Check against delivery

Australian Pipeline and Gas Association (APGA)

Melbourne Dinner

Thursday, 29 August 2024
18:00 – 22:00 PM

Topic: Securing the Future of Australia's Gas and Pipeline Sector

----STARTS----

Introduction and Acknowledgements

Good evening everyone, and thank you John for your kind introduction.

I would like to pay my respects to the Traditional Owners of the lands on which we meet: the Wurundjeri and Bunurong (Boon Wurrung) People of the Kulin Nation. In the spirit of reconciliation, I pay my respects and honour Aboriginal and Torres Strait Islander Elders past and present. I acknowledge their stories, traditions, and living cultures as we commit to building a brighter future together.

I would also like to acknowledge members of the APGA Board, who are here with us this evening, alongside Cheryl Cartwright, APGA's former CEO. I would also like to recognise APGA's current CEO, Steve Davies who unfortunately cannot be with us this evening. Congratulations to the whole APGA team for putting together such a wonderful event this evening.

Thanks too to our event sponsors Nacap and Peter Norman Personnel for making tonight's event possible.

It is fantastic to be here with you this evening at what has become an important fixture on our industry's annual events calendar.

Events like tonight not only give us an opportunity to connect with one another, they also give us a chance to pause and reflect on the great achievements of our sector, while also considering the challenges we are facing into.

The Transition Challenge

Those challenges will come as no surprise to anyone in this room. Open any of the nation's major papers on any given day of the week and you will be presented with a suite of headlines about gas – its cost, its availability, its role in supporting renewables, its role in supporting industry, moves to phase gas out, renewable gas, and so the list goes on.

The existence of this debate is evidence of the central role of our sector in the energy transition, and I think we can all take comfort knowing that governments around the country are increasingly acknowledging the critical role gas will play in the energy transition and Australia's future economic prosperity, something perhaps most clearly reflected in the *Future Gas* strategy.

While gas is at the heart of this strategy, Australia's future economic prosperity ultimately rests not just on the success of our sector, but on the success of the energy system and energy transition as a whole.

When we think about our energy system, we have historically thought of it as being composed of three separate sectors: liquid fuels, gas, and electricity.

As we face into the energy transition we are encouraged to challenge our traditional understanding of how these sectors work together, and instead see them as playing complementary, rather than separate roles in the energy system of the future.

To use a simple metaphor, if we were to think of our energy system as a three-legged stool, then the stool's overall stability - its reliability if you will - is a result of the strength of each leg, or energy sector, working together. Take away one pillar, and our stool or system will fall over.

While a simple metaphor, I believe it demonstrates the interconnectedness of our sector, and encourages us to start thinking differently about our sector and its relationship with other parts of the energy system as we map a path to the future.

To successfully walk this path we will also need to reconsider how we think about ourselves and the services we offer. With this in mind, tonight I want to explore how we secure the future of our sector by considering the:

- The services we provide,
- How we best bring new gas to market, and
- Gas' own decarbonisation pathway.

The Services We Provide – Finding Our Sweet Spot

Internationally, the second of March has a few aliases. In Yorkshire in the United Kingdom it is known as International Cat Rescue Day. Meanwhile, across the Atlantic in the USA March second is perhaps best celebrated as National Banana Cream Pie Day. Something I must confess to having never had.

Here on less exotic shores March second of TWENTY-TWENTY FOUR marked the release of the Australian Energy Market Operator's - AEMO's - latest Gas Statement of Opportunities, otherwise known as the GSOO; not that I am proposing we celebrate the release of the GSOO by giving it an official day.

As you may be aware, the TWENTY-TWENTY FOUR GSOO forecast gas shortfalls across southern states from TWENTY-TWENTY EIGHT as supplies from Bass Strait continue to decline.

The GSOO also forecast the potential for seasonal supply gaps in the lead up to TWENTY-TWENTY EIGHT on days of extreme weather conditions where high winter demand coincides with high demand for gas-powered-generation.

This is something which was brought into sharp focus earlier this year when the combination of low wind generation and an east coast cold snap meant AEMO was forced to issue a threat to system security while directing producers to maximise flows into the domestic market, particularly into Victoria – the most gas dependent of all states.

While much political mud-slinging ensued, two clear themes re-emerged – for it is not the first time they have been raised in public discourse.

The first – the domestic market, particularly the Victorian and New South Wales markets, needs more gas. And the second, the time to develop new gas supplies and the associated infrastructure needed to transport it was, arguably, ten years ago.

As one industry insider put it in the Australian Financial Review: “the chickens are coming home to roost”.

Concurrently, and somewhat ironically the June cold-snap also demonstrated that gas is uniquely placed to firm intermittent renewable generation, while also giving us cause to reconsider whether our traditional business models – ones based on rather stiff long-term gas transportation contracts – continue to be fit-for-purpose.

Finding our sweet spot in the energy system of the future means responding to these dual challenges of bringing additional supply to market, while changing our service offering in response to the evolving needs of the energy sector.

With this in mind, we should seriously consider how we can expand our service offering so that we can flexibly support:

- an increasing reliance on weather dependent intermittent renewable generation;
- potential fuel switching from coal-to-gas for power generation;
- industrial processes and the hard-to-abate sector; and,
- a range of storage solutions,

the ancillary services, if you like, of the integrated energy system of the future.

It is this type of thinking we are already starting to see across parts of our sector. And it is something I am proud to say Jemena is spearheading as we explore how we can repurpose our Eastern Gas Pipeline so that it can deliver gas flexibly into the New South Wales and Victorian markets.

As you would likely know, the Eastern Gas Pipeline or EGP spans over SEVEN HUNDRED AND NINETY SEVEN Kilometres to deliver gas from Bass Strait to the New South Wales and Sydney market. The EGP has a capacity of THREE HUNDRED AND FIFTY Terra joules a day and has, at times, delivered north of SEVENTY per cent of the New South Wales market's gas needs.

The work we are doing could see the pipeline enhanced so it can operate bi-directionally with a view to being able to deliver TWO HUNDRED tera joules of gas a day south into Victoria and south-eastern New South Wales in time for winter TWENTY-TWENTY SIX. We expect that, subject to market demand, southern flows across the EGP could be increased to THREE HUNDRED Terajoules a day. At the same time, the EGP will be able to – in response to demand – continue servicing the New South Wales market.

And it's not only in south-east Australia where we are rethinking how we can use our existing assets. Similarly, in the country's top end, the Northern Gas Pipeline is now operating bi-directionally so that in can deliver gas into and out of Queensland and the Northern Territory.

While it may seem like a small step, pipeline bi-directionality will enable us to respond flexibly and quickly to changing markets conditions – such as during periods of low wind or solar generation – and is an example of the real sweet spot of where we are uniquely placed to play in the energy system of the future.

Challenging Traditional Notions of How We Transport Gas Around the Country / Myth Busters and Import Terminals

By expanding the services we provide, our sector can play a crucial role in firming the energy market as a whole. That can only happen though if we have the right supply-side solutions in place.

Here, import terminals, like that being built by Squadron Energy at Port Kembla, represent an interesting prospect and solve a number of problems:

- Foremost, import terminals can be brought online relatively quickly and can bring new gas to areas where moratoria and other obstacles have stopped the development of traditional reserves.

- Secondly, and as anyone who has flown from Melbourne to Western Australia or the Northern Territory can attest, Australia is really big! Import terminals provide a supply-side solution which bypasses the challenges associated with transporting gas across the continent from the north and west to the demand centres in the east and will underpin, maritime laws aside, for the first time, a truly national gas market.

- Finally, by deploying import terminals at strategic locations we can side-step the social and political issues that would most certainly hinder the development of a cross-country pipeline.

While the prospect of import terminals is promising, I acknowledge there has been a lot of conjecture about them, particularly in relation to the price of imported gas.

Here, I would like to take inspiration from Jamie Hyneman and Adam Savage – the hosts of Myth Busters – and dispel a few myths myself:

- **Myth one: import terminals should be avoided because they will connect the domestic price of gas to the international market, ultimately pushing prices up for Australian consumers.** This is in many ways a ship that literally sailed in the mid-TWENTY TENS with the commencement of the LNG export industry.

The advent of LNG exports saw the price of domestic gas influenced by the international market – alongside a range of other factors. Completely delinking the two involves a series of risks which deserve contemplation in their own right, but most notably would undermine Australia's reputation as a safe investment destination.

- **Our second myth is that domestic gas is cheaper than imported gas.** While our instincts may suggest this is true, this conclusion is often based on a set of inaccurate assumptions, chief amongst these is the assumption that new gas supplies would be sold at their cost of production, rather than market price; a FIVE to SEVEN dollar discount below the Government's own current price cap.

  When the price of domestic gas in the north is recalculated at TWELVE dollars a gigajoule and transportation costs factored in then in many scenarios LNG imports offer a cheaper alternative.

- **Myth three: there's enough northern gas to service southern markets** – while perhaps instinctively true by volume, this statement overlooks pipeline capacity constraints, particularly over long distances, which limit access to southern markets, and flows neatly into myth four,

- **Myth four: which argues we have the time to build new cross-country infrastructure –** with new pipeline builds taking, conservatively, north of four years to complete, we no longer have the time needed to build new infrastructure before forecast shortages materialise.

While there is room for a range of solutions to the challenges before us, it makes sense to seriously consider the role of import terminals in the energy system of the future.

To this end, Jemena is working with Squadron Energy to develop the country's first LNG Import terminal, the Port Kembla Energy Terminal (PKET) in New South Wales. The PKET is currently over NINETY-SIX per cent complete and, once the Eastern Gas Pipeline is made bi-directional, would be capable of servicing both the Victorian and New South Wales markets, delivering flexible firming and solving a number of the supply-side issues currently faced by those states.

Developing a Renewable Gas Sector / the New South Wales Renewable Fuels Scheme

Another key question we must ask ourselves if we are to secure the long-term future of our sector and shore up Australian manufacturing and hard-to-abate industries is: how do we decarbonise our sector?

While a lot has been said about the role of hydrogen and new technologies such as Carbon Capture and Storage, I think they are arguable some way off from being commercialised and broadly available. Biomethane, however represents a 'here and now' solution which can help us decarbonise our sector, create jobs, and breathe life into Australian manufacturing.

As you may be aware biomethane – which is produced as a biproduct of anerobic digestion – is completely compatible with our existing gas networks and infrastructure. It's use here and overseas in places like Europe – where they are currently producing around TWO HUNDRED petajoules of biomethane a year, with a target of over ONE THOUSAND TWO HUNDRED AND SIXTY PETAJOULES by TWENTY-THIRTY – is also an exciting example of the circular economy in action.

We also know from research by ARENA that were a biomethane sector developed at scale that it could reduce carbon emissions, at an economy-wide level, by around TEN percent, while creating over TWENTY SIX THOUSAND jobs and delivering over TEN billion dollars in extra GDP per annum.

From Jemena's research across New South Wales we estimate there is enough feedstock available to meet over half of our current industrial demand or all residential demand in New South Wales alone.

Despite this promise, the development of a biomethane sector is still in its formative stage – with only one project, Jemena's Malabar Biomethane Injection Plant, currently producing and injecting biomethane into the gas grid.

We are however seeing signs of this beginning to change, with Jemena recently announcing details of an MOU with Valorify who are looking to develop up to four petajoules of biomethane per annum across sites in regional New South Wales.

To put this in context this is enough gas to meet the needs of around 55,000 homes or six per cent of current New South Wales industrial demand, and comes after Jemena signed an MOU with Optimal Renewable Gas in November of last year which commits Optimal to identifying up to three sites across regional New South Wales which could produce up to ONE POINT FIVE petajoules of biomethane per annum.

These MOUs are a crucial next step in the development of Australia's renewable gas sector, with biomethane acting as both a stepping stone and complement to the goal of developing a hydrogen sector at scale.

But the task of establishing a biomethane sector is far from over, and it is incumbent on all of us here today to continue making the case for biomethane.

And the time to do this is literally now, with the New South Wales Government currently seeking feedback on what actions should be taken to develop and support a renewable fuels sector as part of its *Renewable Fuels Strategy*. This includes actions to support infrastructure, drive demand, and accelerate supply, with a focus on emissions reduction in hard-to-abate sectors. To this end the New South Wales Government should be commended for driving a positive and proactive discussion.

Crucially, the *Renewable Fuels Strategy* builds on the existing New South Wales Hydrogen strategy to simultaneously maintain support for hydrogen, while expanding consideration to include other renewable fuels such as biomethane.

Consultation on the *Renewable Fuels Strategy* closes tomorrow – Friday THIRTY August – and we can expect much conversation and debate on the strategy to take place in the public domain.

While the *Renewable Fuels Strategy* is a fantastic step in the right direction, if we are to offer a true pathway for industry to decarbonise then industrial customers and manufacturers – particularly those mandated to reduce their emissions under the Federal Government's Safeguards Mechanism – need to be able to count renewable gases such as biomethane towards their emissions reduction efforts.

Here we are seeing positive signs from the Commonwealth Government who has established a working group to explore how renewable gases can be considered in the *National Greenhouse and Energy Reporting Scheme*.

With this in mind, thanks in advance to the APGA team for your advocacy efforts in shaping the development of both the *Renewable Fuels Scheme* and the *National Greenhouse and Energy Reporting Scheme*.

Conclusion: Maintaining Australia's Natural Energy Advantage

I wanted to leave you with a few final comments before I take some questions from the audience.

The name Joy Westmore may not ring any bells amongst those of you with us tonight. But FIFTY-FIVE years ago, Joy was featured on the front page of the Age as the first Victorian to cook on a stove-top which had been converted to natural gas.

In TWO THOUSAND and NINE the Age ran a follow-up story with Joy where she stated that she was still using natural gas for cooking and hot water – in fact her hot water system lasted some THIRTY-SEVEN years before it needed replacing. In the follow-up interview Joy lamented that gas was reliable, easy to use, and enabled her to get on with raising her once young family.

Joy's story is echoed in households across the nation, and importantly by businesses which have come to rely on gas to power their operations. The very same businesses which have in-turn powered the Australian economy.

For decades our industry has been at the heart of modern life, and through our supply chains we've enabled over FOUR HUNDRED AND SEVENTY billion dollars in economic activity each year and supported either directly or indirectly over ONE HUNDRED AND SIXTY FIVE THOUSAND jobs.

An opportunity now presents for us to reimagine ourselves for the future and the role we play in the Australian energy system. Here we should resolve to fully explore the opportunity to:

- Expand the services we provide to the market – positioning ourselves to deliver the ancillary services of the energy system of the future,
- Invest in innovative solutions, such as LNG import terminals, to bring more gas to market before forecast shortages materialise, and
- Advocate for renewable gases so that molecules can continue to play their critical role in the energy system of the future.

If we get these things right, then we will bring greater security to the energy market as a whole, enable Australian industry and manufacturing to continue and decarbonise, while continuing to support the economic prosperity that is a bedrock of Australia's standard of living. We can then take a well-earned rest on that stool I described earlier, safe in the knowledge it is being held up by a sturdy base.

Thank you.

----ENDS----