



To whom it may concern

**RE: Request for approval of a new distribution system - Australian Gas Networks Ltd (Mt Barker, Littlehampton and Nairne)**

(uploaded 16<sup>th</sup> December 2016)

Please find the following comments from the Conservation Council of SA in response to the application.

In Attachment 2 – Operational Information

At item 2.3 AGN notes that the proposal is consistent with the National Gas Objective requirement to:

*“promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply”*

It asserts consistency by making bold claims that the reticulation of LPG in the District by AGN provides the following benefits to customers:

- natural gas and LPG is a low carbon energy choice with significantly lower carbon intensity than electricity generated from coal;
- the continued use of natural gas ensures a diversified and competitive energy mix, which competition can assist in putting downwards pressure on energy prices and also increases the security of supply to customers;
- support for industrial projects which use natural gas as a key input;
- natural gas is safe and reliable; and
- the reticulation of LPG may result in the extension of AGN's natural gas distribution network, which would result in lower prices for all South Australian's as our largely fixed cost base would be spread over a larger customer base.

## Comments

### 1) Source of gas supply

Whether natural gas and LPG in use as a distributed energy source have a lower carbon intensity than electricity depends critically on the source of the gas, especially whether it is derived from unconventional gas.

There is currently pressure for SA to make use of unconventional sources, partly on account of the limited and declining supply of conventional gas in SA and the fact that in the whole of eastern Australia the known supplies of gas are much less than would be required to make the operation of the recently constructed Qld gas liquefaction plants economic, and enable servicing of the debt incurred in constructing them.

In US experience, where actual measurements have been made of fugitive emissions, unconventional gas is found to be associated with vastly higher levels of methane release to the atmosphere – up to 25 times as much as is true of conventional gas. In the absence of very much more stringent control of conventional gas extraction – which are likely to result in much greater production costs, the claim that gas is able to provide a lower carbon intensity than electricity needs to be substantiated.

### 2) Gas vs renewable electricity

With the closure of the Northern power station, the SA electricity grid is far more reliant on electricity sourced from wind and solar, rather than from coal. Gas is far more carbon-intensive than renewable electricity. Therefore the extension of the gas distribution network, if it displaces electricity sourced predominantly from wind and solar, will potentially increase, not decrease consumers' carbon footprint

### 3) Lowering bills for consumers

AGN does not provide any evidence for its claim that reticulation of gas will result in lower prices for consumers. With the increased pressure from the push for export price parity, gas prices for consumers are expected to increase significantly, not decrease.

CCSA believes that AGN should be required to provide greater evidence to support its claims regarding price benefits for consumers; emissions intensity and reliability of supply.

Please contact me if you have any questions about these comments.

Yours sincerely,



**Craig Wilkins**  
**Chief Executive**