

# Gas explorers urge end to state bans on drilling

GRAHAM LLOYD THE AUSTRALIAN 12:00AM September 30, 2017

Only a narrow window exists for voluntary measures by major gas companies to plug a shortfall in domestic supplies that is forcing up energy prices and threatening businesses, industry experts have warned.

International forecasts are for the global market for liquid natural gas to tighten dramatically in the next five years as demand soars in Asia.

Coal-seam gas industry pioneer Richard Cottee said without additional production, Australia's gas shortage could become a diplomatic issue with the nation's major trading partners Japan, South Korea and Taiwan, which have contracted gas from the Curtis Island projects in Gladstone.

"Presently we are in a downturn in terms of international LNG pricing and so the export customers who are four of our top five trading partners are probably a bit relieved they can go and buy cheaper gas at the moment," Mr Cottee said.

"But analysts Wood McKenzie say in 2022 that the cycle of low-priced LNG is going to end because of 30 per cent annualised demand growth in the Asian Pacific region for LNG," he said.

Oil and gas industry association APPEA says more gas supply by more gas suppliers was the only sustainable way to meet long-term demand and put downward pressure on prices. "It is essential that state and territory governments remove their political bans on developing local gas. NSW and Victoria, in particular, are heavy gas users but have blocked local projects," APPEA chief executive Malcolm Roberts said.

Malcolm Turnbull this week stopped short of legally forcing gas exporters to reserve sufficient supplies for the national market. Instead, major gas producers said they would voluntarily ensure the Australian market was adequately supplied for at least two years.

The federal opposition favours a domestic gas reservation policy and state and territory governments are unwilling to unwind moratoriums imposed on gas exploration and development. NSW Premier Gladys Berejiklian has said the state government will not change existing policies, which set strict limits on where gas exploration can take place.

Environment groups have warned against attempting to fast-track approvals for the Narrabri project, the state's biggest gas opportunity, as called for by the Prime Minister.

"The Turnbull government should learn from history and not be interfering in the independent approval process for the Narrabri coal-seam gas project that threatens our biggest inland forest, the Pilliga, the surrounding productive Narrabri farmland and the Great Artesian Basin," Wilderness Society national campaign director Lyndon Schneider said.

Given the obstructions, two years is unlikely to be sufficient time to overcome state and territory restrictions on gas exploration or bring controversial reserves into production.

Santos has spent more than \$1 billion on the Narrabri project, which it said had sufficient reserves to supply half of NSW's gas demands. NSW imports 95 per cent of its gas requirements.

Santos has written the book value of the Narrabri project down to zero, but company chief executive Kevin Gallagher has said the Narrabri project will be put back on to the company's list of key projects before the end of the year.