

Submission to the Crib Point Inquiry and Advisory Committee

AGL Environment Effects Statement

Gas Import Jetty and Pipeline Project

25 August 2020

Submitted by:

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Summary

For 11 years I was CFO of the Multinet Gas distribution business and I understand the issues facing the gas industry. I am a resident of Victoria and I want to be heard at the public hearing.

We are failing future generations if we do not take measures to deal with climate change. In the face of dwindling supply and rising gas prices we should pursue all opportunities to ensure a smooth transition without building unnecessary infrastructure. Cheaper fuels would also be creating the jobs that are necessary if we are to recover from the COVID-19 pandemic.

The above comments are relevant because the AGL proposal would never have been put forward if there was an effective energy policy either at the state or at the Federal level. An effective energy policy would have identified that the days of cheap gas in south-eastern Australia are over and would have resulted in the development of plans to manage the transition to cheaper alternative fuel sources.

I am not aware whether the current review process is addressing the need for the project. If not, it is a failing of the process as the environmental damage caused by such a project cannot be justified if the project itself is unnecessary.

Our children are protesting the ongoing use of fossil fuels (COVID-19 allowed) in order to protect the future. It is unconscionable that we should approve a project that will enable massive domestic and offshore emissions in the gas supply chain without exploring every possible alternative.

On the basis of my research I have identified the following reasons why this project (as outlined) should not proceed:

1. Victoria will transition away from gas over the coming years, partly for economic reasons and partly for environmental reasons. The transition is inevitable and there are a number of alternative approaches to managing the transition than the proposed project which would enable significant emissions. An orderly and speedy transition is necessary at this time to create jobs and to maintain the competitiveness of Victorian industry.
2. The state of Victoria and Victorian businesses may face tariffs from European and US customers if it does not take adequate steps to curtail the use of fossil fuels.
3. There is an imbalance between risk and cost. If the project proceeds AGL, as owner and operator of the facility, should be fully responsible for managing the risks and liable for the full cost of remediation plus penalties.

The proposed Gas Import Jetty and Pipeline Project

AGL is proposing to develop a project that would supply imported natural gas into the south-eastern Australian states.

The gas would be transported as liquified natural gas (LNG), most likely from overseas, transferred to another ship and converted from liquid form back into gas on that ship and then piped into the Victorian Transmission System (VTS).

The ship, known as a floating storage and regasification unit (FSRU) would be continuously moored at Berth 2 of Crib Point Jetty. Depending on demand, between 12 to 40 LNG ships per year would moor alongside the FSRU at Crib Point to resupply the FSRU with LNG.

The proposed gas import jetty would be connected by a new gas pipeline approximately 57km long, into the VTS, east of Pakenham.

Analysis supporting recommendations

An optimal transition from gas

This is a decision point for the state of Victoria. Either the state takes decisive action to manage an orderly and speedy transition away from gas or it caves in and takes the path of least resistance when faced by an issue that requires management. An orderly and speed transition has the benefits of creating jobs now, reducing long-term emissions and keeping energy prices as low as possible.

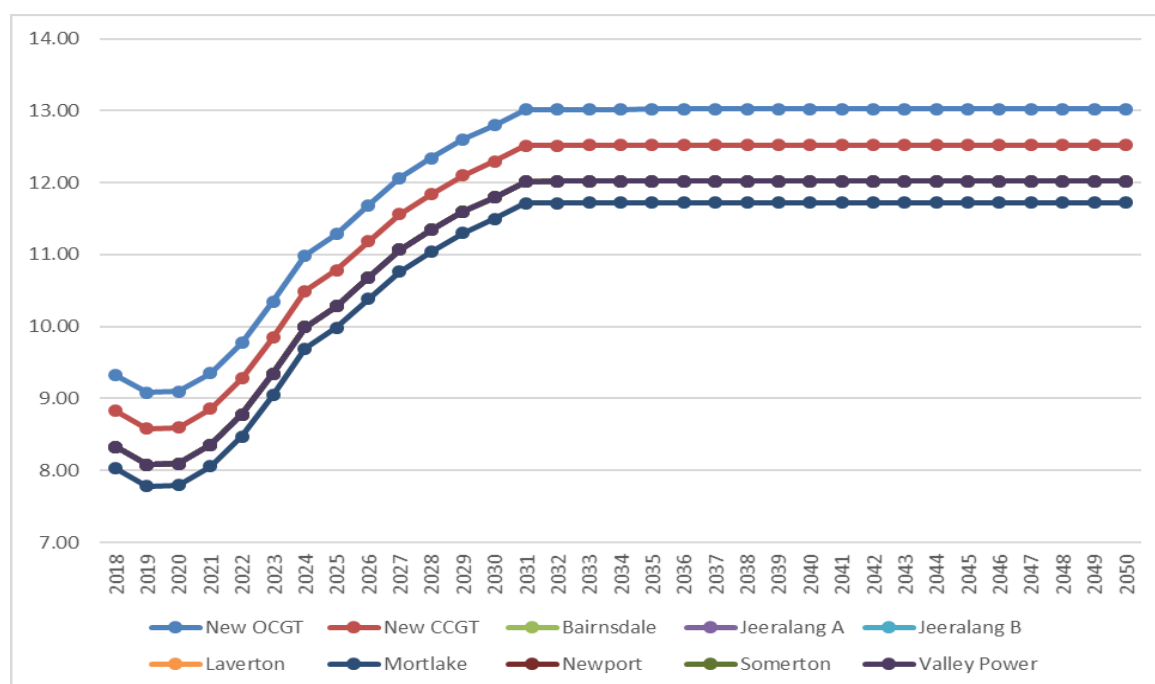
The proposed project will result in significant emissions associated with the production, liquification, transportation and regassification together with the emissions resulting from the continuing burning of fossil fuels where these significant emissions could be avoided.

I understand that the AEMO 2020 Gas Statement Of Opportunities (GSOO)¹ and the 2020 Victorian Gas Planning report update (2020 VGPR)² highlight shortages of gas in Victoria in the coming years. The VGPR concludes that resolving forecast peak day shortfalls will require the progression of potential projects (currently not considered likely to proceed during the outlook period), the expansion of pipelines for importing additional gas supply, or an LNG import terminal.

The VGPR forecasts assume the residential and industrial remain relatively constant over the coming years. However, gas usage in Victoria peaked several years ago. This fall in demand is likely to accelerate if gas prices increase as forecast by Core Energy in their report for AEMO.³ Figure 2.6 from this report is shown below:

Figure 2.6 Victoria | Central (Upper) | AUD/GJ real 7.2019

Note: Jeeralang B&A, Valley Power, Somerton, Newport, Laverton and Bairnsdale share same price line.



¹ <https://aemo.com.au/en/energy-systems/gas/gas-forecasting-and-planning/gas-statement-of-opportunities-gsoo>

² <https://aemo.com.au/energy-systems/gas/gas-forecasting-and-planning/victorian-gas-planning-report>

³ <https://aemo.com.au/energy-systems/gas/gas-forecasting-and-planning/gas-statement-of-opportunities-gsoo>

Given this price outlook it is likely that customers will migrate to cheaper energy sources. Depending on the speed of this migration Victoria may be able to meet demand without importing gas via a LNG terminal. In particular, the progression of potential projects and the expansion of pipelines for importing additional gas supply would seem a better alternative than a gas import terminal.

When faced with falling gas supplies and rising prices it seem prudent that the Victorian Government should look at the option of assisting customers to transition away from gas to renewables. The benefits of pursuing such a policy would be cheaper energy prices for customers and the creation of new jobs to support the transition.

In Beyond Zero Emissions' report titled "The Million Jobs Plan"⁴ they address the opportunity of energy retrofits for houses covering lighting, insulation, draught-proofing, window treatments, efficient appliances, split system air-conditioning for efficient space heating as well as cooling, heat pump hot water, replacement of gas with induction cook top, rooftop PV and batteries. In a large number of cases these retrofits would either reduce or eliminate gas demand while creating jobs.

In addition an article in Renew magazine forecasts that owners will be between \$9,000 – \$16,000 better off over 10 years if they establish their new home as all-electric with a 5-kilowatt solar system rather than gas-electric with no solar⁵.

This report also recommends electrifying industry, extending the recommendations in their "Electrifying Industry" report.⁶ Much of our industry has been reliant upon low energy prices and any current competitive advantage will be gone if we transition to imported gas. Transitioning industry to renewable energy can help our industry maintain a competitive cost advantage.

In addition to the opportunities identified above (the progression of potential projects and demand management) there are other opportunities that Victoria should investigate and further analysis to be undertaken before considering a LNG import terminal. These are:

- Importing gas to maintain supply during the transition.
 - Given recent pipeline builds it is likely that there will be surplus gas available from Queensland and NT via the east coast pipeline; or
 - There is also a change that gas will be available from NSW. While NSW is also facing potential gas shortages they have entered into a memorandum of understanding to setting a target to inject an additional 70 petajoules of gas per year into the NSW market, and agreeing to a gas market review if this target is not met by 2022⁷. NSW will have to develop new supplies and / or gas import terminals and can probably cover any shortfalls in Victoria;
- Introducing biomethane into the gas network;
 - Biomethane could be produced from feedstock(including emissions from landfill). A report for the International Renewable Energy Agency found the cost of energy from biomass to be equal to that from onshore wind projects.⁸
- Bringing the impact of the Marinus link into the analysis. The Marinus link will reduce the requirement for gas generation. (The 2020 ISP is very positive, showing Marinus Link is a key

⁴ <https://bze.org.au/the-million-jobs-plan/>

⁵ <https://renew.org.au/research/all-electric-solar-homes-save-thousands-over-gas-report/>

⁶ <https://bze.org.au/research/manufacturing-industrial-processes/electrifying-industry/>

⁷ <https://energy.nsw.gov.au/government-and-regulation/electricity-strategy/memorandum-understanding>

⁸ <https://www.iea.org/reports/renewables-2018>

and necessary part of the future grid. The ISP indicates that Marinus Link will deliver low cost, reliable and clean energy, and help balance the system as new renewable energy and storage projects come online).

While some of these alternatives may be challenging Victoria has the opportunity to deliver growth while transitioning away from gas. We owe it to future generations to pursue these alternatives.

International repercussions

The European Union has already talked of imposing tariffs on countries that do not take appropriate action to address climate change. It is also likely that the US government will adopt a strong stance if Joe Biden wins the coming election. There is every chance that Australia will face penalties if it does not take appropriate action.

Accountability for risk

There is an imbalance between the business potentially causing risks and the community that will suffer the implications of such risks and there appears to be no mechanism to ensure that the operator bears the full consequence of any risk eventuating. In such a scenario it appears unlikely that the operator has sufficient incentive to apply sufficient risk management techniques.

If the project is permitted to proceed it would be appropriate to ensure that the operator implements appropriate risk management techniques and that an independent mechanism is put in place to ensure appropriate remediation and to apply penalties. An appropriate mechanism might be a \$100 million penalty in the event of a severe risk event and a \$20 million penalty in the event of a major risk event.

On the basis of the project risk assessment the financial risk associated with this penalty regime should be acceptable to AGL.

Conclusion

It is not clear that the proposed project is necessary. On that basis the environmental impacts are unacceptable. I believe that it would be prudent to have a full evaluation of all alternative solutions before any decision is made on this project.

According to the 2020 GSOO the potential gas shortfall could be addressed by proceeding with possible gas exploration projects and expanding the capacity of some existing pipelines. On that basis any decision on this project should be deferred pending a full options analysis.

Any further analysis should take into account international repercussions resulting from a further expansion of our gas infrastructure and the appropriate allocation of project risk.