

## **Key messages**

- Excellences, Ladies and Gentleman, thank you for the opportunity to address this important forum, and thank you to our hosts the Chinese Government and the people of Beijing for their hospitality.
- Deep condolences to our Turkish Colleagues on this morning's devastation.
- Thank you David and thank you to the speakers for your valuable insights. I am privileged to speak in your company.
- I would like to spend a little time talking about Australia.

## *Australian Gas Success Story*

- Australia has a very exciting and positive story to tell regarding its LNG industry and we have been one of the biggest beneficiaries of what has often been called the commodity super-cycle. Indeed we are the lucky country.
- Since 1993 when Australia was only exporting LNG from our North West Shelf, until 2014, Australia has maintained a global market share of between 7 and 10 per cent, even as new exporters entered the market.
- Since 2003 Australia has seen \$200 billion worth of investment in the LNG sector – some of these have commenced production with others still under construction.
- This investment has seen Australia's LNG export capacity rapidly expand and in 2015 Australia became the second largest LNG exporter

with a 12 per cent market share, as new capacity on our east coast came online.

- Australia is today on track to become the largest exporter of LNG by 2020. We will also be the only country in the world that is producing LNG from conventional means, unconventional means, and when Shell's Prelude is up and running, from what will be the largest floating LNG facility.
- We're on track to have ten LNG plants comprising of 21 trains and 86.6 million tonnes per annum by the end of this decade.
- Looking into the future as a number of our projects move from construction to production, capacity is improving and cost pressures on new and existing projects are easing.
- Importantly, Australia has allowed the market to determine the pricing of our LNG, and the Australian Government will continue to support and promote investment by building on our reputation as a reliable and stable supplier of high-quality product.
  - A key element of this will be maintaining an attractive, flexible and stable policy and regulatory regimes and through open trade and investment.

### *Gas in the broader energy supply mix and transition to a lower carbon world*

- I'd now like to offer some comments about gas in the broader energy supply mix and transition to a lower carbon world.
- In Australia the vast majority of our electricity is generated from fossil fuels. The majority is from coal, closely followed by gas. Over

the past 5 years, we have seen an increase in the uptake of renewables.

- For a number of years we have been talking about natural gas as a transition fuel, with its lower carbon footprint than coal.
- Natural gas is also a great complementary fuel, especially when used in partnership with renewable energy for peaking plants that can be quickly dispatched into the electricity market.
- With the commencement of our unconventional gas industry on the east coast of Australia, these projects have had a dramatic impact on the domestic supply-demand balance, with flow-on consequences to price.
- While there are sufficient east coast reserves to meet likely demand for the foreseeable future, what is not clear is whether these reserves will be developed in a timely fashion.
- Noting this uncertainty, the Australian Government tasked our competition regulator to undertake an Inquiry into our wholesale gas prices in the context of our east coast gas market.
- The Inquiry's report, which was released in April this year, noted the upending of gas market certainty by the start of LNG exports from eastern Australia and linking of domestic prices to international prices for the first time.
- A key finding also related to the role of governments in responding to gas developments, particularly around our Coal Seam Gas as it relates to community concerns around, for example, fracking and potential impacts on water resources and the environment and land use.

- In Australia these community concerns have led to state governments implementing various regulatory measures, with some limiting or banning these gas developments. The Report concluded that moratoria and other regulatory impediments are preventing and restricting new developments, and specific risks should be dealt with on a case by case basis and not blanket moratoria.
- And, of course, if supply is compromised, prices will increase. This runs the risk of compromising gas as a fuel of transition.

### Growing role of gas in regional energy security

- Finally as we continue to talk about energy security, natural gas must be part of that conversation.
- Demand for gas will continue – between 2010 and 2030, some estimate the world's population is to increase by 23 per cent; the world's middle class will double; there is a huge amount of urbanisation happening; and gas, according to the IEA, is the only fossil fuel that will increase as a percentage of the overall energy mix.
- They estimate natural gas as a share of total primary energy supply increased from 19% (in 1973) to 26% in 2012 and that this trend will continue.
  - Global LNG trade encompasses a diverse group of suppliers from 19 countries, with no country providing more than one-third of global LNG supply

- These growing interlinkages means that the impact of gas supply disruptions will no longer be limited to one or two countries – but will be more global.
- This is a strong and clear reflection of the growing role and impact of gas in regional energy security.
- There are clear opportunities to collaborate with international energy organisations to harness their expertise to inform our global policy considerations in regional energy market security.
- We should as our government’s energy leaders start asking the policy questions and considering answers of what our regional energy security will comprise and how we should be ensuring that it also recognises that gas has a growing and integral role to ensuring our long term future energy security.

### Conclusion

- In concluding, let me again highlight that it is our responsibility as G20 energy leaders, to
  - provide clear guidance that gas is and will remain an important and integral part of the global energy mix and that
  - stable, efficient and transparent market and regulatory frameworks are needed to underpin commercial investment in energy resource development.
- Thank you

