

Dr Alan Eggleston

Senator for Western Australia



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General Manager
Adjudication
Australian Competition & Consumer Commission
adjudication@accc.gov.au

MINISTERIAL

Dear Sir

North West Shelf Project – Authorisations: A91220 - A91223

I refer to the recent applications for authorisation lodged by the participants in the North West Shelf Project (BHP Billiton Petroleum, BP Developments Australia, Chevron Australia, Shell Development (Australia) and Woodside Energy) (the NWS venture participants).

As you may be aware, in 2008 I was a member of the Senate Standing Committee on Economics which conducted an inquiry into joint marketing arrangements associated with the North West Shelf Project.

For over 25 years, the NWS participants have jointly marketed and sold domgas to customers in Western Australia. The joint venture production and marketing arrangements have underpinned significant and ongoing capital investments made throughout this period. This type of joint venture activity, particularly when it is related to the development and operation of large scale infrastructure, is often pro-competitive and can help relatively small markets develop and grow. As you are aware, the North West Shelf Project also makes a substantial contribution to the Western Australian State and the Commonwealth economies.

Whilst it is essential to ensure that the Western Australian gas market is workably competitive and provides a good outcome for gas buyers, I do not believe that an attempted shift to separate marketing by the NWS venture participants would result in greater levels of competition or lower domgas prices in Western Australia at this time. This is because the Western Australian domgas market is small, relatively immature and subject to 'lumpy' step changes in both supply and demand. In this regard, I concur with the analysis and findings of the ACCC in its recent authorisation determination relating to the Gorgon joint venture.

In these circumstances, I support the NWS venture participants in their applications for authorisation of jointly marketing relating to the North West Shelf Project. Given the structural features of the Western Australian domgas market and the high dependence of WA industry on gas supplied from the North West Shelf Project, I believe public benefits are likely to continue to result from the joint marketing activities. These benefits include increased industry investment in productive infrastructure and greater security of gas supply.

I note the proposed North West Shelf Project authorisations would allow joint marketing to continue until 2016, at which time the ACCC can again review any relevant market developments in Western Australia.

Yours sincerely

Senator Alan Eggleston

