

Media Release

NSW faces gas supply shortages from winter 2016, economic paper confirms

17 March 2014

NSW could experience up to 21 days of gas supply shortages from winter 2016, causing significant disruption to the NSW manufacturing industry, a new research paper from AGL's senior economists confirms.

Solving for 'x' – the NSW Gas Supply Cliff, is written by AGL's Chief Economist Professor Paul Simshauser and Head of Economic Policy and Sustainability Tim Nelson. The modelling produces estimates of daily demand and supply which is important as winter daily gas demand is double that of summer due to the high use of gas for heating homes and businesses.

The paper highlights that while households and small businesses are unlikely to experience shortages, large industrial users of gas may be asked to cease gas consumption on the days where supply cannot meet demand.

Mr Nelson said this reinforced the need to explore and produce gas in NSW, for NSW.

"By producing gas at Gloucester we can bolster NSW's locally sourced gas supply to 20 percent of demand. AGL confirms that all of the natural gas produced from Gloucester will be delivered to NSW customers and not exported," Mr Nelson said.

"NSW is the only state which is not self-sufficient in gas, with only five percent of the state's needs currently being produced at AGL's Camden Gas Project. We need to increase our local gas supplies to ensure security of gas supply for the state."

Mr Nelson said if there is not enough gas in the peak winter period from 2016, the NSW Government could be forced into making a decision about gas curtailment to around 50 'large gas consuming sites' – many of which are in Sydney's western suburbs.

"The high risk of shortages identified for 'large gas consuming sites' could result in some manufacturers being forced to cease production resulting in associated unemployment," he said.

"*Solving for 'x'* identifies a number of areas in Western Sydney as having a high proportion of the sites that could be curtailed in a gas shortage."

The paper explains that NSW is vulnerable to a gas supply shortage because NSW produces so little of its own gas and is therefore reliant upon gas from Queensland, South Australia and Victoria.

However, the Eastern Gas Pipeline bringing gas from Victoria is too small (even with expansion) to meet all of NSW's peak winter gas demand on its own, and it's unlikely that Queensland and South Australian gas via the Moomba pipeline will be available for the Sydney market. Instead, it will flow to Queensland to supply the large LNG export loads, the paper states.



“As LNG development comes online, a significant number of existing domestic gas contracts currently supplying NSW will expire with much of that gas being re-contracted to LNG producers in Queensland, therefore creating a gas supply cliff in NSW,” he said.

“We have the solution, and it’s beneath our feet at Gloucester. AGL is committed to our project at Gloucester with absolute adherence to the safety and wellbeing of the communities we work in.”

The *Solving for 'x' – the NSW Gas Supply Cliff* research paper is available on the AGL Blog, accessible at aglblog.com.au.

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About AGL

AGL is one of Australia's leading integrated renewable energy companies and is taking action toward creating a sustainable energy future for our investors, communities and customers. Drawing on over 175 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has one of Australia's largest retail energy and dual fuel customer bases. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas and biomass. AGL is Australia's largest private owner and operator of renewable energy assets and is looking to further expand this position by exploring a suite of low emission and renewable energy generation development opportunities.