

14 October 2021

Jemena Limited
ABN 95 052 167 405

Level 16, 567 Collins Street
Melbourne, VIC 3000
PO Box 16182
Melbourne, VIC 3000
T +61 3 9173 7000
F +61 3 9173 7516
www.jemena.com.au

BY EMAIL: gas@industry.gov.au

Mr Sean Sullivan
Chair
Energy Senior Officials
Department of Industry, Science, Energy and Resources
GPO Box 2013
Canberra ACT 2601

Dear Mr Sullivan

Jemena submission – Legal package on gas pipeline regulation

Jemena welcomes the opportunity to make this submission on the legal package on the gas pipeline regulation reforms.

This submission has been prepared in the context of Jemena's gas transmission assets which include four major gas transmission pipelines (the Eastern Gas Pipeline, the Queensland Gas Pipeline, Darling Downs Pipeline, and the Northern Gas Pipeline), a number of smaller transmission pipeline assets, and a growing footprint in gas infrastructure assets in Queensland and the Northern Territory.

The stated objectives of the Energy Council, in its actions to improve gas pipeline regulation, are 'to implement a more efficient, effective and integrated regulatory framework that supports the efficient operation of the gas market and the long term interests of gas users and is fit for purpose, targeted and proportionate to the issues it is intended to address.' We also note the policy intent, set out in the Decision Regulation Impact Statement of May 2021, to provide a greenfields incentive mechanism in recognition of the regulatory risks posed to new pipeline investment.

It is Jemena's deep concern that, in stark contrast to the stated objectives, the reform package as proposed will not meet the objectives of the Energy Council. Jemena believes that, in fact, the proposed regulatory changes will result in a number of perverse outcomes including significantly complicating the operation of the gas transmission system and creating a regulatory environment in which new investment in gas infrastructure is exceedingly difficult to justify. The result will be higher gas prices for domestic end users.

Providing a regulatory environment which encourages, not dissuades, the development of new gas infrastructure and basins remains critical—particularly in the context of a decarbonising economy where, despite the need for gas to support energy system emissions reduction, financing and achieving public support for critical gas infrastructure is increasingly difficult.

Our key concerns with the reform package are:

- that the proposed greenfields incentive mechanism—even with a number of modifications as set out in this submission—will be unworkable in practice. This will result in regulatory uncertainty that will deter pipeline investment, posing a significant barrier to the efficient development of new pipelines—particularly in Australia's northern strategic basins. The absence of a workable greenfields incentive pathway will result in less gas being evacuated from Australia's strategic basins, meaning either more expensive gas for domestic users, or new supply being developed only for export, or resources remaining undeveloped.
- the unintended consequences of the draft ringfencing provisions, namely the ringfencing of processing facilities attached to pipelines. These integrated facilities play a necessary but incidental role to the

transportation of gas to market, and there is no competition or practical benefit from ringfencing such activities.

- in the context of the choices investors have when considering potential investments in Australia's gas transportation sector, the significant increase in the regulatory risk profile faced by owners of sunk investments—sending a negative signal to potential future investors about the risks associated with investments in the Australian energy market.
- the removal of any independence between decisions on whether economic regulation should be applied and the responsibility for then applying that regulation—diminishing regulatory accountability for quality decision making in the long-term interests of consumers and increasing the risk of over-regulation.
- the addition of further reporting and other compliance obligations, in addition to the wide range of new requirements introduced in previous reform packages—all of which result in additional costs which will ultimately be passed on to end users.

Alongside these broader concerns, we have also identified instances where we believe the reform package as proposed may result in other unintended consequences which may be detrimental to the long-term interests of consumers. Our submission identifies and propose solutions to these matters.

Jemena would welcome the opportunity to further engage with you on this important package of reforms. Should you have any question, please contact Ana Dijanosic, GM Regulation, at ana.dijanosic@jemena.com.au.

Yours sincerely,



Antoon Boey
Executive General Manager Gas Markets
Jemena Limited

Attachment – Submission on pipeline reform package exposure draft