



Australian Government
Department of Industry, Science,
Energy and Resources

FUTURE GAS INFRASTRUCTURE INVESTMENT FRAMEWORK

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Future Gas Infrastructure Investment Framework

This document outlines the key elements and intended operation of the Future Gas Infrastructure Investment Framework ('the Investment Framework'), with particular reference to:

- The principles underpinning potential Commonwealth support
- Activities targeted for project support
- Mechanisms for support
- Governance, administration and due diligence
- Reporting and reviewing the Investment Framework

About the Investment Framework

The Australian Government's gas-fired recovery is being implemented through a range of actions to unlock new gas supply, deliver an efficient pipeline and transportation network, and empower gas customers. As part of this agenda, the Government committed in May 2021 to developing the Future Gas Infrastructure Investment Framework (the Investment Framework) to guide consideration of potential Commonwealth support for critical gas infrastructure projects identified in the National Gas Infrastructure Plan (NGIP).

The purpose of the NGIP is to identify and signal to the market the priority infrastructure projects that are needed to ensure adequate gas supply can be delivered at the lowest cost to meet the needs of Australian businesses and households and keep prices internationally competitive.

The 2021 NGIP has found that gas supplies are likely to fall short of domestic and export demand by the end of the decade if timely investments by industry to develop new gas supplies and associated infrastructure are not taken. The Australian Energy Market Operator's 2021 Gas Statement of Opportunities (GSOO) also indicates that new supply options will be required before the end of the decade to ensure demand can be met.

The 2021 NGIP outlines a sequenced blueprint for ensuring demand for Australian gas can be met through strategic expansions to existing pipeline and storage capacity and the construction of new pipeline routes and storage infrastructure. This includes the identification of pipeline options for new gas basins and the development of new north-south transport capacity, which is also supported by the findings of the Australian Competition and Consumer Commission's Gas Inquiry.

While the Government's preference is for industry to lead investment in these critical infrastructure projects, the Government is prepared to take action to alleviate the risk of gas supply shortfalls and the adverse impacts a shortfall would have on jobs and Australia's economic competitiveness.

The Investment Framework recognises that there may be circumstances where private investment in priority projects is not available in time or there are other forms of market failure and barriers that compromise the ability for critical projects to proceed, thereby risking Australia's energy security or other important benefits for the domestic gas market.

The Investment Framework provides certainty by laying out the circumstances where the Government may, through targeted co-investment with industry, assist in accelerating critical mid-stream infrastructure projects to final investment decision (FID). This will help to ensure new supply can be delivered more efficiently to place downward pressure on gas prices and alleviate forecast gas supply shortfalls.

The intent of the Investment Framework is for it to be an enduring document, while specific measures (such as expressions of interest or other programs) can be implemented under the auspices of the Framework. These measures or programs would be tailored to target specific market issues or other identified priorities.

Having a flexible but principled Investment Framework allows the more specific details of potential investments, such as quantum and means of support, timing, and program eligibility criteria (where applicable), to be determined on a case by case basis. This approach allows for Government support to be better targeted towards the causes of project delays and ensures a more appropriate level of intervention.

The types of critical infrastructure projects within the scope of the Investment Framework includes pipelines, storage, compression technology and investments to drive support for clean energy in gas networks. Use of hydrogen and other low emissions gases have the potential to reduce emissions from the energy sector and encourage the growth of a clean hydrogen industry in Australia. To help realise this growth, the Investment Framework provides for consideration of support for hydrogen and/or carbon capture opportunities associated with mid-stream gas infrastructure projects and storage in gas networks.

The focus on pre-FID support for mid-stream infrastructure aims to minimise market intervention and ensure provision of support in a timely manner, while complementing other avenues of support offered by governments. This may include for example, financial and other support being provided through the Government's Strategic Basin Plans initiative for upstream activities, the Northern Australia Investment Fund (NAIF), or support through state and territory governments.

Principles for project support

Consideration of potential Government support for gas infrastructure projects under the Investment Framework will be guided by the following set of principles. The following principles provide transparency on the potential drivers for Commonwealth investment, while ensuring flexibility and the ability to respond over the longer-term to the ongoing changes and uncertainties faced in the Australian energy market.

Principles to guide potential Government support:

- 1. The project must be for mid-stream gas infrastructure capable of providing a gas service to support the supply of gas to domestic consumers on a network. This includes:**
 - Gas transport infrastructure
 - Gas storage
 - Compression infrastructure
 - Import and regasification facilities
 - Infrastructure to support the use of hydrogen and renewable gases, such as biogas, in gas networks
 - Infrastructure in the gas network linked to carbon capture storage and use related to gas transport.
- 2. The project meets a demonstrated need in the market through either:**
 - being identified as a priority project or action in a NGIP or
 - otherwise demonstrates that it meets a specific market need or policy objective of the Government.
- 3. The project should be private-sector led, must be supported by meaningful private co-investment and demonstrate why Commonwealth support is required.**
 - Support will only be provided where specific market failures or other barriers exist, or where suitable commercial finance is unavailable in the necessary amount, rate or timeframe.
 - Project proponents will need to demonstrate that all reasonable efforts have been made to pursue other non-government options available for support.
- 4. Commonwealth support will be targeted at activities that will assist the project towards reaching a FID.**
 - Support for post-FID activities will not be considered by Government.
- 5. The project has strong technical and commercial viability.**
 - This may include, for example, demonstrating the project has good potential to reach FID if supported, appropriate interest from other financial backers and that project proponents are deemed to be fit and proper and possess requisite capability.
- 6. The project enhances competitive forces in the market.**
 - Enhancing or creating competition could be demonstrated in a range of ways, such as, but not limited to, encouraging open access or common user arrangements, other competitive features, and increasing market diversity.

Activities targeted for project support

There are two key target areas for potential Commonwealth support:

- Support for pre-feasibility and feasibility studies
- Development activities to support the project to progress towards FID once feasibility activities are completed and initial project viability is understood.

Indicative activities eligible for support may include:

- Pre-feasibility and feasibility studies
- Surveys and studies such as geotechnical, route assessment, engineering and environmental
- Commercial and financial viability assessments
- Front-end engineering work and/or constructability studies
- Regulatory constraints analysis
- Short-term support to secure long lead capital items
- Consideration of requirements to make gas infrastructure hydrogen-ready or related to carbon capture and storage.

Support mechanisms available

Financial support will need to ensure flexibility and responsiveness to industry needs while limiting risk and ensuring assessment processes are consistent with best practice requirements from Australian Government agencies. This includes, for example, alignment with the Commonwealth Investment Framework and the Commonwealth Grants Rules and Guidelines where relevant.

As support under this framework is targeted at pre-FID activities, it is anticipated that targeted grants, including recoupable and conditional grants, and loans will likely be the most appropriate support mechanisms. Other options relevant to a project's operational phase, such as underwriting offtakes, are not available under this Framework.

The range of measures will ensure support can overcome barriers for specific projects and the terms of this support will be negotiated according to an individual project's circumstances.

Non-financial options

Non-financial support options may also be considered under this Framework, including potential for project facilitation support to help navigate regulatory approval processes.

Governance, administration and due diligence

The Minister for Industry, Energy and Emissions Reduction is responsible for the Investment Framework and relevant investments made under the Investment Framework.

Based on the findings of the NGIP and specific needs in the gas industry, the Department of Industry, Science, Energy and Resources (the Department) may open specific expression of interest processes and targeted grant opportunities. The Department will develop project and/or program-specific funding arrangements to underpin these support opportunities, in consultation with other agencies and stakeholders as appropriate, and informed by legal and probity advice. These support opportunities will also outline, as appropriate:

- Information requirements, conditions of participation and possible outcomes of an expression of interest process
- Program guidelines and application and selection processes
- The probity framework to guide interaction with potential proponents
- The legislative basis for the Commonwealth support
- Independent review processes, where appropriate, to assess technical and financial aspects of proposals and provide advice to decision makers.

Before any provision of financial support is agreed, the Department may also seek specialist advice and will undertake due diligence to be satisfied of the technical, commercial and financial viability of the project and the claims made in the project proposal. Potential proponents will be required to provide evidence and reports to support the due diligence process.

The Department may also consult with other agencies of the Commonwealth or state and territory governments, project partners and other relevant parties.

Reporting and reviewing the Investment Framework

Information on funded projects will be maintained on the Department's website and updated following project announcements. The Department will review the Investment Framework at least every two years. The review will ensure it is responsive to the evolving needs of the gas market and delivers intended objectives. The review process will incorporate lessons learned from funded projects as well as from broader industry and government stakeholders to assess the impact of any investments made under the Investment Framework, opportunities to improve the operation of the Investment Framework and ensure alignment with other Government policy objectives.

