Western Australian Government is not currently considering legislating the WA Domestic Gas Policy.</p>



<p><i>Recommendation 9:</i></p> <p>That the State Government investigate establishing a transparent, public, long-term trading market (LTTM) for domestic gas to facilitate an equitable and transparent negotiating environment.</p> <p><i>Recommendation 10:</i></p> <p>That the State Government investigate whether the long-term trading market (LTTM) recommended above could be located at one or more physical locations or hubs to facilitate the concurrent trading of pipeline or storage capacity.</p> <p><i>Recommendation 11:</i></p> <p>That the State Government investigate the establishment of standard terms and conditions for gas trades through the recommended long-term trading market (LTTM).</p>	<p>Not Supported.</p> <p>The Western Australian Government has worked with industry to develop the WA Domestic Gas Statement to increase transparency on expected gas supply.</p> <p>This will provide information on compliance, expected gas supply and marketing in good faith strategies.</p> <p>Standard contract terms and conditions are established through commercial negotiations between gas market participants.</p>
<p><i>Recommendation 12:</i></p> <p>That domestic market obligation holders be required to offer all present and forecast uncontracted reserved gas transparently to the domestic market at all times, so that buyers can select the quantities and durations over which they wish to be supplied. If the long-term trading market (LTTM) proposed in <i>Recommendation 9</i> is established, it can be used for this purpose.</p>	<p>Not Supported.</p> <p>The Western Australian Government has worked with industry to develop the WA Domestic Gas Statement to increase transparency on expected gas supply.</p> <p>This will provide information on compliance, expected gas supply and marketing in good faith strategies.</p> <p>The release of any further information such as uncontracted volumes, is likely to be market sensitive and risks distorting the market.</p>



<p><i>Recommendation 13:</i></p> <p>That the State Government undertake a cost-benefit analysis for establishing and maintaining strategic gas reserves at storage facilities located at, or close to, major gas-powered generation (GPG) facilities, which could help mitigate supply risk when GPG demand is peaking.</p>	<p>Supported.</p> <p>The Western Australian Government will engage with storage facility operators and seek advice on opportunities to hold emergency gas reserves to support the stability in the energy market.</p>
<p><i>Recommendation 14:</i></p> <p>That the State Government consider whether a secondary market in pipeline or storage capacity is needed to supplement existing markets and any market trading mechanism which may be established.</p>	<p>Not Supported.</p> <p>The establishment of a secondary market in pipeline or storage capacity will be determined by the private market.</p>
<p><i>Recommendation 15:</i></p> <p>That the State Government collaborate with the Australian Energy Market Operator to review the Gas Services Information regime with reference to the recommendations made in this chapter and taking into account other evidence presented in this report.</p>	<p>Supported.</p> <p>The Western Australian Government supports opportunities to collaborate with the Australian Energy Market Operator (AEMO) on reviewing the information provisions of the Gas Services Information regime, where it supports AEMO to provide the market with more comprehensive and up-to-date forecasts.</p>
<p><i>Recommendation 16:</i></p> <p>That the Western Australia Gas Statement of Opportunities be expanded to cover a 20- year forecast period.</p>	<p>Supported in-principle.</p> <p>The Western Australian Government will engage with the Australian Energy Market Operator to investigate opportunities for longer forecast periods.</p>



<p><i>Recommendation 17:</i></p> <p>That the Western Australia Gas Statement of Opportunities includes forecasts of the decarbonisation pathways for gas users, despite the difficulties associated with this.</p>	<p>Supported in-principle.</p> <p>The Western Australian Government will engage with the Australian Energy Market Operator to investigate further opportunities to include decarbonisation forecasts.</p>
<p><i>Recommendation 18:</i></p> <p>That an agency be tasked with developing periodic reports on wholesale gas prices (and associated matters such as take or pay obligations).</p> <p><i>Recommendation 19:</i></p> <p>That an inquiry referral be given to an appropriate agency to report on the prices and terms on which parties are contracting for domestic gas, including any terms being demanded by producers and which may be preventing consumers from contracting for the gas. A related question could be to consider whether a wholesale gas price cap is necessary or desirable.</p> <p><i>Recommendation 20:</i></p> <p>That wholesale price transparency measures be included in the transparency reforms to be considered as part of the review of the Gas Services Information regime (see Recommendation 15).</p> <p><i>Recommendation 21:</i></p> <p>That an appropriate agency be tasked with investigating whether the Australian Competition and Consumer Commission's east coast LNG netback price series is sufficiently reflective of Western Australian netback pricing to serve as a proxy measure, or alternatively whether a separate series should be developed for Western Australia.</p>	<p>Noted.</p> <p>The Western Australian Government does not seek to intervene in commercial transactions between buyers and suppliers, and the WA Domestic Gas Policy does not regulate gas prices or set out the commercial terms in contracts.</p> <p>The implementation of the WA Domestic Gas Policy has meant that the Western Australian domestic gas market is not integrated with global LNG markets, as is the case in the east coast gas market.</p> <p>The WA Domestic Gas Policy has shielded WA gas consumers from the price volatility experienced on the East Coast, and consistently delivered lower domestic gas prices.</p>



<p><i>Recommendation 22:</i></p> <p>That the State Government enact measures to permit and require government agencies to share relevant information with the Australian Energy Market Operator (AEMO).</p>	<p>Supported.</p> <p>The Western Australian Government is supportive of opportunities for better data sharing and will investigate mechanisms to enable increased transparency with AEMO to help inform more comprehensive and up-to-date market forecasts.</p>
<p><i>Recommendation 23:</i></p> <p>That government policy-making in both gas and electricity explicitly recognise and allow for the integration of, and interdependencies between, the State's gas and electricity markets, including in the rules dealing with planning, forecasting and operations, and in particular recognising the importance of a secure point-in-time supply of gas for firming GPG.</p>	<p>Supported.</p> <p>The Western Australian Government will investigate, where appropriate, integration and alignment of the State's gas and electricity markets to support better planning, forecasting and operations of the State's energy system.</p>
<p><i>Recommendation 24:</i></p> <p>That the State Government examine the costs and benefits associated with Carbon Capture and Storage (CCS) with a view to determining how this technology might feature in a future WA Domestic Gas Security Policy.</p>	<p>Supported.</p> <p>The Western Australian Government supports the role of Carbon Capture and Storage in the State's energy transition and will continue to facilitate CCS projects.</p>
<p><i>Recommendation 25:</i></p> <p>That the State Government consider referring to an appropriate state government agency an ongoing inquiry into Western Australia's LNG export market to pre-empt significant and potentially sudden impacts to the domestic market and the operation of the WA Domestic Gas Policy.</p>	<p>Noted.</p> <p>The Western Australian Government will continue to engage closely with LNG exporters.</p>



<p><i>Recommendation 26:</i></p> <p>That the State Government establish an industry working group with membership comprised of gas producers, consumers and the relevant agencies, to triage and evaluate the reform proposals arising from this inquiry.</p>	<p>Noted.</p> <p>The Western Australian Government engages extensively with domestic gas producers and consumers, including through the LNG Jobs Taskforce.</p>
<p><i>Recommendation 27:</i></p> <p>That the State Government use all measures at its disposal to ensure that no further retention leases or renewals are granted in Western Australia's offshore waters. If the current title holder is not willing or able to develop the resource now, it should be returned to the pool so that another business can exploit it.</p>	<p>Noted.</p> <p>The Western Australian Government will advocate to the Federal Government to strengthen the effectiveness of its retention lease regime to ensure more gas is brought to market in a timely manner, while noting the role of retention leases in long term backfill planning for major production facilities.</p> <p>For onshore exploration and retention leases, the State Government will strengthen the application of the "use it or lose it" provisions of the Petroleum and Geothermal Energy Resources Act 1967.</p>
<p><i>Recommendation 28:</i></p> <p>That the State Government consider a statutory regime which would ensure that the owners of ullage in existing domgas processing facilities could be compelled to open that capacity up to third parties if commercial negotiations for access fail.</p>	<p>Noted.</p> <p>The Western Australian Government supports and encourages third party tolling and shared infrastructure. However, it is not considering introducing any legislation on this.</p>
<p><i>Recommendation 29:</i></p> <p>That the State Government investigate the options for common-use upstream gas infrastructure, to help bring increased gas supply to market.</p>	<p>Supported in-principle.</p> <p>The Western Australian Government supports and encourages third party tolling and shared infrastructure.</p>



Recommendation 30:

That the State Government allow onshore gas projects to export LNG only if the domestic market is adequately supplied and is expected to be well supplied for a period of time.

Supported.

To facilitate new project development and additional domestic gas supply, the Western Australian Government will implement an 80 per cent domestic gas reservation policy for onshore gas producers until 31 December 2030. After this date, it will increase to a 100 per cent domestic gas reservation policy for onshore producers.