Submission Type: Rule Change

Reference: Northern Gas Pipeline – Derogation from Part 23

Organisation: Beyond Zero Emissions

First Name: Eytan

Last Name: Lenko

Email: [redacted]

Phone Number: [redacted]

Comments: IEEFA & EJA have asked the AEMC to remove an exemption that allows the Northern Gas Pipeline to operate without regulator oversight on access and pricing. The 90TJ/day pipeline runs 623km from Tennant Creek to Mt Isa and is essentially complete. Jemena is considering building a new, parallel pipeline to carry fracked gas out of the NT which would expand capacity to 700TJ/day.

Essentially, the exemption (derogation) allows Jemena to:

Charge twice the reasonable rate of return as determined by the Australian Energy Market Operator
Raise its prices by merely writing a letter to the NT minister to inform the Minister of their new prices The net effect is any perceived benefit to the East Coast gas consumer of cheaper NT gas will be captured by Jemena and its shareholders the governments of China and Singapore.

If the Australian Energy Regulator (AER) properly oversees pricing, as it does for all other pipelines, then the expanded pipeline might not be built (see AFR 6/9/18). Jemena is doing all it can to build an uneconomical pipeline. It lobbied the NT government for the exemption and is under investigation by the ATO for a $500m tax evasion scheme.

Without AER oversight consumers could be out of pocket $2.7bn based on reasonable rates of return for other pipelines. That's based on current NGP tariffs. Jemena can change those tariffs at any time by merely notifying the NT government.

The AER oversees pricing and access disputes with a set arbitration regime. Jemena can terminate any arbitration dispute without recourse. It is currently an unregulated monopoly with market abuse capabilities. The exemption was granted "on the basis that the dispute resolution processes in place for the NGP provides similar protections" to the rules. But that's clearly not the case under the current access regime.

Jemena stated in a 2016 US$5bn debt circular that the NGP "will promote (shale) gas exploration and production in the NT" (p116). It follows that the economic case for fracking in the NT will be impacted if the exemption is removed.

The independent Scientific Inquiry into Hydraulic Fracturing in the NT determined that climate change risks as a result of lifetime emissions were unacceptable if fracking proceeded (Final Report p230,239). However, the NT government was able to lift the popular moratorium only because the inquiry actively defied its terms of reference. Jemena says significant gas could flow from NT shale for 150 years (May 2018 US$5bn Offer Circular p117).

Jemena admits that the impacts of climate change can damage its pipeline assets, or operations which supply the gas, which in turn can disrupt the supply of gas to consumers.

If AEMC changes the rules to remove the exemption it would simplify the rules and provide enormous advantages to consumers.