

MEDIA RELEASE

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Consumers dismayed by ACCC authorisation for Gorgon cartel selling

Western Australian consumers have expressed dismay at the ACCC's decision to grant interim authorisation to Shell, Chevron and ExxonMobil to combine together to market Gorgon gas.

DomGas Alliance Stuart Hohnen said the decision potentially sets back competition in the WA gas market for decades.

"The WA domestic gas market is already characterised by a serious lack of competition with just two supplier groups controlling almost 100 per cent of the market," Mr Hohnen said.

"As a result, WA consumers are paying around four to five times the price of gas than consumers in the Eastern States."

Mr Hohnen said the lack of competition was the direct result of joint selling arrangements. Through the North West Shelf Joint Venture selling arrangements, six of the world's largest oil and gas companies combine together to sell as a cartel controlling 70 per cent of the WA market.

"Extending joint selling to the Gorgon Project further entrenches these arrangements as Shell and Chevron are also participants in the North West Shelf Joint Venture," Mr Hohnen said.

Mr Hohnen expressed disappointment that the ACCC had accepted the Gorgon producers' claims that joint selling was necessary for a final investment decision.

"Separate selling is commercially and practically feasible. There is nothing preventing Shell, Chevron and ExxonMobil from selling separately and competing with each other."

"They are already selling separately to international customers and have been doing so since as early as 2005."

Mr Hohnen pointed out the experience in New Zealand where Shell and its partners similarly argued that authorisation for joint selling was necessary to underpin investment in the major greenfield Pohokura gas development. As part of their arguments, Shell and its partners drew heavily on earlier ACCC decisions in Australia that separate selling was not commercially practical or feasible.

After authorisation was granted by New Zealand competition authorities, Shell and its partners were unable to reach agreement on joint selling arrangements. They subsequently sold separately despite earlier claiming it was impossible to do so. This took place prior to a final investment decision on the project.

“As the New Zealand Commerce Commission pointed out, separate selling did not lead to a delay in project investment or domestic gas supply despite the strident claims by Shell and its partners,” Mr Hohnen said.

“It is disappointing that the ACCC appears to have accepted producers’ claims hook, line and sinker while ignoring Shell’s own experience in New Zealand.”

Mr Hohnen said the ACCC’s decision will impact all WA consumers.

“Industry, small businesses and households will be the ultimate losers through higher gas and electricity prices.”

**Media contact:
Gavin Goh 0403 310 897**