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3 July 2015

Roger Dargaville
Deputy Director
University of Melbourne Energy Institute



Keir Delaney
Secretary, Environment & Planning Committee Parliament House
Spring Street
Melbourne VIC
3002

Dear Secretary

Re: Inquiry into Unconventional Gas in Victoria

Over the next few weeks, the University of Melbourne Energy Institute (MEI) will complete research focusing on gas demand and reserves depletion in eastern Australia, including Victoria. This report will likely be very relevant to the Inquiry into Unconventional Gas in Victoria.

We believe that consideration of future gas demand in eastern Australia is key to valuing developed and undeveloped Victorian gas resources. Also critical is a comparison of the costs and benefits of new gas field developments versus reducing gas demand with energy efficiency and fuel-switching measures.

In January this year, MEI produced a report covering gas demand in New South Wales and testified at the NSW gas inquiry underway at that time.

(See <http://www.energy.unimelb.edu.au/dash-gas—could-demand-new-south-wales-fall-half>)

That January MEI report covering New South Wales presented a reasonably-possible scenario when within 10 years, gas demand in NSW falls to half of the levels seen in recent years. That scenario considered gas-demand-impacting factors such as:

- rising gas prices
- warming winter temperatures and the impact of these on space-heating needs
- the projected post-carbon-price-repeal economics of gas for electricity generation
- the relative costs of purchasing and operating electrical and gas appliances for households and commercial buildings
- industrial energy efficiency and fuel switching.

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Furthermore that report included new and important research and information including;

- a breakdown of industrial, residential, and commercial gas use in NSW
- policy opportunities to mitigate the impact of gas price increases on industry and households.

As well as providing new analysis, that report synthesised important recent research by organisations such as:

- AGL
- The Alternative Technology Association (ATA)
- The Australian Energy Market Commission (AEMC)
- The Australian Energy Market Operator (AEMO)
- The Australian Government Bureau of Resource and Energy Economics (BREE)
- The Australian Government Bureau of Statistics (ABS)
- The Australian Industry Group (AIG)
- Climate Works
- Deloitte Access Economics
- The Energy Networks Association (ENA)
- Energy Quest
- The Grattan Institute
- The Independent Pricing and Regulatory Tribunal of NSW (IPART)
- The International Energy Agency (IEA)
- The NSW Government Department of Trade and Investment, Resources and Energy.

Our present research will be a broader analysis considering gas demand across all of eastern Australia (including Victoria) and will also comment on reserves depletion.

When MEI's present research is complete in a few weeks' time we would welcome the opportunity to present that research to the Victorian Inquiry.

Yours sincerely,

Roger Dargaville

CC: Tim Forcey - Energy Advisor Melbourne Energy Institute

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