



# Fact sheet: AGL gas import jetty

Crib Point  
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## Securing gas supplies for the future

Many people are worried about the cost and reliability of energy.

As a major supplier of energy in Australia, AGL is working hard to address those concerns, partly by making big investments in renewable energy, but also by making sure Australians have enough gas, at the best possible prices.

We've looked at the options for increasing gas supplies and that's why we're looking into transporting Liquefied Natural Gas (LNG) from interstate and overseas, receiving it at an import facility and injecting it into the pipeline transportation system to serve homes and workplaces in south-eastern Australia.

## Why import LNG when Australia has huge reserves of its own?

At first glance, it would seem to make no sense to import gas from overseas when Australia is exporting large amounts of gas to overseas consumers. But this gas export trade together with other pressures which were unanticipated by the market, has impacted on available supply to and prices for our domestic gas market, and we need to look for other options.

As background, in the mid-2000s, Australian gas producers signed contracts to export gas overseas to meet growing demand in Asia. At that time, prices overseas were much higher than they could charge in Australia. When these contracts to export gas were signed, it was expected that the supply of gas at home would continue to grow at a rate that would allow for both the domestic and overseas market needs to be met. Unfortunately, this hasn't been the case.

AGL does not produce gas for export overseas so is impacted by the current challenges in sourcing affordable gas to meet the needs of residential and business customers.

If AGL imports gas from interstate and overseas it will help Australian gas users by:

- Making gas supply more certain for domestic customers;
- Introducing price competition and help put downward pressure on wholesale gas prices, which should benefit Australian consumers;
- Allowing gas from Western Australia and the Northern Territory to be imported to the east-coast gas market, as these regions are not connected by pipelines; and
- Reducing the urgency to open up more gas fields in Australia.

## What is AGL planning to do?

We are planning a project that will source gas at competitive prices from Australian and international suppliers for our gas customers in south-eastern Australia. The gas would be transported on LNG ships from interstate and overseas, transferred to a storage facility and converted from liquid form back into gas at a jetty and then piped into the existing transportation network.

A ship that stores the liquid gas will be moored at a jetty in an existing port.

The gas import jetty will be connected by pipeline to an existing gas pipeline - the length of this pipeline will depend on the distance between the jetty and the transmission pipeline.

The use of LNG ships is an efficient way to transport gas, either internationally or from other states in Australia. LNG shipping technology was developed to enable gas to be transported over long distances where pipelines are not economic.

## Where will the gas import jetty be located?

Various sites were explored. Naturally, it needs to be on the coast, preferably close to the existing gas pipeline network.

Potential sites have been assessed for:

- The ease of building a pipeline to a nearby gas transmission network;
- The nature of local planning and environmental issues and regulations;
- The availability of existing port facilities, land, roads and pipelines, and
- Minimising the effects of likely future shipping operations.

Following our assessment, Crib Point in Western Port, Victoria has been chosen as the preferred site.

AGL has spoken with the Commonwealth and State Governments regarding the project and is now engaging with local communities around Crib Point.

## Will the Federal Government's gas export controls remove the gas supply problem?

The Government mechanism has been designed as an emergency measure to supply gas to the east coast of Australia during periods of gas shortages. It does not assist the long term contracting of gas that is fundamental to supplying customers with gas contracts.

## How much would the project reduce gas prices?

The cost of gas delivered through this project will be dependent on the international price of gas. Our vision is that the east coast of Australia should never again face the situation where Australian manufacturing businesses are paying significantly more for Australian gas than their overseas competitors, as is happening currently.

## Will the project carry risks?

Like all big industrial and resources projects the gas import jetty will carry some risks. The key is to identify, minimise and manage the risks to the greatest extent possible.

At AGL we believe it's essential we are upfront about risks, especially with a project's neighbours.

There are economic and commercial risks. If the supply or price of gas here or overseas changes to a great degree, the project might become unviable.

Any environmental risks are being identified and will be carefully managed. We are very aware that Western Port is environmentally sensitive and many areas are covered by the RAMSAR international convention on the protection of wetlands.

AGL will prepare for and manage risks to water and air quality and minimise risks to flora and fauna. As LNG ships typically use gas in their engines, unlike most ships that burn heavy oil in their engines, there is a lower risk of spills.

Safety risks will also require careful management. LNG contains large amounts of energy and under specific (and very unlikely) conditions has the potential to explode and burn. In the past, on a few rare occasions, equipment faults and failures of safety practices overseas have resulted in incidents that have led to loss of life and property damage.

Fortunately, very few incidents have occurred at LNG import terminals and there are currently hundreds of LNG ships safely operating, so these risks are well understood and can be managed. The LNG ships that will transport the gas incorporate advanced safety measures.

AGL always puts safety first. We endeavour to apply world's best safety practices for operation of the gas import jetty and will use independent experts to verify the design fully.

## When will all this happen?

AGL is well aware that the shortage of gas is putting pressure on households and industry so we are working to deliver the benefits of this project to Australian consumers as soon as possible.

If everything goes smoothly, obtaining and installing the necessary structures and equipment, going through required regulatory procedures and sourcing the storage ship and reliable LNG supplies, then first deliveries of imported gas could happen in 2020 in time to meet the peak winter demand.

## What will the project cost?

AGL estimates the project will cost up to \$250 million. AGL expects this will be substantially more cost effective than alternatives such as building a pipeline to bring gas from Western Australia.

## Is the project certain to go ahead?

Planning for the project is based on calculations and assessments of many variable factors. Changes in these factors, such as the difference between prevailing international and domestic gas prices, or big shifts in demand for gas, might make the project unviable. In such circumstances, AGL might decide not to proceed with the project.

The current outlook, though, suggests that shipping LNG to south-eastern Australia will provide the best reliability and long term certainty for customers and will be viable for the foreseeable future.

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