

A photograph of a male worker in profile, wearing a yellow hard hat and an orange high-visibility safety vest over a blue and white plaid shirt. He is looking down at a task in an industrial environment with blue metal structures. The background is slightly blurred, showing more of the industrial setting.

Strategic Opportunities for Gas in Regional NSW



PURPOSE

Affordable energy, backed by safe and sustainable domestic gas production, is important to support NSW industry and help drive economic recovery, particularly in the regional communities hit hardest by COVID-19, bushfires and drought.

Manufacturing, backed by access to affordable and reliable energy, will be a key opportunity for regional growth and job creation into the future. Manufacturing industries such as food and meat processing, and production of plastics, fertiliser and construction materials require gas for process heat or as a chemical feedstock. For these industries to survive and prosper, access to secure, long-term, affordable gas supply is essential.

The NSW Government is committed to ensuring NSW industries are supported by a diverse energy mix as we transition toward lower-emission energy sources. Alongside other energy sources, gas will play an important role in maintaining downward price pressure on energy costs and ensuring security of supply.

WHY WE NEED TO ACT NOW

As well as being a critical energy source, gas is a feedstock for many industrial processes and businesses that directly support the success of the NSW economy, contributing to regional economic growth and development, as well as jobs and investment across the state.

Additional gas in the NSW market will increase competition and provide a competitive environment for existing and future businesses to access affordable energy for manufacturing and processing.

The recent decision to move forward with the Narrabri Gas Project presents an opportunity to ensure regional businesses are set up to take advantage of accessible gas.

Affordable energy will drive post-COVID economic recovery

The Commonwealth has highlighted the importance of gas for the nation. Now is the time to strengthen our domestic supply chain and boost manufacturing capacity, creating regional jobs now and into the future.

NSW will be a leading state in delivering stronger outcomes for industries reliant on gas and high-energy inputs. We will work with gas producers, importers, pipeline operators, businesses and local government to identify where we can support accessible, reliable gas supply, as well as downstream industries to support job creation and economic development across regional communities.

This statement aligns with the \$2 billion NSW Energy Package Memorandum of Understanding agreed between the NSW and Commonwealth Governments. The governments will work together to develop options to increase gas supply, deliver enabling infrastructure improvements and energy efficiency projects.

Diversifying our sources of energy

The 2020 Australian Energy Market Operator (AEMO) Gas Statement of Opportunities outlines that southern states, including NSW, are expected to see gas supply shortfalls from 2024 without additional infrastructure. Investments that

could mitigate this gas supply risk include more exploration and development in NSW, Victoria, SA and Tasmania, pipeline capacity expansions or gas import terminals.

The approval of the Narrabri Gas Project firms up opportunities for gas users and suppliers, with the Project expected to deliver 70 petajoules of gas annually into the East Coast gas market. This increases New South Wales' security of supply in the face of declining southern reserves and meets up to 60 per cent of current NSW demand.

Domestic gas prices have long been uncompetitive against the long-term gas supply available from LNG import terminals. A renewed NSW Government commitment to gas as an important part of the energy mix will support an increased supply of gas from a range of sources, including domestic production, pipelines and LNG imports. Increased supply diversity and long-term certainty for the domestic gas market will support affordable, accessible gas over the long-term.

Increased competition in the gas market resulting in competitive gas prices can aid in maintaining downward pressure on electricity prices during the move to renewables and hydrogen

Secure, accessible gas supply is an important part of the energy mix as we transition to lower emission sources, firming supply and supporting wholesale energy prices as some coal-fired power stations reach end of life. This Statement is consistent with AEMO's Integrated System Plan, the NSW Government's Net Zero Plan, and the NSW Electricity Infrastructure Roadmap.

Hydrogen gas will play a significant role in supporting energy reliability in the future. There is potential to use hydrogen in the gas network as a clean energy storage solution, and an active hydrogen market will support reduction of energy costs in key sectors. The NSW Government has committed to establishing a Hydrogen Program and Strategy to help the scale-up of hydrogen as an energy source and as feedstock for industrial processes, and we have set an aspirational target of up to 10 per cent of hydrogen in the gas network by 2030.

THE OPPORTUNITIES FOR REGIONAL ECONOMIES

The NSW Government will focus on ensuring the full range of benefits that additional gas can deliver are realised across the state. This will include identifying and facilitating opportunities in regional NSW for more affordable gas and better supply certainty to underpin new investment and employment opportunities.

We are facilitating downstream industry development and regional investment

The NSW Government has identified the opportunity to incentivise energy-intensive industries to build a presence in regional areas, supported by key regional infrastructure such as inland rail and industrial activation precincts.

The NSW Government will investigate the Narrabri area as a potential location for a Special Activation Precinct to identify opportunities to deliver streamlined planning approvals and enabling infrastructure. This will support strategic business clustering for energy-intensive industries and other manufacturing sectors close to commercial quantities of affordable gas.

We are exploring strategic opportunities to boost gas sources in NSW

NSW's leading regulatory framework for resources projects and the Government's gas-specific reforms, particularly the NSW Gas Plan, ensures NSW is well positioned to develop a safe and sustainable domestic gas industry, which balances state-wide and regional community needs, the environment and the economy.

With these settings we will also consider options for expanding domestic gas production in NSW, starting with examining opportunities for further exploration in far western NSW under the Strategic Release Framework.

We are scoping investment opportunities to support the market over the long term

Delivering transformative infrastructure investment with significant job creation for regional communities has never been more critical. Backed by the \$4.2 billion Snowy Hydro Legacy Fund, the Government will consider options to support existing and emerging infrastructure requirements for gas and high energy users now and into the future.

We will release a comprehensive strategy and action plan to support the domestic gas market in mid-2021

Since the release of the 2014 NSW Gas Plan and the 2015 Strategic Release Framework for the domestic gas market, the potential for domestic production has changed. The NSW Government will build on the work done to date to release a policy statement in mid-2021 to support the function of the NSW gas market and downstream industry development.



nsw.gov.au/gas-statement



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