

Northern Gas Pipeline Derogation from part 23

AEMC Hearing
Sydney

Presentation by
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Derogation supports industry evasion of regulation

- HoustonKemp state:

During the tender process, the Northern Territory government sought proposals to develop the NGP as a covered pipeline, or asked respondents to propose alternative arrangements. We understand that Jemena did not and was not willing to submit a proposal on this basis. Jemena instead proposed to develop the NGP on the basis of access principles in lieu of coverage, which we understand were initially proposed by the Northern Territory government.

Tender process based on financial mismanagement by NT government

- take or pay contract between NT government and ENI for Blacktip gas field results in >30TJ of gas paid for, but unused
- at time of contract the oversupply was expected by NT Utility Commission (2006)

Contract quantities available from Blacktip will be in excess of projected requirements under the Commission's high growth scenario through to 2015-16 and beyond.

- Consumer pays for NT financial mismanagement

AEMC refuses to consider ATO investigation

- Jemena subject to ATO transfer pricing audit
- Potential tax evasion underpinning tender process

BUT

- ‘Competitive tender process’ is the foundation for draft determination
- AEMC response:

Any possible investigation by the ATO is not relevant to the AEMC’s consideration.

NGP facilitates unacceptable climate impacts

- HoustonKemp state:

The NGP can be understood in this context as an initial investment that could enable a series of subsequent investments to substantial volumes of gas from the Northern Territory to east coast gas markets.

- NT Independent Scientific Inquiry into Hydraulic Fracturing states scenarios where NGP is duplicated will cause unacceptable climate impacts

Climate impacts trigger National Gas Objective

- Jemena stated in 2015:

As a result of global climate changes, extreme weather events (for example, wind, floods, tidal storm surges, heatwaves and dust-storms) of increasing intensity and frequency are predicted. Extreme weather events may negatively affect the networks in the form of infrastructure damage and network outages. The occurrence of any of these events may negatively affect SGSPAA Group's electricity and gas networks and third party power generators or gas suppliers in a manner that may disrupt the supply of electricity or gas and thereby have an adverse effect on SGSPAA Group's operations, profits and financial position.

AEMC refuses to recognise climate impacts

- AEMC response to climate submissions and the NGO:

Decisions on the use of fracking and the production of gas, and the potential implications of these actions, are matters for the Northern Territory Government. These issues do not fall within the AEMC's statutory decision-making framework.

Derogation applies to new pipe

- Derogation applies to addition 210 TJ day flow above 90 TJ NGP
- New pipeline planned, will receive benefit of derogation

BUT...

- AEMC says the situation is an anomaly and new pipelines should not receive exemptions from Part 23
- AEMC fails to comment on complexity of application, climate impacts, and Jemena submissions that the derogation does not apply to new \$4 billion proposed pipe