



“Lots of hot air in WA gas debate”

The Australian, Monday 29 March 2010

The Australian Petroleum Production & Exploration Association once again demonstrates that facts shouldn't get in the way of a good yarn. According to APPEA, there is no gas shortage in Western Australia and local industries are simply seeking subsidised energy prices.

The facts couldn't be more different. Western Australia is experiencing a serious and worsening gas shortage. Gas users are struggling to secure gas in significant quantity or at affordable price. The shortage has forced the State to build new coal power stations – at a time when the rest of the world is switching to cleaner energy sources.

Despite the State's "abundance of gas", WA gas prices are now three times that on the East Coast. They are also among the highest of any gas producing country in the world.

APPEA's plea to "leave the market alone" smacks of hypocrisy. It didn't stop gas producers seeking government intervention to jointly set prices for local consumers even though they sell separately to overseas customers.

It also didn't stop some of the world's biggest oil and gas companies combining together to secure a reported 300 per cent price increase from Alinta. Alinta is WA's largest gas retailer and buys wholesale gas to supply to 600,000 homes and businesses. The massive price rise demonstrates the power producers have when they sell jointly as opposed to separately.

Gas consumers agree with APPEA that one industry should not be forced to subsidise another, and that government shouldn't be playing favourites.

Reporting on Queensland's recent LNG deal to China, *The Australian* quoted Queensland Resources Council chief Michael Roche: "The main point is that there is enough gas to support both a domestic industry and a large export industry, so there's no reason for domestic prices to rise."

Queensland Natural Resources Minister Stephen Robertson also said: "Local gas prices are not expected to reflect LNG prices, as LNG customers also bear the additional costs of international marketing, currency hedging, liquefaction and shipping."

In Western Australia, gas customers are being forced to pay premium returns to producers – in excess of that obtainable from overseas customers. This is a subsidy to producers by any definition.

The impact of this is immense. At current WA gas prices, major resource-processing and gas-fired generation will no longer be sustainable. The economic and employment impact will be widely felt.

Producers also continue to warehouse gas reserves which might otherwise be developed for the domestic market. The West Tryal Rocks field was discovered 30 years ago and is located in shallow water, close to existing infrastructure.

Despite repeated interest from potential domestic gas producers and customers, including Multiplex, Crystal Petroleum and Burrup Fertilisers, the field continues to be warehoused on the basis that it is “uneconomic” to develop.

The solution to the gas shortage is greater competition and supply. We need to end the existing producer duopoly and ensure producers do not warehouse reserves that could supply the domestic market. We also need to set aside sufficient reserves of gas to meet Australia’s own energy needs, as the West Australian and Queensland Governments have indicated they are prepared to do.

Australia’s energy resources belong to all Australians, and not just to the shareholders of APPEA’s members. Gas prices should be based on a fair return on investment, and not what producers can gouge from consumers in an artificial duopoly market.

Tony Petersen
Chairman, DomGas Alliance

The DomGas Alliance

The DomGas Alliance is Western Australia's peak energy user group and represents natural gas users, infrastructure investors and prospective domestic gas producers. The Alliance promotes security and affordability of gas supply.

Members include: Alcoa of Australia, Alinta, Burrup Fertilisers, DBP, ERM Power / NewGen Power, Fortescue Metals Group, Horizon Power, Murphy Oil, Newmont Australia, Synergy and Verve Energy.

Alliance members represent around 80 percent of Western Australia's domestic gas consumption and transmission capacity, and supply gas and electricity to 200,000 small businesses and 2 million West Australians.

