

# Australian Pipeline Trust

## **“The 3 Rs of Pipelines” The Challenges of Change – New Perspectives**

**Michael McCormack  
Chief Operating Officer**

APIA Convention, October 2004

# Extra gas in the pipeline for NSW

Sydney Morning Herald January 9, 2004

# APT poised to exploit gas potential

The Courier Mail, October 21, 2004

# Tribunal tells gas watchdog to pipe down

SMH, July 9, 2004

Hastings wins first battle of yields

# APT pays \$200m for pipeline

The Australian, 30-07-2004

# Sweetener in pipeline deal

The Australian, 06-08-2004

# ACCC pipeline rebuff

The Australian, 09-07-2004

# Oil Search results in the pipeline at last

# APT puts \$170m into pipelines

The Age, July 31, 2004

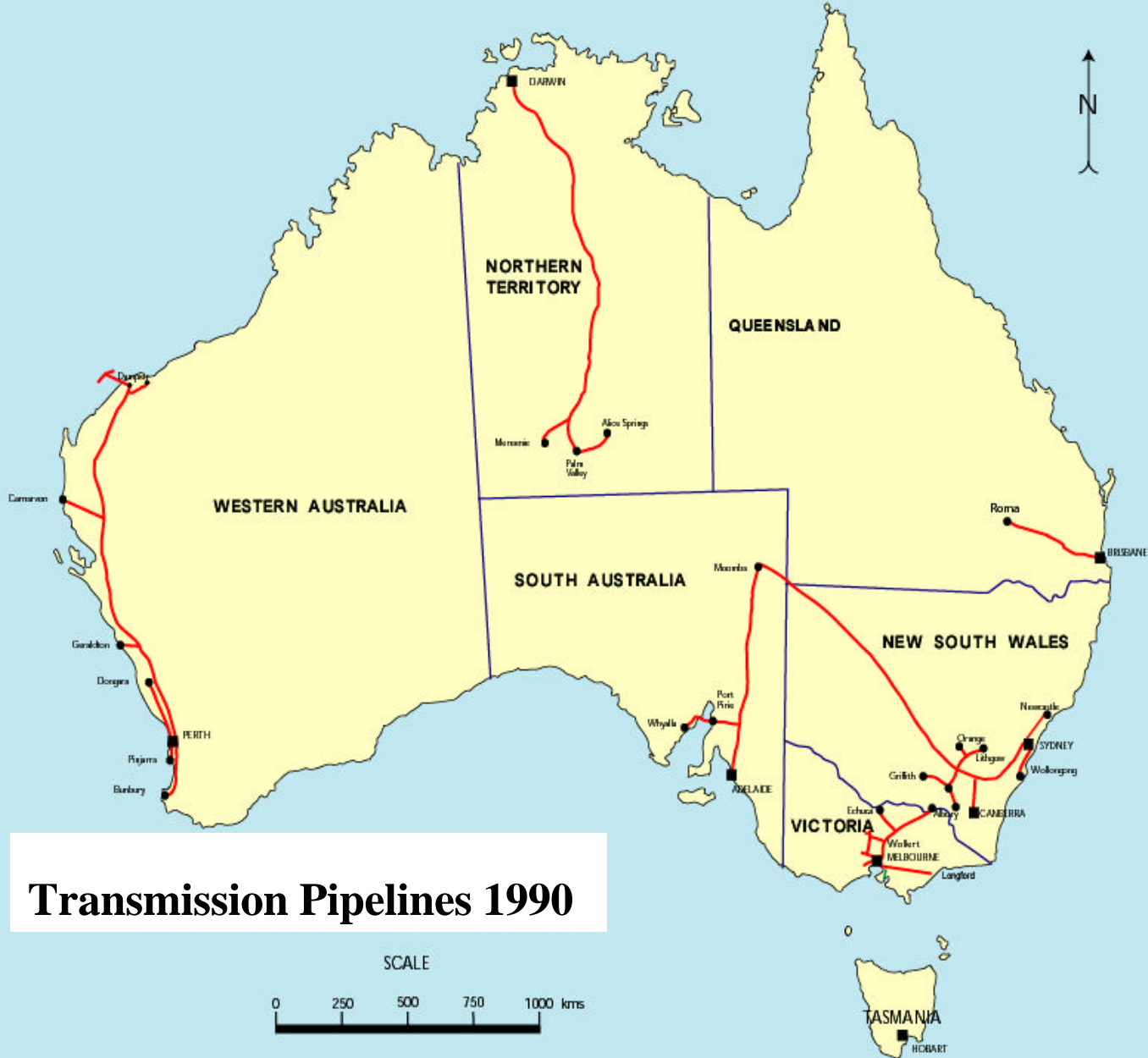
# Pipelines urged for gas growth

Courier Mail, 17-03-2004

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# Critical Questions:

- What are the key challenges?
- Where does the responsibility lie?
- What are the returns?
- What role will the regulator play?

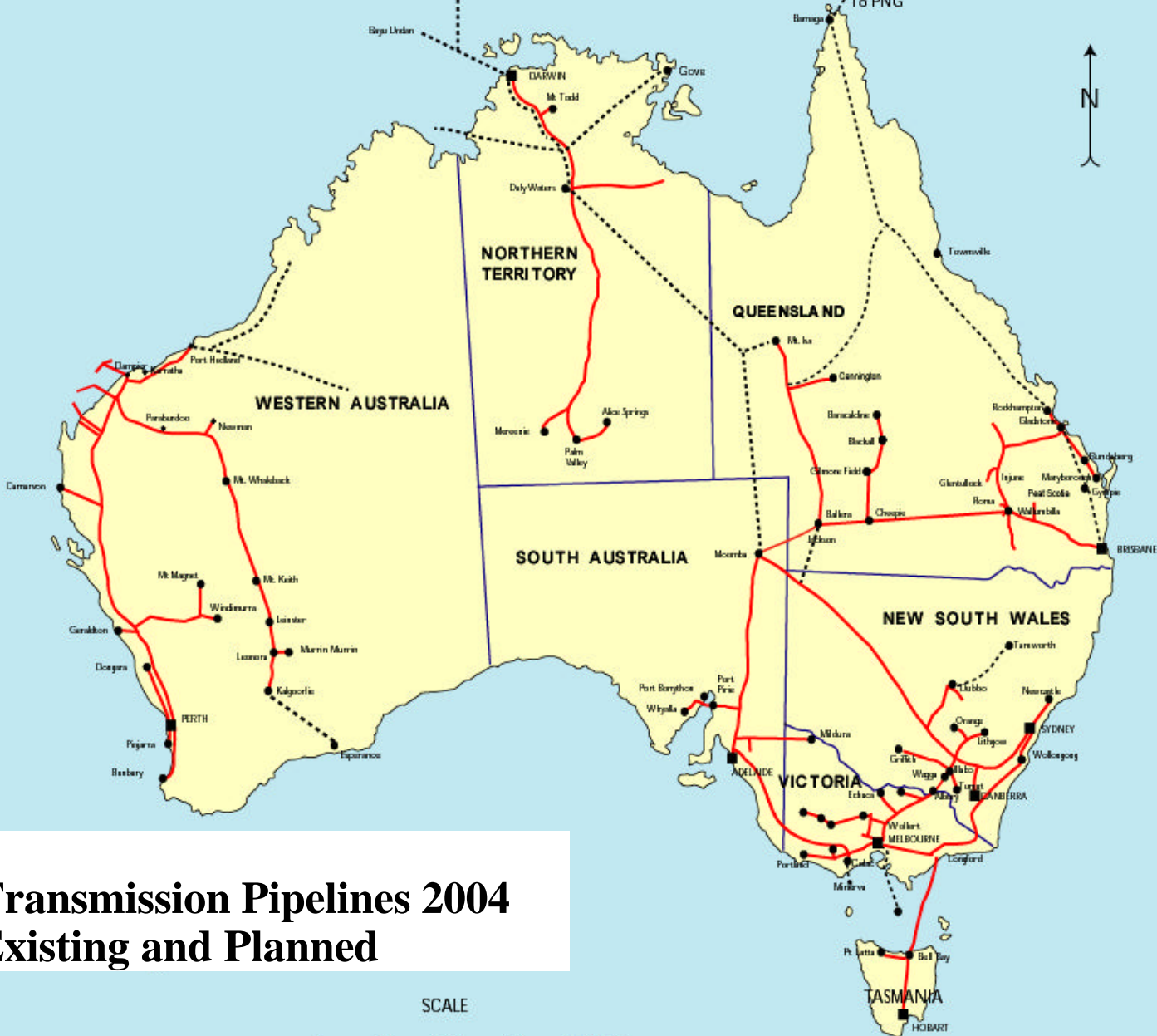


# Transmission Pipelines 1990

SCALE







# Transmission Pipelines 2004 Existing and Planned

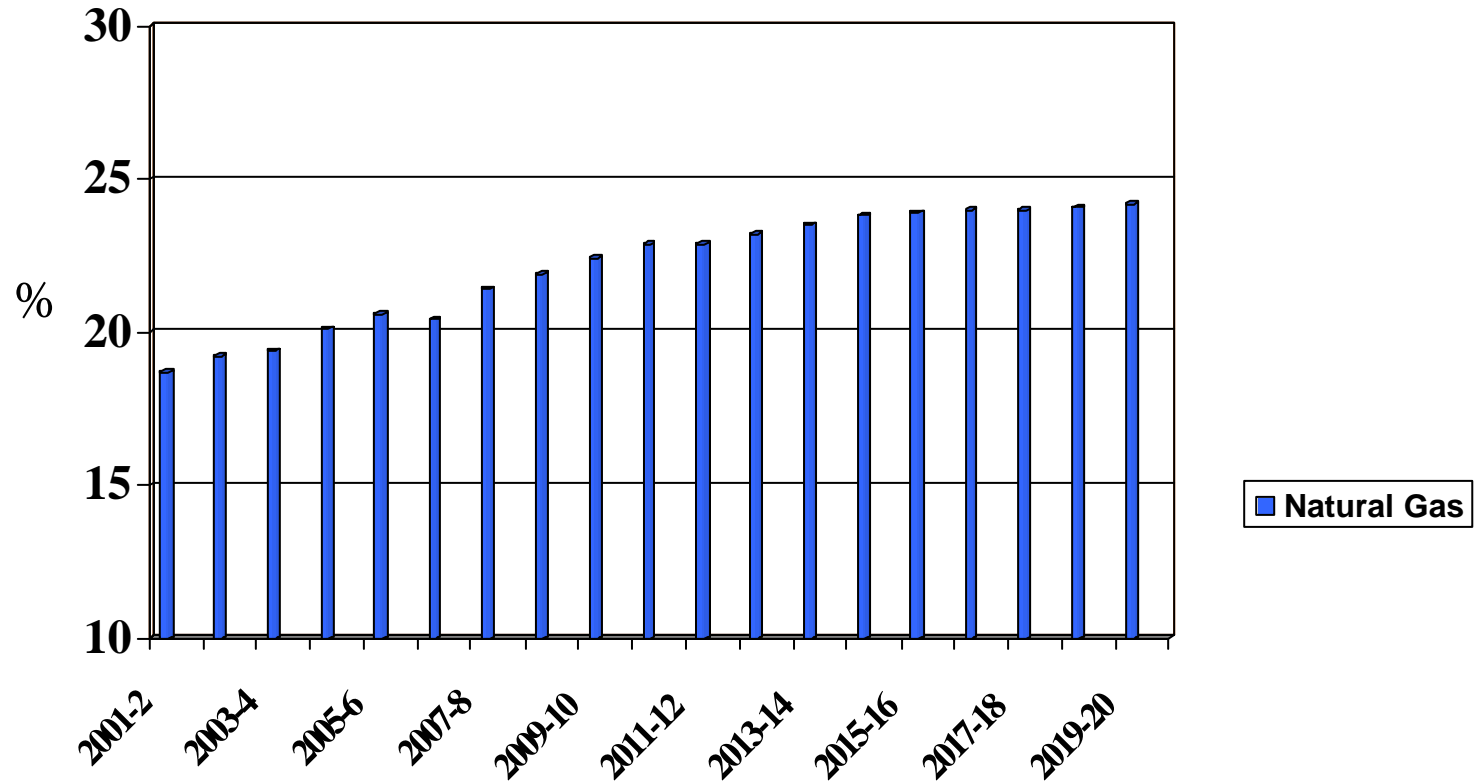
SCALE



# Two Decades of Change

- Key challenges under 2nd Phase of Ownership:
  - competition for new business opportunities,
  - new business structures for new competitive environment
- Sell off of past 2 years - new investors
- ▶ 3rd Phase of Ownership

# Natural Gas as a Percentage of Primary Energy, 2001-20



Source: ABARE

# Emergence of New Pipeline Owners

- Institutional investor - passive
- Lowest cost of capital
- Focus on cash flows
  - long term operational viability of pipeline?
- Significant change from past thinking



# Separation of Ownership from Operatorship of Major Pipelines 1994-2004

Pipeline		1994	2004
Ballera to Mt Isa	(CGP)	N/A	✓
Ballera to Roma	(SWQP)	N/A	✓
Dampier to Bunbury	(DBNGP)	✗	✓
Palm Valley to Darwin	(ABDP)	✗	✗
Longford to Melbourne	(GasNet)	✗	✗
Longford to Sydney	(EGP)	N/A	✓
Moomba to Adelaide	(MAPS)	✗	✓
Moomba to Sydney	(MSP)	✗	✓
North West Shelf to Kalgoorlie	(GGT)	N/A	✓
Roma to Brisbane	(RBP)	✗	✓

# Challenges of Managing Pipelines Today

- Management challenges:
  - Responsibility
  - Return
  - Regulation



# Responsibility

- Challenges under new ownership model - passive investors
  - Increasing tendency to decouple pipeline ownership and pipeline management
    - Are responsibilities fully understood by new “Trust” owners?
  - Aging pipelines - replace or maintain at increasing costs?

# Age of Major Pipelines

Pipeline	Year Constructed
Roma to Brisbane	1969
Dongara to Pinjarra	1972
Longford to Dandenong	1969
Moomba to Adelaide	1969
Moomba to Sydney	1974-76
Dampier to Bunbury	1984
Palm Valley to Darwin	1986
Wallumbilla to Gladstone	1989-90

# Responsibility

- Future investment in R&D, industry issues management, industry representations to government
- Career paths - who are the pipeline managers of the future?



# Return

- Challenges under new ownership model -
  - capital management
  - investment in pipelines a long term certainty?
  - Investment in greenfields gas projects





# Regulation

- Benefits of regulation?
- Regulatory reform producing mixed results:
  - encouraging - revocation of MSP
- Awaiting Productivity Commission report implementation
- Regulation must not act as a disincentive
  - new supplies of gas from N- NW
  - investment in R&D

# Conclusion

- Management imperatives
  - asset safety and integrity - get the balance right
  - continued investment in industry representation
  - Continued support of APIA
  - knowledge retention

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Pipeline Trust**



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**[www.pipelinetrust.com.au](http://www.pipelinetrust.com.au)**