

Australian Energy Market Operator to issue an alert for gas shortfall

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Authorities are set to issue a fresh warning of gas shortages on Australia's east coast, with a supply squeeze set to hit southern states by 2026 during peak winter demand.

The Australian Energy Market Operator is set to issue the alert shortly in its annual gas outlook which lays out a long-term forecast for the nation's supplies.

Sources told The Australian that gas supply in southern Australia continued to fall faster than projected demand, sparking fears of a looming gap in winter when households and big manufacturers rely most heavily on the fossil fuel.

Major supply sources in Victoria's offshore Gippsland Basin continue to fall and the failure to deliver any of the proposed LNG import facilities along the east coast continues to stoke concerns of a supply gap in Victoria, NSW and South Australia.

Officials are expected to signal to the market that states including Victoria, NSW and South Australia may be vulnerable in coming years under extreme conditions in winter, when average consumer demand is three times higher than in summer.

The stark figures will underscore Australia's challenging energy transition and may reignite a debate over the vast volumes of gas exported from LNG plants in Queensland's Gladstone to customers in Asia. The supply situation for southern states still largely hinges on supplies being sent south from Queensland's big LNG export facilities, which are major contributors to domestic markets in addition to their foundation buyers in Asia.

The looming gas gap may overshadow price relief, after Tuesday's draft default market offer showed electricity prices were falling for many households and business.

A year ago AEMO predicted the east coast faced gas shortages every winter until 2026, with production from offshore fields plummeting and delays in sanctioning several LNG import plants needed to boost supplies.

At the time the energy agency also downgraded the nation's first potential LNG import plant in NSW's Port Kembla, owned by Andrew Forrest, citing a lack of customers.

A second LNG import plant which Viva Energy wants to develop in Geelong also faces more delays, adding to fears over energy rationing along the east coast, after the Victorian government has requested more details before deciding whether to approve the project.

Rystad Energy LNG & Power Markets Research Kaushal Ramesh says they are “running out of gas’ on both... coasts. Mr Ramesh said there has been “a lot of opposition” to gas developments on the east coast of Australia. “And demand isn’t falling down fast enough. “On the west coast, the demand’s [More](#)

There has been little good news this year.

Origin Energy decided to not exercise an exclusive agreement to underwrite an LNG import terminal after determining it was unable to bear the risk, with large gas users unwilling to sign multi-year agreements.

Origin last year signed a preliminary agreement to potentially underwrite development of Venice Energy’s LNG import terminal in South Australia, which would have given it exclusive use of the Outer Harbor LNG import terminal near Port Adelaide for 10 years. But sources familiar with the matter told The Australian that Origin will not exercise its option after struggling to get large users to sign multi-year contracts.

The decision, which could still be reversed if major industrial clients reach supply agreements, will mean Australia’s eastern seaboard would become almost reliant on new developments or have to source gas through Mr Forrest’s LNG import terminal – which users have so far shunned.

Analysts have said Australia’s energy industry and manufacturing sectors will be significantly affected by a gas shortfall.

ExxonMobil – one of Australia’s largest producers of domestic gas – last year said its Gippsland Basin joint venture, which supplies more than 70 per cent of southeast Australia’s domestic gas demand, was rapidly dwindling.

The structural deficit leaves the eastern seaboard facing an uncertain future. New developments have been curtailed in NSW and Victoria, while new pipelines would be needed to unlock potential supplies in the Northern Territory.

This could be prohibitively expensive and would require significant local support.

While Australia is among the world’s largest gas exporters, a lack of supplies left available for domestic use have put the nation into the unusual position of having to develop import plants to ensure enough gas can be sourced for local businesses.

Australia’s east coast gas market has been crimped in the past few years due to Queensland liquefied natural gas exports, onshore development restrictions, falling Bass Strait production, and the increasing cost of bringing new domestic supplies to market.