Institute for Energy Economics and Financial Analysis
ieefa.org

91 Percy Street
Warwick, QLD 4370
aus_staff@ieefa.org

18 December 2025

To: New South Wales Government, NSW Planning
Re: Narrabri Lateral Pipeline (SUB-102120207)

Thank you for the opportunity for the Institute for Energy Economics and Financial Analysis (IEEFA) to provide input to the assessment of the Narrabri Lateral Pipeline proposal.

IEEFA is an independent energy finance think tank that examines issues related to energy markets, trends and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy.

In IEEFA's view, consideration of Santos's proposal to build the Narrabri lateral pipeline, as part of the broader Narrabri gas project, should be delayed. This is because the Australian Government is considering options to increase domestic gas supply as part of the Gas Market Review, with the outcome having implications for the likelihood of domestic gas shortages and the need for Narrabri gas. Studies have shown that making more Queensland gas available to southern markets could lower gas prices in NSW, whereas Narrabri gas is unlikely to lower gas prices.

There remain a number of uncertainties with Narrabri, including legal cases and stakeholder opposition from farmers, landowners, unions and indigenous groups. The Narrabri gas project will also account for a significant share of the state's greenhouse gas (GHG) emissions, and is not consistent with the NSW government's emissions reduction targets.

Kind regards,

Kevin Morrison, Energy Finance Analyst, Australian Gas

91 Percy Street
Warwick, QLD 4370
aus_staff@ieefa.org

Introduction

Santos has proposed developing the Narrabri gas project to meet domestic gas demand in the context of possible gas shortages.

However, the Australian Government is considering policy options that may make cheaper sources of gas available before Narrabri, to address potential gas shortages.

Narrabri gas is more expensive than Queensland gas

Santos cites the Australian Government's Future Gas Strategy Analytical Report to support the development of Narrabri gas, yet the same report estimates that gas from undeveloped fields in the Surat Basin in Queensland would be delivered to Melbourne at a lower cost (A$9.16-A$10.42 per gigajoule (GJ)) than Narrabri gas (A$11.37-A$12.62/GJ).[1,2]

Production costs for developed Surat fields in Queensland may be even lower. Australia Pacific LNG (APLNG), the largest LNG project in Queensland, had an estimated cost of production of AU$4.20/GJ in the 2024-25 fiscal year.[3] That said, this production cost is forecast to rise to between AU$4.30-AU$5.0/GJ in FY2025-26.[4]

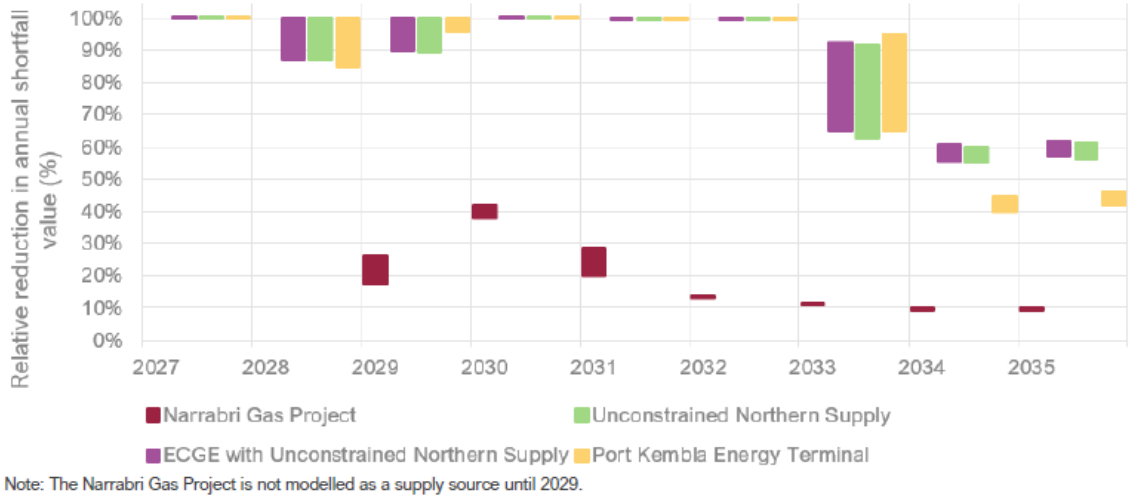
A recent study by consultancy Energy Edge estimated that increasing Queensland gas supply by 30PJ per year could cut gas prices by 18% in NSW, 21% in Queensland and 22% in Victoria. This modelling shows that additional Queensland gas could be delivered to southern markets at a lower cost than gas from Narrabri, meaning it will be more likely to deliver lower prices.[5]

The Australian Energy Market Operator (AEMO) assessed four different gas supply options for eastern Australia, concluding that Narrabri would be less impactful in meeting NSW and eastern Australia gas demand than the other three options. The study assessed four supply scenarios to increase gas supply: the development of Narrabri; an LNG import terminal (Port Kembla Energy Terminal (PKET)); unconstrained northern supply (Queensland); and expansion of the existing gas pipeline network in eastern Australia.[6] The Narrabri Gas Project scenario does increase available supply within the model, but at a reduced scale and benefit compared to the other three scenarios."[7] Figure 1 below shows that of the four options assessed by AEMO, the Narrabri gas project would have the smallest impact on mitigating potential gas shortages.

[1] NSW Government. Planning. Narrabri Lateral Pipeline. Chapter 21 – Justification and conclusion Page 21.1.
[2] Australian Government. Department of Industry, Science and Resources. Future Gas Strategy Analytical Report. Page 90.
[3] Origin Energy. FY25 Results. Page 23. 14 August 2025.
[4] Ibid.
[5] The Energy. East coast gas users eye LNG exporters. 26 November 2025.
[6] AEMO. New South Wales Gas Infrastructure Review. Pages 56-57. May 2025.
[7] Ibid. Page 59.

91 Percy Street
Warwick, QLD 4370
aus_staff@ieefa.org

Figure 1: AEMO study of potential impact on gas shortfalls from four supply options



Note: The Narrabri Gas Project is not modelled as a supply source until 2029.

Source: AEMO.[8]

A study by IEEFA concluded that gas shortages in eastern Australia would be delayed to at least 2032 if planned upgrades to eastern Australia's gas pipeline network are implemented.[9]

Queensland hosts about 90% of eastern Australia's gas reserves.[10] Most of the reserves are in the Surat Basin, and controlled by the three LNG consortiums shipping from Gladstone port. With Queensland having the overwhelming majority of commercial gas reserves, and the necessary infrastructure either in place or in the advanced planning stage, Canberra is looking at policies that may encourage more Queensland gas to go to the domestic market.

Gas Market Review may favour more Queensland gas

The Australian Government's Gas Market Review is reportedly considering two options to boost gas supplies to NSW, Victoria and South Australia.[11] One will lead to more Queensland gas being supplied domestically, whereas the other may boost the prospects of Narrabri being developed.

The first option is an export licensing framework that would require the three Queensland LNG exporters to meet a domestic supply obligation. It would help address one of the structural problems in the eastern Australia gas market, being the net purchases of gas from the domestic market by Gladstone LNG (GLNG), which is operated by Santos.[12]

If the government implements a policy to direct more Queensland gas south, this will likely eliminate the need for Narrabri while undermining its competitiveness. Under this option, based on the limited information available about option one, Santos would not be able to use Narrabri gas to fulfil the domestic supply obligations for the GLNG venture.

Option one is likely to quickly lead to additional domestic gas supply given APLNG and Queensland Curtis LNG (QCLNG) have sufficient reserves to sell gas to GLNG (noting QCLNG

[8] AEMO. New South Wales Gas Infrastructure Review. Page 58. May 2025.
[9] IEEFA. Delaying eastern Australia's gas crunch. June 2025. Page 4.
[10] Australian Competition and Consumer Commission (ACCC). Gas inquiry 2017-2030. Interim update on east coast gas market. Page 3. September 2025.
[11] The Australian. Canberra mulls tying LNG export licences to domestic gas supply. 29 September 2025.
[12] ACCC. Gas Inquiry 2017-2030. Interim update on east coast gas market. Page 22. June 2025.

91 Percy Street
Warwick, QLD 4370
aus_staff@ieefa.org

also has access to sufficient reserves held by Arrow Energy, which is 50% owned by QCLNG operator Shell).

The second option would require all gas producers, including those that supply all of their gas to the domestic market anyway, to meet domestic supply obligations.[39] This option might allow Santos to use Narrabri gas to help GLNG meet its domestic supply obligation. But it will take longer to implement (given the greater complexity), create regulatory risk and burden for all producers, and have only a marginal impact on reserve coverage given these other producers hold only about 10% of east Australia gas reserves.

If the government wants to lower gas prices and quickly increase gas supply, there is a strong case for policies that prioritise greater supply of Queensland gas (rather than option two).

Narrabri will account for major source of NSW emissions

Santos states that the GHG emissions from the Narrabri lateral pipeline project will be negligible.[13] However, this does not account for emissions from the entire Narrabri gas project. The pipeline is redundant if it is not connected to a gas field, and so the full emissions from the project should be considered. The Narrabri gas project will have annual emissions of 5.02 million tonnes a year (Mtpa) of CO_2 (Scope 1, 2 and 3 emissions).[14,15] These emissions are based on Narrabri producing 200 terajoules (TJ) per day of gas for a 25-year period.[16]

If Narrabri were producing at this rate in FY2021-22, it would have accounted for 4.5% of the 111Mt of CO_2 emitted in NSW.[17] At present, NSW has negligible gas output, and the Narrabri gas development will make the NSW GHG emissions reduction target harder to achieve, thereby requiring abatement elsewhere in the economy.

NSW has a goal to reach net zero emissions by 2050: with interim targets by 2030 of a 50% below 2005 levels of 153Mt of CO_2 and 70% by 2035. The 2030 reduction target equates to 76.5Mt of CO_2, and implies that Narrabri gas would account for 6.5% of the state's total emissions in 2030, rising to 10.9% by 2035.[18] Narrabri will emerge as one of the largest CO_2 sources in the state if the NSW Government achieves it emissions reduction target. Therefore, the project may not be consistent with NSW's GHG reduction targets.

If Santos elects to offset Narrabri's emissions, it would add to the cost of the project, equating to a cost per gigajoule higher than Queensland gas projects, which have lower emissions intensity.

For the reasons outlined above, IEEFA believes approval of the Narrabri gas project should be delayed in favour of the other cheaper, more sustainable options under consideration.

[13] NSW Government. Planning. Narrabri Lateral Pipeline. Chapter 18 Greenhouse Gas. Page 18.8.
[14] NSW Government. Planning. Narrabri Gas. Chapter 24. Greenhouse Gas. Page 24-3.
[15] Ibid. Page 24-4.
[16] Ibid.
[17] NSW Environmental Protection Authority. NSW State of the Environment. Greenhouse gas emissions 2024.
[18] NSW Government. NSW Government only 4% off 2030 emissions target with new Net Zero Plan to come. 26 June 2025.

91 Percy Street
Warwick, QLD 4370
aus_staff@ieefa.org