

MEDIA RELEASE

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Higher gas prices to hit Queensland hard

Energy users have warned that serious gas shortages and sharply rising gas prices in Queensland could cost the State between \$420 million and \$1.8 billion in higher energy bills.

In a submission to the Queensland Government's *2012 Gas Market Review*, the DomGas Alliance said domestic gas prices have already doubled from around \$3 per gigajoule to \$6 per gigajoule.

This could cost the State an extra \$420 million in annual energy bills over time as existing contracts expire and customers are hit with price increases.

A rise in domestic gas prices to \$12/GJ, which the Gas Market Review's draft report predicts under a high price scenario, could cost the State an extra \$1.8 billion in annual energy bills.

DomGas Alliance Chairman, Tony Petersen, said the market has clearly failed in Queensland and gas producers were not responding to market signals. As the Queensland Government's draft report found:

- gas customers cannot access basic market information from producers such as forward prices, volumes or potential delivery timeframes;
- in the past year, no customer seeking gas has been able to secure meaningful volumes of gas, whatever supply was available has only been for small volumes for short-term supply; and
- LNG proponents have now entered the market as major gas customers and have been securing contracts.

"In 2007 the State chose not to implement a domestic gas reservation policy," Mr Petersen said.

"It is vital that the State does so now for future LNG projects and future LNG processing trains."

A 10% reservation policy applied on new LNG trains could deliver 103 petajoules (PJ) of gas per year. This is equivalent to 43% of Queensland's current annual consumption or 13% of Eastern Australia's.

A 15% reservation policy could deliver 154 PJ per year, equivalent to 64% of Queensland's annual consumption or 20% of Eastern Australia's.

This additional supply would help sustain existing businesses, support new manufacturing and processing investment, and enable a shift in energy use from coal to clean natural gas.

Mr Petersen said the State's policy to set aside future gas fields for future domestic supply if needed has not helped.

"To date, no gas field has been set aside for domestic gas development despite the State's worsening gas shortage," Mr Petersen said.

"Even if the policy was activated now and a suitable gas field identified, it could take up to 7 years before gas could begin to flow to local industry and households."

"A reservation policy would ensure domestic gas is available to local industry and households at the same time that gas is being exported."

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BACKGROUND

- Four LNG projects in Queensland currently have “significant project” status.
- Of these, three (Australia Pacific LNG, Gladstone LNG, Queensland Curtis LNG) have attained necessary approvals and have commenced construction or development of two LNG processing trains each - for a total of six LNG trains.
- The fourth project (Arrow LNG) has released an Environmental Impact Statement for public consultation.
- Of the three LNG Projects currently under construction or development, Queensland Curtis LNG and Gladstone LNG have proposed an additional train each, while Australia Pacific LNG has proposed a further two trains – for a total of four additional LNG trains.

Table: Impact of higher gas prices in Queensland

Price per gigajoule	Annual Gas Bill	Additional Cost
\$3 gas prices	\$597 million	
\$6 gas prices	\$1.2 billion	\$597 million
\$12 gas prices	\$2.4 billion	\$1.8 billion

Table: Proposed LNG expansion¹

	Additional trains proposed	Gas use per train PJ per annum	Additional LNG production PJ per annum
Australia Pacific LNG	2	270	540
Gladstone LNG	1	234	234
Queensland Curtis LNG	1	255	255
TOTAL			1029

Table: Domestic supply if reservation applied to new LNG trains

	Domestic supply commitment	% current Queensland consumption (240 PJ)	% current Eastern Australia consumption (780 PJ)
5% reservation	51 PJ	21 %	6 %
10% reservation	103 PJ	43 %	13 %
15% reservation	154 PJ	64 %	20 %

¹ 2012 Queensland Gas Market Review, *Consultation Draft*, pp. 9-10.

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. The Alliance includes members with operations in Queensland.

