

MEDIA RELEASE

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North West Shelf joint selling means higher prices

Households and businesses in WA will be hit with huge hikes in energy prices if joint selling of domestic gas by oil and gas giants is allowed, according to WA's peak energy user group.

The DomGas Alliance is strongly opposing an application by the North West Shelf Joint Venture producers for ACCC authorisation to combine together to set prices and conditions for domestic gas. If granted, authorisation would provide immunity under the *Trade Practices Act* for arrangements that might otherwise be anti-competitive.

DomGas Alliance Chairman, Tony Petersen, said the North West Shelf Joint Venture producers have failed to demonstrate how reducing competition could lead to lower prices.

"Authorisation by the ACCC can only mean sharply higher gas and electricity prices for business and households," DomGas Alliance Chairman Tony Petersen said.

"I urge anybody with an interest in gas and electricity prices to resist this attempt to legalise the existing gas duopoly."

The application comes just weeks after five of the six North West Shelf Joint Venture producers (Shell, Chevron, BP, Woodside, BHP Billiton) combined together to secure a reported 300 per cent increase in the price of gas they supply to Alinta. Alinta is the State's largest retailer of gas and buys wholesale gas from producers to supply to 600,000 homes and businesses.

Mr Petersen said gas producers have immense power to increase prices or withhold supply under joint selling arrangements.

"Instead of six sellers competing with each other to offer the lowest price, customers are forced to deal with a single seller," Mr Petersen said.

"It is breathtaking that having just forced a massive price increase on consumers, those same producers are seeking authorisation from the ACCC to set prices."

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, with the six North West Shelf Joint Venture 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 new gas in Victoria.

In 1998, the North West Shelf Joint Venture participants, as part of their justification for seeking authorisation for joint selling, claimed they intended to increase the capacity of the domestic gas processing plant to 1100 terajoules per day through the construction of an additional domestic gas processing train.

This commitment was never met despite the ACCC granting authorisation in 1998 and the participants continuing to jointly sell. The 1998 authorisation expired in 2005.

Mr Petersen said joint selling might have been justified 30 years ago when producers were selling to a single State-owned monopoly (SECWA). Today, some 30 customers buy directly from producers in what is Australia's biggest domestic gas market. In fact, the WA market is bigger than Victoria, NSW and the ACT's combined.

"The joint selling arrangement is a relic of the past when people wore flares and Saturday Night Fever was hitting the cinemas."

"Joint selling is now the single biggest barrier to competition in WA."

WA gas consumers have been calling on the ACCC for over three years to end the State's producer duopoly. No action has been taken. The ACCC has now given consumers just three weeks to show why authorisation should not be granted.

"These companies are forced by competition authorities to sell separately in Europe and New Zealand."

"The ACCC must act to end the State's gas duopoly, not sanction it," Mr Petersen said.

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