

MEDIA RELEASE

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ACCC urged to overturn North West Shelf Gas protection

WA gas consumers have pleaded with the Australian Competition & Consumer Commission to overturn its proposal to protect six of the world's biggest oil and gas companies from competition.

In a submission to the ACCC, the DomGas Alliance said business and households face paying an extra \$2 billion in gas bills if the ACCC approved joint selling by the North West Shelf Gas producers for another 5 years.

"Business and households budgets are under immense pressure from sharply rising gas prices," Alliance Executive Director, Gavin Goh, said.

"The ACCC needs to enforce competition, not protect big gas producers for another 5 years."

Gas consumers rejected the ACCC's findings that requiring producers to compete with each other might threaten investment in the North West Shelf Project and future domestic gas supply.

"There is no evidence to support these claims which amount to no more than 'the sky is falling'," Mr Goh said.

Last month, three WA Government Departments informed the ACCC that requiring the North West Shelf producers to compete with each other would not threaten investment in the North West Shelf Project or domestic supply.

There was also no evidence to support the ACCC's belief that WA's high gas prices were due to rising producer costs.

According to Woodside's 2009 company results presentation, gas lifting costs (the cost of extracting gas and delivering it into the processing plant) in 2009 was \$3.35 per barrel of oil equivalent or just 55 cents per gigajoule.¹

Lifting costs rose from 31 cents in 2005 to 65 cents in 2008, before falling to 55 cents in 2009.

Over the same period, Woodside and its North West Shelf partners have combined together to hike prices from around \$2.50-\$3.00 per gigajoule to around \$8 per gigajoule.

¹ Conversion factor: 1 barrel of oil equivalent (boe) is approximately 6.1 gigajoules (GJ).

“The ACCC has failed to explain how a 24 cents rise in producer lifting costs justifies a \$5 increase in domestic gas prices,” Mr Goh said.

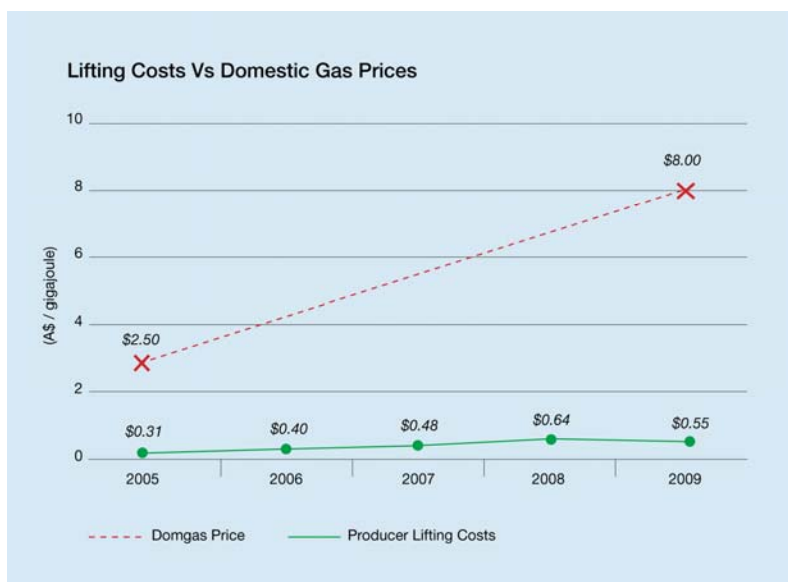
The ACCC’s draft decision comes just months after five of the six North West Shelf producers (Shell, Chevron, BP, Woodside and BHP Billiton) combined together to force a reported 300 per cent price hike on Alinta. Alinta is the State’s largest gas retailer and buys wholesale gas from the North West Shelf producers to supply 600,000 homes and businesses in the State.

Western Australia has one of the most anti-competitive gas markets in the country. Just two producer groups control close to 100 per cent of the market.

The six North West Shelf Gas producers combining together to set prices and contract terms covering almost 70 per cent of the market.

WA wholesale gas prices are around three times the price of gas in Victoria, and are among the highest of any gas producing and exporting economy in the world.

Chart: Producer lifting costs vs. domestic gas prices



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