

MEDIA RELEASE

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CPRS design raises concerns for domestic gas supply

Western Australia's DomGas Alliance has serious concerns about the proposed design of the Federal Government's Carbon Pollution Reduction Scheme (CPRS).

Alliance Chairman Stuart Hohnen says the proposed scheme discourages supply and use of natural gas as the most effective and efficient means of meeting Australia's greenhouse challenge.

This could lead to domestic gas shortages, higher gas and electricity prices, and undermine Australia's energy security and efforts to cut greenhouse emissions.

Under the proposed scheme, the LNG export industry will be treated as an Emission Intense Trade Exposed (EITE) industry and will qualify for 60 percent assistance towards any emissions it produces from the production of LNG for export.

The production of gas for use within Australia on the other hand receives no assistance. This means that the full cost of a carbon tax will be borne by domestic gas, further impacting on the price to local consumers.

To the extent that companies operating at each stage in the gas supply chain are unable to pass the carbon costs they incur onto downstream customers, this will distort investment decisions against natural gas for use within Australia, which will reduce supply.

Where gas producers are able to pass on carbon costs to the domestic market, this will further increase the cost of natural gas for downstream industry and households.

"From a greenhouse perspective, it is illogical to discourage natural gas supply by providing a financial incentive for gas producers to export LNG rather than supply the Australian market with clean energy," Mr Hohnen says.

"This could increase Australia's greenhouse emissions and shift investment and energy use from gas to coal."

Natural gas is the only conventional energy source that can underpin Australia's transition to a low carbon economy in the required timeframes. Natural gas produces less than half the greenhouse emissions compared to coal and uses proven, readily available technology.

Natural gas is also critical to underpin future expansion of renewable energy in Australia. Only natural gas generation can provide the back-up power capacity necessary to support renewable power such as wind and solar. Without this back-up renewable energy would not be a feasible source of energy for the Australian market.

“Escalating gas prices and domestic gas shortages in Western Australia are already undermining Australia’s climate change response,” Mr Hohnen warns.

“At current prices in WA, natural gas is no longer competitive with coal for base load power generation and most resource processing.”

“A number of resource and energy development projects have had to resort to coal-fired energy with long term consequences for Australia’s greenhouse footprint.”

The Alliance recommends important changes to the design of the CPRS including:

- targeted policies to recognise and promote the role of natural gas in underpinning Australia’s transition to a low carbon economy;
- a general principle that any assistance provided to gas producers be accorded on a level playing field and should not discriminate against domestic gas exploration, development and supply;
- ensuring that any assistance provided to gas producers for emissions produced from LNG production for the export market is also extended to emissions produced from gas produced for local use; and
- support for other initiatives to promote domestic gas supply in the initial years of the scheme.

“From a global perspective, using natural gas to fuel Australian industry, power generation and households is the most greenhouse effective use of Australia’s natural gas resources,” Mr Hohnen says.

“It is vital that the Federal Government’s CPRS supports the critical role of natural gas in meeting Australia’s greenhouse challenge.”



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