

## NATIONAL GAS (SOUTH AUSTRALIA) BILL

17 June 2008

**The Hon. D.G.E. HOOD:** I rise to support the second reading of this bill on behalf of Family First. It is interesting that we have come to consider this bill now due to other bills having priority in the past few sitting weeks, which has meant that in the intervening period since this bill was introduced in this place on 30 April there have been some interesting developments.

Indeed, after an explosion earlier this month, Western Australia is facing a two-month shortage in gas supply, with one-third of that state's gas production off line, a situation which the Carpenter government has described as his government's 'biggest test'. The Western Australian Premier has gone to finance companies and they have agreed to go easy on people struggling to meet repayments due to the crisis, for which they are to be commended.

This is reminiscent of the Moomba gas crisis of early 2004 in this state, and I think it serves as a reminder that, whilst we debate bills that seem at times to be somewhat less important than others, if we do not get our infrastructure right it could have major consequences for the state. On that note, I think it is worth noting that we are not as exposed as Western Australia because we are not under the tyranny of isolation that it suffers, since we have a cross-border gas network that enables us to mitigate the damage if we have a gas crisis here. It is the regulation of that network, and not so much how Western Australia fits into that framework, that we are here to debate today.

On a legislative front, we are (as was the case with the electricity market reforms) the lead legislator here, which is indeed a privileged position. We should bear in mind that privilege by ensuring a rigorous but also timely debate so that we do not lose it in future; hence my interest in speaking to this bill today.

I will now provide some background details. The Victorian parliament introduced its bill on 8 May 2008. Also on 8 May the Northern Territory

parliament introduced its companion bill, and I believe that the New South Wales parliament has also introduced its bill. I refer to some statistics I came across in the research of this bill. For the SA gas market, according to the 2005-06 annual performance report for the SA energy retail market, some 367,990 small customers as at 30 June 2006, together accounted for 9,250 terajoules (TJs) of consumption, or an average of 25,140 megajoules (MJs) per small customer (per annum). Of course, small customers are our main concern, as these represent largely families and family businesses.

Average residential gas consumption from 1997 to 2006 was fairly stable at around 8,000 TJs, and that averages to approximately 22,000 MJs per residential user. There were 850 large customers (so-called) who, in total, consumed 29,120 TJs, which, one can quickly see, is over three times what the small customers consume altogether. There were a further 2,460 unmetered customers (such as large dwelling complexes where a flat rate is charged to the customer) for whom, obviously, no figures on total or average consumption can be provided.

The minister's second reading explanation stated that the bill was in the interests of all Australians and all South Australians. That statement may seem generally true, but let us look at whether this system is presently working fairly in the interests of all Australians, in particular the primary interest here is in the interest of all South Australians. In doing that, I want to compare prices at some border points in this state to demonstrate, I believe, the national inequity that presently exists in the marketplace.

For example, for a user at the low end of the market, say, 1,500 MJs usage per quarter or 6,000 MJs per annum, the price roughly across the board within South Australia is \$98.89 whether you are in the CBD of Adelaide, or one of our regional centres such as Port Augusta, Port Lincoln, or anywhere else where there is a gas line, or the energy retailer will deliver gas bottles to the residence. I would appreciate knowing what areas of the state cannot get natural gas, as I have a question mark over Ceduna and the APY lands, for example, as well as some other areas.

The price equalisation statewide is a fair outcome compared to, say, motor vehicle fuels, which sees country users paying more for the transportation cost. This is one benefit that has resulted from market regulation within South Australia—a good initiative. However, using that \$98.89 as a baseline, let us look at the borders. In Renmark in the Riverland near our eastern border, through their reticulated system, you will be charged \$98.89. However, just 85 kilometres across the border into Victoria, for the same amount of gas Victoria Electricity will charge just \$66.41. This is astonishing when you consider that, just over the border, they are taking gas from the same pipeline that runs via the Riverland to Mildura.

It gets worse. Driving further east to Mildura (a total of 143 kilometres from Renmark), which has the benefit of connecting with the New South Wales market, the ActerAGL company will charge just \$45.37 for the same amount of gas again! We have a situation where we are paying over double in South Australia what Victorian users pay for gas out of the same pipeline, which is really a crazy situation. I will give some more detail on that in a moment.

In Bordertown, you will pay \$98.89, yet just 43 kilometres over the border at Kaniva you will pay \$66.41. That \$66.41 price demonstrates that users from the city to the furthest corners of each state pay a flat rate, but in New South Wales (and in Mildura's case, stretching slightly into Victoria) the gas is substantially cheaper—almost 45 per cent of our gas price! To quote the late Professor Julius Sumner Miller on the 1980s Cadbury chocolate ads with his egg and milk bottle, 'Why is it so?' I thought I would just slip that in. I have been waiting to put that in at some stage. I cannot keep a straight face: it was incredibly funny.

I have to put it down to spending on infrastructure. The Victorian government spent—and it sounds like it will soon begin spending again, given recent announcements—significant money expanding on infrastructure in that region. In June 2003, the then Bracks Labor government detailed a \$70 million expenditure on gas networks to extend their natural gas network up to 100,000 households in country Victoria.

I have to ask the minister: what was different or special about the Victorian Labor government circumstances that saw its expand its gas network into its regional areas? A cost comparison between states also begs the bigger question: will this bill result in an across the network flat price? In other words, an eastern seaboard standard, which we are presently seeing for all consumers within each state, which I think we can readily infer from the figures I have given, would mean a substantially lower price for gas. Is this what the minister means in his second reading explanation when he states that this bill is good for Australians and, indeed, South Australians?

Let me also put on the record that Port Augusta is not on the network and has to have gas trucked in. The gas pipeline from Moomba branches off under Spencer Gulf across to Whyalla. I can appreciate that there are commercial concerns that make it viable to be that way, and also the flat price I have described across most of the state nullifies this blow for the families Port Augusta; however, for South Australia overall we have to ask whether it is both economical and environmentally sensible to truck gas to Port Augusta when we could spend the money on a pipeline to Port Augusta to deliver gas.

Let me now come back from the country a bit closer to the city and state something that might not be widely known that is very concerning and quite surprising to some, that is, Mount Barker is not on the network at all. Not only is Mount Barker neglected by not being on the metropolitan rail network but it is also neglected by not being on the statewide natural gas distribution network. On a simplistic assessment, this is remarkable when you consider the SEAGas pipeline from the South-East comes in to Adelaide via the Adelaide Hills. Mount Barker is installing reticulated gas that has to be trucked in from elsewhere when, surely, a booming area such as Mount Barker would be a sound infrastructure investment for the government.

ESCOSA states that—and it is regrettable that this is the state of affairs—Renmark, Victor Harbor, Port Lincoln, Wallaroo, with between 50 and 350 customers, and also Roxby Downs, with some 1250 customers, have needed to invest in reticulation delivery because the pipelines do not go to those communities or sufficiently near to make the trucking of gas from the nearest

pipeline outlet effective. I think that that state of affairs is significant when you contrast it with the regional infrastructure expenditure of the Bracks government to put an extra 100,000 regional homes on the network.

Looking at the large-scale now—and I say this for the benefit of honourable members—there are in effect four major gas fields in Australia. Our own Cooper Basin, which is, in fact, not just our own but stretches over much of inland Queensland (with the Adavale and Bowen-Surat basins), and less so in New South Wales and the Northern Territory; the Otway, Bass and Gippsland basins in Victoria and Tasmania, with the Otway Basin reaching into our state's South-East; the Perth and Carnarvon basins off the western shores of Western Australia; and, lastly, the Browse and Bonaparte basins in far north Western Australia and slightly into the Northern Territory.

Mike Roarty of the Science, Technology, Environment and Resources section of the Commonwealth Parliamentary Library, in his 1 April 2008 paper entitled Australia's Natural Gas: Resources and Trends, said the following about gas infrastructure in Australia:

'Over the period from the early 1990s to 2007, a number of new high-pressure gas pipe lines have been built. A significant element of this expansion has been associated with construction of interstate pipelines—the Eastern gas pipeline (from Longford to Horsley Park in 2000), the NSW-Victoria Interconnect (from Wagga Wagga to Wodonga in 1998), the Tasmanian gas pipeline (from Longford Victoria, to Bell Bay in Tasmania in 2004), and the SEAGas pipeline (from Port Campbell in Victoria to Adelaide in 2004). These developments in particular have greatly expanded gas availability, for example, Gippsland gas now being piped into New South Wales.'

The Northern Territory and Western Australia are largely dependent upon their own reserves and, hence, the present gas crisis in WA is isolated to its own borders in so far as gas supply goes. However, with that state having to buy-in gas or other fuels such as diesel on the national market, there is an indirect effect upon the price of our fuels as a consequence. The lines

servicing these basins are significant, and I will highlight a few significant areas:

- The Northern Territory, having the Amadeus to Darwin line down its spine from the basin to Darwin through Alice Springs and surrounds;
- Western Australia has the major goldfields pipeline from the Carnarvon Basin, making landfall near Broome and running in a south-easterly direction through the inland down to Kalgoorlie and, ultimately, Esperance on the south-east coast;
- Queensland has numerous pipelines, of course, but perhaps of most interest is the Carpentaria pipeline from south-west Queensland at Ballera to the Wallumbilla pipeline north to Mount Isa, and it is proposed that it will link up with the Amadeus to Darwin pipeline. Interestingly, Queensland is proposing to make the long journey from Mount Isa to Cape York.

I highlight these particular pipelines to demonstrate, as we were told in our briefing, the very interconnected nature of the gas network in this nation and also the bold plans for the future that will in effect see the Northern Territory link into the eastern seaboard network. However, I also note that our research does not reveal any bold plans for investment in South Australian pipelines.

I have to wonder whether we are to going to need, for the much anticipated mining boom, a major new pipeline from the Moomba line across to the expanding mines in our north. I am aware that companies can make a commercial case for expanding pipelines and can be given competition and regulation exemptions to be able to have economic certainty for getting these pipelines built. Nonetheless, I have to ask the minister what plans are in the pipeline (excuse the pun) for our mines—

**Members interjecting:**

**The Hon. D.G.E. HOOD:** I thought you would like that.

**The Hon. Sandra Kanck interjecting:**

**The Hon. D.G.E. HOOD:** Well, I have been trying; I keep you entertained.

**The Hon. M. Parnell:** The bottle and the egg.

**The Hon. D.G.E. HOOD:** You like that one? Why is it so? What plans are in the pipeline for our mines, especially given the significant plans that Queensland has for the extension of its gas pipelines?

Whilst accepting that this bill is part of a national model, as members of the Legislative Council representing the whole state of South Australia and not those beyond its borders, our comments and questions on this bill essentially come down to two points: first, when and where will the state government be acting in the interests of South Australian families to bring down the cost of gas and expand its network to reduce the ultimate financial and environmental cost of getting gas to regional areas; and, secondly, what provision is the state government making to ensure that we keep up with the bold expansion plans of Queensland for our mining industry in particular, which the Premier stated recently has the potential to be the state's leading industry?

Before concluding, I want to turn to some environmental considerations. In terms of geosequestration, I have heard talk of possibilities for Moomba, especially regarding as a first measure looking at its own emissions. In theory there is potential in the future for this process to occur. There are practical issues such as the lack of gravity feed, one would think, to enable larger scale operations. I raise the idea in the context of this debate, as we think about these issues as relevant to our gas network and infrastructure needs in the future.

I ask the minister: what has been done nationally or in this state about so-called fugitive emissions, that is, gas that seeps out of the pipelines, and, in a federal Labor carbon trading market, will that need to be taken into account?

I want to talk up the environmental benefits of gas as provided by the Australia Gas Association. Its table outlines that, per gigajoule of produced

energy—and I have a table here—essentially, for brown coal the average carbon emission intensity of selected fossil fuels is some 93.3 kilograms; black coal, 90.7 kilograms; petroleum, 68.2 kilograms; and gas is just 50.9 kilograms.

With more people turning to split-system airconditioning and the like, it is imperative that we create a competitive price for domestic gas consumption to increase the attractiveness of gas heating in winter. Otherwise, that heating will need to occur using the existing electricity system. Surely then in winter we will be taking the load off the power grid by having a better gas distribution network, lower prices and, therefore, more people heating from gas instead of using electric heating which, of course, has the environmental implications that I have just outlined. In so doing, we reduce our greenhouse gas emissions and give families the capacity to do their bit to reduce greenhouse gas emissions in their own home.

Moving on from those important environmental concerns, I will return to a legislative issue that I think demonstrates the need to get on with this bill. South Australia enjoys the privilege of being lead legislator, which apparently is thanks to a stance that Trevor Griffin took in the past that we would not be usurped by other jurisdictions. As a result, we tend to be lead state with this form of legislation. It is a privileged position and one that we bear in mind when debating bills like this and the solar feed-in scheme bill that we looked at previously. We would not want to lose the privilege of having a national impact in this way.

Secondly, our place as lead legislator is also a credit to this parliament and, indeed, a nod to the bicameral system—as one would expect that if, for instance, speed was of concern, such issues would go to the unicameral Queensland parliament—and in particular the stamp of scrutiny and accountability that the South Australian bicameral parliament provides. Having recorded some questions for the minister, I look forward to his response. Family First supports the second reading

## ANSWERS TO QUESTIONS

19 June 2008

**The Hon. P. HOLLOWAY (Minister for Police, Minister for Mineral Resources Development, Minister for Urban Development and Planning):** I thank members for their contributions to the bill. A number of issues were raised during the second reading, and I will seek to answer them now. The first series of questions was asked by the Hon. Mr Hood. He said:

'I would appreciate knowing what areas of the state cannot get natural gas as I have a question mark over Ceduna and the APY lands, for example, as well as some other areas.'

The answer I have been provided with is that Envestra is the company that generally undertakes the distribution of natural gas to customers via its gas distribution network in South Australia. The specific areas serviced by the distribution network are Adelaide, Barossa Valley, Berri, Peterborough, Port Pirie, Mount Gambier, Murray Bridge and Whyalla. As has been highlighted, a number of other areas have smaller reticulated gas systems rather than being connected to the natural gas network. This is understood to be principally due to the costs associated with the network investment required to connect regional areas not being commercially viable; that is, there will not be enough revenue generated by building a pipeline. Such commercial decisions are made by the privately owned network business Envestra. The second question asked by the Hon. Mr Hood was:

'The Victorian government spent—and it sounds like it will soon begin spending again given recent announcements—significant money expanding on infrastructure in that region. In June 2003, the then Bracks Labor government detailed a \$70 million expenditure on gas networks to extend their natural gas network up to 100,000 households in country Victoria. I have to ask the minister: what was different or special about the Victorian Labor government's circumstances that saw it expand its gas network into its regional areas?'

The answer with which I have been provided is that the government is unable to comment on the reasons why Victoria decided to contribute towards the expansion of the gas network. There may be merit in looking at the expansion of the gas distribution network into regional areas; however, this would need to be argued on a case-by-case basis without impeding the regulatory regime that requires businesses to act commercially. The third question asked by the honourable member was:

'The cost comparison between states also begs the bigger question: will this bill result in an across the network flat price?'

The answer with which I have been provided is that the national gas law will not result in a flat price for the supply of natural gas across jurisdictions. The costs associated with the provision of gas by the regulated distribution businesses are assessed individually and, whilst a similar framework is utilised to undertake this assessment, network charges across jurisdictions will be different due to the particular circumstances of each business. The fourth question asked by the Hon. Mr Hood was:

'What plans are in the pipeline [I assume that was an intended pun] for our mines, especially given the significant plans that Queensland has for the extension of its gas pipelines?'

The answer with which I have been provided is that, in general, it would be expected that mining companies will fund the provision of energy infrastructure to support their projects as part of the commercial decision to undertake the investment. Before any gas pipeline is considered, it would be necessary, first, to determine the gas requirements for that project; and, secondly, to determine the location and size of any other nearby projects that would increase the viability of the investment over time. The fifth question is:

'What has been done nationally or in this state about so-called fugitive emissions, that is, gas that seeps out of the pipelines, and, in a federal Labor carbon trading market, will that need to be taken into account?'

The answer with which I have been provided is that it is understood that fugitive emissions from gas pipelines are being considered as part of the design of the commonwealth government's Emissions Trading Scheme, with a green paper detailing the key design parameters for the emissions trading regime expected to be released in July. Minister Wong outlined a number of key design parameters in a speech in February. Minister Wong indicated that the scheme will have maximal coverage of greenhouse gases and sectors to the extent that this is practical, indicating that over 70 per cent of national emissions are able to be practically covered by emissions trading, which implies that fugitives will be included in these emissions. Gas leakage is also dealt with under the gas licences issued under the Gas Act 1997.