



Gary Gray

Federal Resources and Energy Minister



Northern
Territory
Government

Adam Giles

Northern Territory Chief Minister

Joint Media Statement

May 27, 2013

Step toward securing the Territory's gas supply

The Commonwealth Government and Northern Territory Government have today signed a Memorandum of Understanding (MOU) which takes an important step towards ensuring the Northern Territory's gas supply is secured for the future.

"This MOU is an important means to help promote the Northern Territory's future economic prosperity," Resources and Energy Minister Gary Gray said today.

"Both the Commonwealth and the Northern Territory Governments recognise the critical importance of supporting the Territory to achieve its full economic potential and we are determined to play our part in facilitating an effective outcome."

The Chief Minister of the Northern Territory, Adam Giles, said gas to Gove would further encourage investors who choose to do business to develop Northern Australia.

"Onshore gas exploration is speeding up and the potential in the Territory is remarkable," Mr Giles said.

"The Territory needs to be known as a safe, free-market jurisdiction and a place to do business.

"Businesses and government can achieve mutually desirable goals, provided businesses are willing to invest.

"The MOU focuses on ensuring that gas resources are sustainably developed in the national and community interest."

Effective immediately, the MOU will underpin an active and co-ordinated approach to promoting the exploration and timely development of offshore and onshore gas resources. Its objectives are:

- To ensure long term secure gas supply for the Northern Territory, in particular to facilitate the supply of gas for domestic and commercial use for all customers in the NT, including Rio Tinto's Gove Alumina refinery;
- To reduce the risks associated with gas supply security in the Northern Territory due to exploration and development not meeting demand; and

- To encourage competition between gas suppliers for the benefit of consumers and thus avoid an artificial or distorted gas market within the Northern Territory.

“Businesses and communities need certainty of energy supply and a competitive energy market if they are able to prosper into the future. Today’s announcement is an important step towards delivering greater energy certainty to all Northern Territorians,” Mr Gray said.

“Importantly, the MOU recognises that both Governments have important roles to play in the exploration, development and production of new gas resources. A successful partnership is vital if we are to ensure the Northern Territory can continue to benefit from these resources and stimulate local and regional economic development accordingly,” he said.

Media Contacts

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| For Mr Gray: | John Arthur | 0408 991 261 |
| For Mr Giles | Lauren Crawley | 0417 145 050 |

**Memorandum of Understanding
between
the Northern Territory of Australia and the Commonwealth of Australia to
encourage onshore and offshore gas exploration and development for
increasing competitive supplies within the Northern Territory to underpin
energy security and economic development**

Preliminaries

The parties to this memorandum of understanding (MOU) note that:

- securing a sustained gas supply is critical to support the future economic prosperity of the Northern Territory;
- known onshore and offshore gas reserves may be already committed under existing or planned commercial developments;
- future domestic gas supply security requires the exploration and development of new gas resources for utilisation in the Northern Territory;
- the Northern Territory Government on 16 April 2013 confirmed that it will not be introducing a gas reservation policy; and
- there is a role for governments in facilitating the supply of gas within the Northern Territory.

Neither party enters into this MOU with an obligation to fund any initiative or activity.

Parties to the MOU

- The Government of the Northern Territory represented by the Department of the Chief Minister; and
- The Government of the Commonwealth of Australia represented by the Resources, Energy and Tourism portfolio.

Principles

- In accordance with the strategic policy framework outlined in the 2012 *Energy White Paper*, the Commonwealth Government is committed to ensuring that gas resources are sustainably developed in the national and community interest.
- The supply of gas is best achieved through open, transparent and competitive markets on commercial terms between suppliers and customers.
- It is recognised exploration and development may not occur in a timely manner due to a range of economic and commercial factors, including uncertainty about longer-term demand for gas in the Northern Territory.

Objectives

- To ensure long-term secure gas supply for the Northern Territory.
 - In particular, to facilitate the supply of gas for domestic and commercial use, including electricity generation for all customers in the Northern Territory including Rio Tinto's Gove Alumina refinery.
- To reduce the risks associated with gas supply security in the Northern Territory due to exploration and development not meeting demand.

- To encourage competition between gas suppliers and avoid an artificial or distorted gas market within the Northern Territory.

Roles of the Parties

The Commonwealth Government and Northern Territory Government will:

- Actively pursue a coordinated approach to promoting the exploration and timely development of offshore and onshore gas resources. While recognising that there is a need for legislative certainty and that legitimate commercial interests are the key determinant in developing gas resources, both Governments will pay close attention to encouraging petroleum titleholders to meet domestic gas demand where commercial returns can be demonstrated.
- Coordinate activities through the Standing Council on Energy and Resources (SCER) to monitor the development and production of new gas resources.
- Continue to support the SCER's gas market policy agenda based on the two core gas market policy principles of:
 - ensuring that supply can respond flexibly to market conditions; and promoting market development.
- Continue to support the implementation of SCER's *Australian Gas Market Development Plan* to promote more efficient gas markets including:
 - the new voluntary upstream gas supply hub trading market; and
 - improvements to the reporting of new gas resources production data.
- Work with their respective geoscience agencies to identify options for increasing the availability of precompetitive information to accelerate the rate of exploration within and adjacent to the Northern Territory.
- Remove any barriers to the sharing of information, on gas resources and developments between the Commonwealth and the Northern Territory in order to support strategic planning and decision making.
- Work together along with gas market bodies and industry in the Northern Territory to:
 - maintain open and well-functioning gas market arrangements to encourage the timely and efficient supply of gas at competitive market prices;
 - address regulatory and other impediments to the timely development of our gas resources, including new gas resources;
 - ensure timely commercial development of Commonwealth offshore gas resources, including through updated Commonwealth retention and development approval conditions;
 - explore options to promote increased liquidity in gas markets; and
 - closely monitor developments in Australian gas markets, particularly projected supply–demand balances, and the emergence of potential impediments to adequate domestic supply.
- Promote more efficient gas markets by working through SCER's gas market reform program to:

- enhance transparency and reliability of supply and support a gradual evolution towards a liquid gas commodity market; and
- further consider the merits of reviewing pipeline capacity trading, including potential mechanisms for utilising unused (but contracted) capacity.

The Northern Territory Government:

- Will be responsible for the development and implementation of policies to promote and encourage the exploration and development of gas resources onshore and in coastal waters in the Northern Territory.

The Commonwealth Government:

- Will be responsible for the development and implementation of policies to promote and encourage the exploration and development of gas fields in Commonwealth waters.
- Will in a coordinated and efficient manner encourage upstream petroleum companies to explore for and develop gas resources within Commonwealth waters adjacent to the Northern Territory.
- Will continue to rigorously apply the commerciality criteria in assessing and managing offshore retention leases and ensuring that all genuine development options, including domestic gas supply, are pursued when evaluating production licences.
- Will have greater regard for the potential of projects to supply the domestic market where that is commercially feasible, when assessing retention lease applications and considering the granting of a production licence.

Activities and Outputs

- Representatives of the parties to this MOU will meet regularly either in person or by teleconference to discuss and advance issues and initiatives pertinent to the objectives of the MOU.
- The Northern Territory Chief Minister, or representative, and the Commonwealth Minister for Resources and Energy, or representative, will meet in person or by telephone on a regular basis to advance and agree to significant developments and initiatives.
- This MOU will endeavour to develop and deliver initiatives to enable an open, transparent and affordable gas market in the Northern Territory

Term of MOU

- This MOU will be effective from the date of execution.
- This MOU will remain in place until both parties agree that gas exploration, development and supply has been advanced to satisfactory point.
- The continued need for the MOU will be reviewed by both parties after five years.