

NEW SOUTH AUSTRALIAN GAS POLICIES

16 March 2017 | Australia

Legal Briefings - By **Belinda Fan** and **David Douglas**

The South Australian Government announced a series of new energy policies on 14 March 2017. These measures follow recent blackout and load shedding events which drew sharp attention to the State's energy security.

Details are unfolding but here is what we know so far.

The \$550 million package is aimed at providing greater security and reliability in the State's electricity system. The measures comprise the following:

- A new \$360 million government-owned 250MW gas-fired power plant.
- A new \$150 million fund to support the construction of a 100Mwh battery storage plant by the private sector, to be built by summer 2018. The battery plant will be privately owned, but the State will have the option to access capacity during high electricity demand period. A number of bidders have expressed interest to construct such a plant, including Tesla, ZEN Energy, Lyon Solar and Carnegie Energy.
- New Ministerial powers, to be used as a last resort, to directly intervene in the market by ordering it to operate in the interest of South Australians. This is the most immediately controversial piece of the package. These new powers potentially allow the State government to direct the Australian Electricity Market Operator (AEMO) to control electricity flows to Victoria and New South Wales. The Commonwealth Government has indicated that it is receiving legal advice regarding the legality of this proposed action by South Australia.
- Paying landowners 10% royalties for gas generated from their land.

- Increase the Program for Accelerating Exploration (PACE) grant scheme by an extra \$24 million to \$48 million to incentivise gas exploration and extraction.
- Introduce an Energy Security Target to force electricity retailers to purchase 36 per cent of their power from baseload sources generated in South Australia.
- Use the State government's purchasing power through its own electricity contracts to encourage the construction of a new privately-owned power station.

IMMEDIATE REACTIONS?

Clearly more details are needed to understand the full impact of the South Australian measures including: what would be the source of feedstock gas for the new power plant?

The new South Australian policies introduce a new facet to the kaleidoscope of State gas policies on the East Coast, which now include:

- direct government funding of gas extraction and consumption (South Australia);
- moratorium on onshore gas exploration (Victoria);
- moratorium on (somewhat theoretical) fracking activities (Tasmania);
- potential unfreezing of new petroleum authorisations (New South Wales);
- a new gas plan and a trial for prospective domestic gas reservation (Queensland); and
- a government willing and eager to sell gas (Northern Territory).

As we are writing this, the Federal Government has extracted a promise from major gas suppliers to meet domestic gas demands and announced a \$2 billion expansion of the Snowy Hydro project, while the gas industry continues its call for co-ordinated federal and state government energy policies at the Australian Domestic Gas Outlook conference.

So, slow news days coming up in the energy industries...

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