MEDIA RELEASE

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DomGas
ALLIANCE

Gorgon cartel selling will raise gas prices, new report finds

An independent report commissioned by the Australian Competition and Consumer Commission (ACCC) has found cartel selling of Gorgon gas would lead to higher gas prices.

The study by Allen Consulting Group (ACG) also dismissed as “misleading” claims by Shell, Chevron and ExxonMobil that joint selling was necessary to underpin the $50 billion Gorgon Project investment.

DomGas Alliance Chairman, Tony Petersen, said the report confirmed the public would be worse-off if cartel selling was approved. He urged the ACCC to require Shell, Chevron and ExxonMobil to sell Gorgon gas separately.

“Cartel selling impacts every business and household through higher gas and electricity prices.

“Despite being a major exporter of liquefied natural gas (LNG), WA has one of the highest domestic gas prices of any gas producing or exporting economy in the world,” Mr Petersen said.

The ACG report found that while joint selling might reduce costs for producers, gas prices were most likely to rise “due to monopolisation effects”.

In contrast, separate selling would reduce the bargaining power of Shell, Chevron and ExxonMobil, with the likelihood of lower gas prices.

The report challenged the Gorgon participants’ claims that separate selling was not feasible given this was already taking place in other gas projects in WA.

The ACG report also dismissed the Gorgon participants’ claims that cartel selling was necessary to manage risk or to underpin Gorgon Project investment noting that:

- Domestic gas represented less than 5% of the Gorgon gas resources;
- Domestic gas would account for less than 5% of expected Gorgon revenue;

- Shell, Chevron and ExxonMobil have been separately selling Gorgon gas to overseas customers since 2005 despite the LNG market being a riskier market with greater price volatility and a smaller number of customers compared to domestic gas;

- Domestic gas sales will be subject to take-or-pay contracts – with the risks largely borne by customers;

- Shell and Chevron were already participants in the largest domestic gas seller in WA – the North West Shelf Joint Venture which already controlled 70% of the WA market;

- Shell, Chevron and ExxonMobil were three of the largest companies in the world with combined 2008 income of over $US 120 billion; and

- ExxonMobil was the world's largest and most profitable oil and gas company.

"The facts are clear – separate selling is practical and feasible, and should be pursued by the Gorgon participants," Mr Petersen said.

"The ACCC must now act and require the world's biggest oil companies to sell separately.

"Failure to do so will lead to anti-competitive behaviour with higher gas and electricity prices for all West Australians."

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