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11 March 2004

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Dear Mr Rowe

**Proposed Revisions to the Access Arrangements for the Dampier to Bunbury
Natural Gas Pipeline (DBNGP)**

INTERNET
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Thank you for the opportunity to comment on the Proposed Revisions to the Access Arrangements for the Dampier to Bunbury Natural Gas Pipeline (DBNGP).

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The Australian Petroleum Production & Exploration Association (APPEA) is the national body that represents companies involved in oil and gas exploration and production in Australia. APPEA's members consist of those companies who supply gas to the DBNGP.

APPEA's comments are directed at the gas quality specifications listed under Item 1 of Schedule 2 of the Proposed Revised Access Arrangements. APPEA supports the adoption of the Standards Australia Specifications for General Purpose Natural Gas (The National Gas Specifications).

It is APPEA's understanding that there is no technical or safety impediment to the introduction of the wider gas specification represented by the "Broadest Specification". This specification has been previously supported by government, producers and all but a small number of consumers, and if introduced will foster more diverse sources of gas and lead to enhanced gas on gas competition in the WA market.

This wider gas specification, although not exactly the same, would begin to align the gas specifications for the DBNGP with the Goldfields Gas Transmission Pipeline and with the National Gas Specification.

The Broadest Specification was legislated in the Dampier to Bunbury Natural Gas Pipeline (Regulations) 1998 (Schedule 1) and has been foreshadowed since 1995 when agreed in principle by a cross functional committee who prepared the

document "Review of the Gas Quality Specification for the Dampier to Bunbury Natural Gas Pipeline WA". It is thus fair to say that the industry has been expecting and has had the opportunity to prepare for this reform for some 10 years. It is now time for it to be implemented, as anticipated on 1 July 2005.

Continuation of the current tight gas specification will require some producers to install expensive extraction systems to provide a gas quality that is unreasonably stringent. For example, The John Brookes project is spending significant monies for CO₂ extraction plants that may otherwise not have been required.

Similarly, expensive capital projects and exploration may have to be accelerated to locate raw gas with a suitable intrinsic gas quality to comply with the DBNGP gas specification. For example, the North West Shelf Venture is currently operating in a non-optimal manner to deliver natural gas to the tight Domgas specification. All the raw gas brought to shore for production of LNG and LPG is skewed by a requirement to meet an inerts specification level in Domgas which is out of line with industry accepted standards¹.

A wide resource base and gas competition is a critical component of the development of and growth in the resources industry, especially from those aspirants coming into the WA electricity market, the petrochemical related industries and those looking at downstream processing projects both in the Pilbara and in the South West. These opportunities were identified in the recent Department of Industry and Resources study. Limiting the gas specifications in the DBNGP runs the risk of stifling this growth.

It is also true that natural gas has significant greenhouse advantages over other fossil fuels. The increased penetration of gas into Western Australia can aid the government's goal of reliable, sustainable and competitive growth of industry in the State. Again, the limiting of the gas specifications has the potential to work against this stated aim.

Should you wish to discuss this matter further, do not hesitate in contacting me.

Yours sincerely



Peter Gniel
Director, Energy Policy

¹ From the pipeline owners perspective a higher inerts level may well result in a level of reduced capacity due to the lower HHV of the gas. Modeling by APPEA member companies indicate a loss of between 5 - 10TJ/d as a result of increased inerts level. Rather than installing additional capacity, the pipeline owner is requiring producers to supplement capacity by recommending an unreasonably tight gas specification.