



Government of **Western Australia**
Department of State Development

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Chair
Economic Regulation Authority
PO Box 8469
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Dear Mr ~~Rowe~~ ^{Lyndon}

MICROECONOMIC REFORM INQUIRY – DOMESTIC GAS POLICY

Thank you for your letter of 1 May 2014 inviting comment on the draft report of the Economic Regulation Authority's *Inquiry into Microeconomic Reform in Western Australia*. The following comments relate to domestic gas policy.

As a point of clarification, the intent of the domestic gas policy is that exporters of Liquefied Natural Gas (LNG) also make gas available to the domestic market. This is the case whether processing of the gas for export occurs in conventional shore-based processing facilities or, in the future, on offshore vessels using one of a number of Floating LNG technologies under development. An additional clarification is that environmental approvals are not a good example of how commitments to supply the domestic energy market may be secured by the state. Environmental regulations are not designed for this purpose.

Gas has been a major source of power for the state since the Western Australian Government underwrote the development of the North West Shelf. Western Australia's energy markets are small and dominated by a small number of suppliers and users. There are no pipeline or electricity connections with markets outside the state. LNG developments are large and require large upfront capital outlays. Producers exhibit a strong preference for long term, high volume contracts in both domestic and international markets. As a result of the Western Australian Government's domestic gas policy, and agreements with the companies concerned, gas made available from the new Gorgon and Wheatstone LNG facilities will secure the state's energy supply until 2020.

Yours sincerely

Stephen Wood
DIRECTOR GENERAL

12 May 2014