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Comment: NSW's looming energy crisis

9 AUG 2013, 3:00 PM - SOURCE: THE CONVERSATION



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THE CONVERSATION

New South Wales is the only major state in Australia that does not have energy security. Its reliance on Victorian and Queensland gas, paired with the vital role gas plays in its homes and industries, have put it in a precarious position.

By [Bill Collins](#), University of Newcastle

New South Wales is the only major state in Australia that does not have energy security. Its reliance on Victorian and Queensland gas, paired with the vital role gas plays in its homes and industries, have put it in a precarious position.

To put it bluntly, the state is heading for a major energy crisis in the next three or four years, and that will severely affect its future living standards and economic growth.

The recently released independent [report on coal seam gas](#) (CSG) – written by NSW Chief Scientist & Engineer, Professor Mary O’Kane – recommends the government commit to a strong regulatory and monitoring system within the CSG industry, and highlights the need for world-class engineering practice. Though the report recommends this commitment and champions further research on environmental impacts, we need to move quickly.

The economic scenario

Gas is a low-cost and reliable energy source that could help us make the shift to an economy based on more sustainable energy sources. But NSW relies on other states – primarily Queensland and Victoria – for 95% of its gas.

The problem for NSW is this low-cost gas supply is disappearing. Queensland’s preference for selling gas to its export market, difficulty in processing and transporting Victorian gas, and the increased cost of extracting unconventional resources such as coal seam gas all threaten NSW’s supply.

By 2018, the state’s contracted gas supply will be almost one-tenth of present volumes. This means NSW will have to pay international prices from 2015; these are as much as three times present levels, a 300% price increase.

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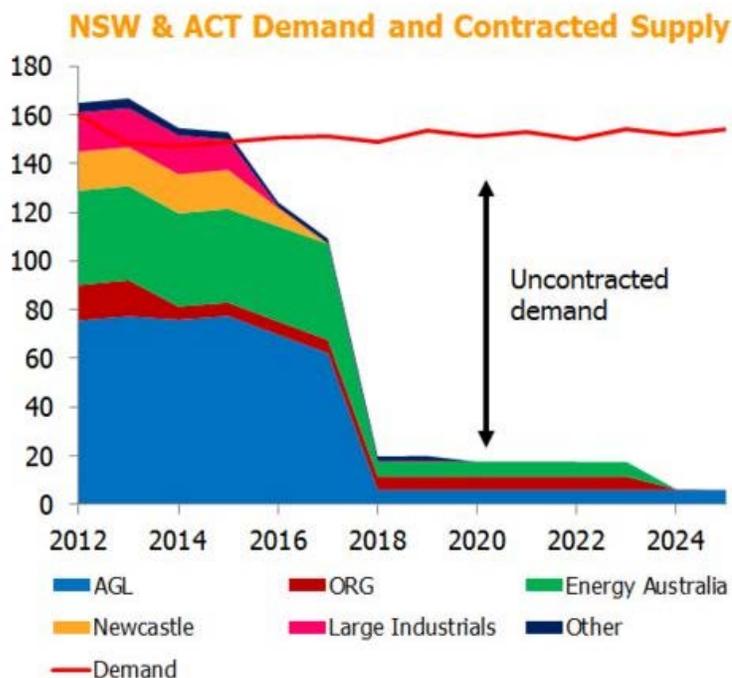
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Worse, the demand for gas in eastern Australia will triple in the next three years. Most homes use natural gas, so other states will want to save their supplies for their own use. NSW will be left in the cold.

Most of our gas supply is used for manufacturing industries and supply of electricity. A diminished gas supply means prices for goods and services will go up too. Additional flow-on effects are company closures and job losses as some industries become incapable of absorbing the additional costs.

A diminishing gas supply sends a poor message to energy investors in NSW. Already, several CSG companies have pulled out, and international investors are keenly watching to see what happens next. International investment is dwindling because of the uncertainty within the industry.

Increasing state energy supplies though burning more coal in the Hunter is another option, but this will only worsen the environmental situation. There is also a strong wastage aspect, because approximately one quarter of the energy produced is lost in electricity transmission to Sydney.

The political scenario

NSW should produce more of its own gas for energy security. But in early 2013, in response to increasing community concerns and land-use conflicts, the NSW Government introduced legislation to restrict gas exploration. Exploration is now excluded over much of the Sydney Basin, the part of the state most likely to yield CSG.

There is also a 2km exclusion zone around urban areas and designated critical industry clusters, including agricultural land. At the same time, the government commissioned Professor O'Kane to undertake a comprehensive independent review of the industry.

The report found the industry can be "effectively managed through high standards of engineering, rigorous monitoring, and supervision of operations". It calls for further research into environmental impacts. The report suggests commitment to CSG extraction, with the following caveats:

- ▶ The industry must follow worlds-best practice.
- ▶ We need comprehensive and accessible data-repositories (providing information and transparency).

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- ▶ Baseline data has to be collected for future reference.
- ▶ Industry participants must be trained and certified.
- ▶ Any extraction must include significant and ongoing research and monitoring.

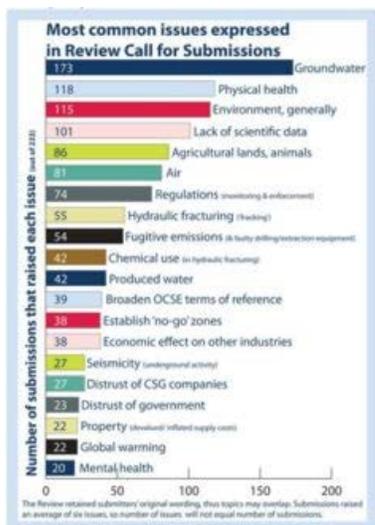


Figure 2.1: Most common CSG concerns submitted to Review, out of a total of 233 submissions received between 26 March and 11 July 2013.

People are concerned about CSG's effect on groundwater. Chief Scientist & Engineer, Mary O'Kane 30 July 2013

Of the 230 submissions to the review, 75% mentioned groundwater as a key issue.

O'Kane's report does not ignore this, and is consistent with results from the 2011 Namoi Catchment Water Study and the 2012 study by Dr John Williams, former Chief of CSIRO Land and Water Division. They all indicate the surface footprint of CSG operations is modest compared with other human activities, but issues still exist around potential groundwater impacts.

Dr Williams suggests the most rational path forward is to develop fact-based regulations on what is currently known, but continue research for information to support controls in the future.

A way forward

The NSW government can avert the looming energy crisis. It has shown due diligence, proceeded cautiously, and identified the issues around land use and water. Professor O'Kane has made some excellent recommendations to take the industry forward, including the need for significant and ongoing research.

But the priority must be about securing energy for the population and keeping energy prices down. The government can minimise risks using the knowledge already at hand to regulate the industry, continue to monitor the process, and take a longer term approach to fully understand the environmental impacts through research funding.

There is no time to do it the other way round.

Professor WJ Collins is Director of the NSW Institute for Frontiers Geoscience at the University of Newcastle. It is not funded by the CSG industry, nor has any research funding with companies affiliated with the industry. Prof Collins does not work for, consult to, own shares in or receive funding from any company or organisation that would benefit from this article. Professor Collins receives funding from the Australian Research Council.

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ridiculous situation

Grant - from Wollongong, 2 days ago

I find it a ridiculous situation, Australia has some of the largest LNG reserves in the world, but domestically we pay the highest prices and potentially facing a shortage? We sell far too much of our natural resources to foreign interests at low prices for little gain for the average Australian. I can recall John Howard's delight with the multi-billion LNG deals to export our gas overseas at now rock bottom prices.

👍 Agree 0 🗨 Disagree 0

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