



LETTER TO THE AUSTRALIAN FINANCIAL REVIEW

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Comments by gas producers (“BHP opposes subsidies for domestic gas”, October 18) misconstrue a vital strategic issue – Australia’s competitive advantage in energy and the failure of the domestic gas market to deliver.

Despite an “abundance” of gas, local manufacturers and businesses cannot secure long term supply at affordable prices. Australia now has some of the highest prices in the world – up to \$12 per gigajoule compared to just \$2.50 in the United States.

Most of Australia’s gas resources are now controlled by a handful of very large producers who think in terms of multi-billion dollar LNG contracts. Selling to smaller Australian customers will not happen voluntarily. Market signals alone will not ensure supply.

Australia’s experience in that regard is unique. We are the only major gas producing country where companies can access national resources on a completely open-access basis and then export it without prioritising the local economy.

We are also the only major gas producing country experiencing serious shortages and sharply rising prices.

From a national perspective, energy is one of the few competitive advantages Australia has. It makes little sense to link our energy prices to the world’s highest prices in Japan.

As the United States and Canada have shown, Australia can have an LNG export industry and a vibrant manufacturing sector. Setting aside a proportion of production for the local economy, as already happens in WA, is in Australia’s national interest.

Gavin Goh
Executive Director