Submission Type: Rule Change

Reference: Northern Gas Pipeline – Derogation from Part 23

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Comments: The Environment Council of Central Queensland has a specific interest in this situation having put in submissions and regarding the North East Gas Interconnector Pipeline (NEGI) and submissions and Request for Reasons for the approvals for the Northern Gas Pipeline (NGP) in the first instance. Please see our responses to the questions below.

Q1: Do the regulatory arrangements applicable to the NGP under the access principles produce similar outcomes to the access regime under Part 23 of the NGR with respect to constraining the exercise of market power by a pipeline service provider?

No. It gives the pipeline the ability to overcharge consumers $2.76 billion over 15 years. The exemption is in effect a $2.76 billion subsidy to enable the construction of a new pipeline to expand the NGP. That pipeline would be by far the most expensive pipeline in Australia under Jemena's access principles.
The expanded pipeline would carry shale gas from the NT which was outlawed under the popular moratorium on fracking in the NT. Shale gas has never been commercially produced in Australia. The situation in Australia carries dangers above US shale industry because our geology means a much greater number of wells are required to extract the same amount of gas. No other pipeline has the exemption. It should be removed.

Q2. Do the regulatory arrangements applicable to the NGP under the access principles produce similar outcomes to the access regime under Part 23 of the NGR with respect to information asymmetry?

No. If the exemption was removed the pipeline would need to publish pricing information under law.

Q3. Are there any special circumstances regarding or impacting the NGP due to which the application of the Part 23 framework for non-scheme pipelines may be inappropriate? What are these circumstances, and how may they impact on the NT and/or east coast gas market?

No. But there are special circumstances that justify the removal of the exemption. The exemption distorts the market. It avoids rules designed specifically to soften monopoly power of pipeline operators. In addition to the serious impacts on health and the environment caused by the extraction and burning of pipeline gas, climate change impacts may damage the pipeline, putting people's safety and their access to gas at risk.

Q4. Does the proposed rule lead to an increase or a decrease in the complexity of the regulatory arrangements?

Decrease. Removing the exemption means the rules will simply apply across the board, as is appropriate.

Q5. What are the likely costs and benefits associated with the proposed rule for market participants within the NT and the east coast gas markets?

Removing the exemption could save consumers over $2 billion in excess charges.
It could also save Jemena money. The company might decide not to build the pipeline and be less exposed to climate change risks in the future. Its investors know about these risks, so removing the exemption won't be a surprise.
Jemena says the pipeline will "promote gas exploration and production activity" for fracking in the NT. There are significant costs to communities on land where fracking might occur and to the broader community as a result of climate change impacts.