



## **Australian Financial Review, 2 April 2012**

“Hiving off gas could hobble a golden gosling”, (Editorial, 2 April) characterises gas supply as either LNG export or local supply. This isn’t the case. Australia has more than enough gas to supply LNG exports and fuel a vibrant manufacturing industry.

The challenge for Australia is one of market failure. Most of Australia’s gas resources are now controlled by some of the world’s biggest oil and gas companies with multi-billion dollar LNG contracts. Why deal with 20-30 local customers when only a handful of international customers can take all your output? While this might be legitimate commercial practice, it does not translate to Australia’s national interest or energy security. Action by government is needed.

Domestic gas reservation has worked in Western Australia. The Wheatstone Project has committed to supplying domestic gas equivalent to 15% of LNG production. For local industry and households, this means energy security over the 40 year life of the project. With gas prices in Australia now among the highest of any gas exporting country, there is no suggestion that the Wheatstone partners will be subsidising local customers.

Australia’s national energy security will not be achieved by laissez-faire non-intervention. 92 per cent of the world’s natural gas is controlled by national governments or national oil companies. The United States has made LNG exports conditional on gas producers prioritising US supply and ensuring affordable domestic prices.

The evidence in Western Australia and overseas is overwhelming. A national reservation policy will not discourage investment or make Australia a less attractive place to invest. The gosling is safe.

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