

MEDIA RELEASE

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Gorgon cartel selling not justified

WA's peak energy user group is strenuously opposing a request by Shell, Chevron and ExxonMobil for the ACCC to authorise the joint marketing of Gorgon gas to WA consumers.

The Gorgon Project participants are seeking authorisation from the ACCC to combine together to set prices and conditions in selling domestic gas. If granted, authorisation would provide immunity under the *Trade Practices Act* for arrangements that might otherwise be anti-competitive.

DomGas Alliance Chairman Stuart Hohnen said that promoting vigorous competition in the WA gas market was an issue of vital importance for businesses and households.

"Currently, just two supplier groups control almost 100% of the WA gas market," Mr Hohnen said.

"This lack of competition is the direct result of joint selling arrangements of the North West Shelf Joint Venture – whereby six of the of the world's largest oil and gas companies combine together to sell as a cartel."

Mr Hohnen said joint selling directly impacts consumers by reducing supply and increasing prices. Despite WA's "abundance" of gas, recent domestic gas prices are around 4-5 times prices in the Eastern States on a delivered basis."

"Extending joint selling to the Gorgon Project would further extend the cartel arrangement as Shell and Chevron are also participants in the North West Shelf Joint Venture," Mr Hohnen said.

Mr Hohnen rejected claims by Shell, Chevron and ExxonMobil that joint selling was necessary to facilitate investment in the Gorgon Project.

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

"In fact, Shell and its partners are selling separately from the major greenfield Pohokura gas project in New Zealand, despite originally claiming it was impossible to do so."

Mr Hohnen said WA consumers have been raising concerns over the North West Shelf joint selling arrangements with the ACCC since early 2007. The matter was referred to the ACCC's Enforcement Branch in early 2008. The WA Government also requested in early 2008 that the ACCC assess the arrangements in accordance with the *Trade Practices Act*.

"The ACCC has been considering the issue for more than 2 years with no outcome yet for consumers," Mr Hohnen said.

"It is disappointing that when Shell, Chevron and ExxonMobil make an "urgent" request for interim authorisation for joint selling, consumers were given just 10 working days to respond."

Mr Hohnen said any authorisation for joint selling would have profound and long-lasting impacts for the WA gas market, and for businesses and households.

"Extending joint selling to Gorgon will set back competition in the WA gas market for decades."

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