# Fresh alarm on WA gas as 2025 shortfall looms

Angela Macdonald-SmithDec 14, 2021 – 12.07pm

Western Australia is facing potential shortages of domestic gas starting in 2025 due to downgrades to reserves at existing fields that have reduced likely supplies into the local market and are helping push up prices.

Between 2025 and 2027, domestic gas demand in the state is forecast to exceed likely supply by 51 petajoules or by up to 85 terajoules a day, the Australian Energy Market Operator advised in its annual outlook for the WA gas market. It brought forward the date when supplies may fall short by several years compared with its report 12 months ago.

Some gas plants such as the North West Shelf venture's Karratha facility have spare capacity. ***Aaron Bunch***

This year's analysis indicates that "supply is expected to exceed demand until at least 2024, with the market tightening in the middle of the 10-year outlook period and then levelling out again from 2027," said AEMO's WA markets group manager, Martin Maticka.

Sources pointed to big hikes in contract prices for gas in WA as the potential squeeze looms, with talk of contracts being negotiated at prices of about $7 a gigajoule, up from about $4.50/GJ last year.

The WA gas price index surged 7 per cent in the September quarter, its biggest percentage jump since 2015, noted consultancy EnergyQuest, citing Australian Bureau of Statistics data.

The WA market has typically been insulated from rising international prices due to its domestic gas reservation policy, and has been soft for the past five years, with prices well below those on the east coast.

Credit Suisse says spot prices in WA have more than doubled from 2020 lows to edge above $5/GJ and contract prices are following, forecasting WA contract gas prices could rise above $8/GJ to rival prices in the east coast market.

"From record-high prices a decade ago, to record low prices last year, Australia's west coast gas market may be heading towards a structural shake-up that may challenge the status quo for producers, buyers and policymakers," Credit Suisse analysts Saul Kavonic and Sandy James said.

They pointed to Strike Energy, followed by Beach Energy and Santos, as stocks best placed to benefit from rising prices, which come amid uncertainty over the timing of new supply, "recalcitrance" among LNG producers towards the domestic market, and upward pressure on US gas pricing.

AEMO cited reserves downgrades at Santos' Reindeer gas field that supplies its Devil Creek gas plant and at BHP's Macedon field as the reason behind the changed forecast compared with its 2020 report, which only foreshadowed a potential supply gap at the back end of the decade in 2029 and 2030.

Reserves have also recently been downgraded at Woodside fields that supply large LNG plants, including Julimar-Brunello and Pluto.

AEMO's outlook has supply exceeding demand in 2022 and 2023, and roughly balanced in 2024. But in 2025, a shortfall of 42 TJ/day emerges, widening to 85 TJ/day in 2026 before narrowing to 13 TJ/d in 2027. The start-up of Woodside's $16.5 billion Scarborough gas project, which it is assuming in mid-2027, then is expected to return the market to surplus until 2031.

The outlook is based on an assumption that demand for gas by the WA domestic market rises from 1071 TJ/day in 2022 to 1150 TJ/day in 2031, representing average annual growth of 0.8 per cent.

AEMO said the expected shortfall in supplies in 2025-27 could be alleviated by withdrawing gas from storage, delivering up to 210 TJ/day, increasing supply from plants that have spare production such as the North West Shelf venture’s Karratha gas plant, or by developing fields that are not yet included in the potential supply forecasts, such as Santos’ Corvus or the onshore Lockyer Deep field held by Energy Resources and Norwest Energy.