

MEDIA RELEASE

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Australia misses the boat on gas

Energy users have expressed dismay that Prime Minister Gillard has ruled out domestic gas reservation in the Federal Government's response to the Manufacturing Taskforce Report.

DomGas Alliance Chairman, Tony Petersen, said that in the absence of a credible alternative, ruling out reservation as a possible solution to Australia's crippling gas shortages and prices was a recipe for higher energy costs.

"Australia is the only country in the world where international oil companies can openly access and export gas without prioritising the local economy," Mr Petersen said.

"It is also the only major gas producing country facing serious shortages and sharply rising prices."

Despite a massive expansion in gas production, domestic gas prices have risen to as high as \$10 per gigajoule in Queensland and round \$8-12 in Western Australia.

This compares to around \$2.60 per gigajoule in the United States and just over \$2 in Canada. Both the United States and Canada have policies that prioritise supply to local industry and households over gas exports.

Mr Petersen said it was not credible to say "don't interfere in the market" when the market has clearly failed and gas producers were not responding to market signals.

"Most of Australia's gas resources are now controlled by a handful of very large international oil companies with multi-billion dollar LNG contracts to fulfil. Selling to local Australian companies is not in their business model so will not happen voluntarily."

Domestic reservation has been a feature of the WA gas market since the 1970s with the original North West Shelf Project reservation commitment. In 2006, the WA State Government introduced a 15% domestic gas reservation policy. As new LNG projects come on-stream they must begin supplying to the WA market.

"A Parliamentary inquiry last year concluded that without domestic reservation, major LNG projects like Gorgon and Wheatstone would not supply the local market," Mr Petersen said.

Mr Petersen warned that failure by government to act will impact every business and household as existing gas contracts expire and are subject to higher prices. The cost could be:

- an extra \$590 million in annual gas bills in Queensland;
- an extra \$789 million in Victoria;
- an extra \$477 million in New South Wales;
- an extra \$399 million in South Australia; and
- an extra \$3.1 billion in Western Australia, as existing contracts expire and are re-priced at sharply higher prices.

Table: Impact of higher gas prices

	Annual gas consumption (PJ)	Annual gas bill at historical prices	Annual gas bill at new prices	Additional cost
Queensland	199	\$597 million	\$1.99 billion	\$1.39 billion
NSW	155	\$477 million	\$954 million	\$477 million
Victoria	263	\$789 million	\$1.6 billion	\$789 million
South Australia	133	\$399 million	\$798 million	\$399 million
Western Australia	566	\$1.4 billion	\$4.5 billion	\$3.1 billion

Source: Annual gas consumption from BREE, *Energy in Australia 2012*. Domestic gas prices used are: Western Australia \$2.50/GJ historical, \$8/GJ new; Queensland, \$3/GJ historical, \$10/GJ new; NSW, Vic and SA \$3/GJ historical, \$6/GJ new.

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The DomGas Alliance

The DomGas Alliance represents natural gas users, infrastructure investors and prospective domestic gas producers. The Alliance promotes security and affordability of gas supply.

Alliance members represent around 80 percent of Western Australia's domestic gas consumption and transmission capacity, and supply gas and electricity to the State's 800,000 households and 200,000 small businesses. Alliance members also have operations in other States including New South Wales, Queensland and Victoria.

