



## **State Government makes right call on domestic gas**

The DomGas Alliance says all Western Australians will benefit from the Barnett government's strong rejection of a call for an end to the policy that ensures our State benefits from its large resources of natural gas.

The Economic Regulation Authority (ERA) has repeated its call for the government to rescind the successful domestic gas reservation policy that requires LNG exporters to direct up to 15% of their gas to the domestic market.

The policy has ensured that Western Australian industry and the jobs it provides has access to competitively priced gas supplies.

The latest draft report by the ERA provides no new evidence to support its theory-based opposition to the reservation policy.

A report commissioned by the ERA from consultants Acil Allen adopts the same ideological viewpoint but simply draws on existing studies and modelling of the eastern Australian market. Having done that, it remarkably notes that:

".... it is hard to be confident about drawing inferences about the economic- welfare effects of the DGR policy in WA from the available studies of gas policy in eastern Australia. New modelling that pays serious attention to data on the WA gas market, including ownership structures, would be required to make a more reliable estimate of the welfare effects of the policy."

Acil Allen also warned the ERA about the shortfalls of making recommendations without WA-specific modeling:

"Conducting a new study focussing specifically on the WA economy and the WA gas market is beyond the scope of the current project. In its absence, all that can be done is to infer broad orders of magnitude from the existing studies and to identify key differences between the WA situation and that pertaining in the eastern Australian market."

Despite claiming the domestic gas reservation policy has costs for the WA economy which "far outweigh any benefits that it is believed to have", the ERA report also notes that "the ERA considers that the quantitative modelling available does not greatly add to the understanding of the effects of the DGR policy in Western Australia."

DomGas Alliance Executive Director Matt Brown said it was not credible for the ERA to make recommendations to government without having done any modelling of the Western Australian gas market and with no real understanding of the impacts.

“The State government and Opposition are right to reject this report as it lacks any detailed evidence to support its claims,” Mr Brown said.

“The ERA is asking the State government to abandon a successful policy when it can, at best, only ‘infer broad orders of magnitude’ of the impacts of doing so.

“As a minimum, we would have expected a detailed assessment of how many Western Australians would lose their jobs and what it would mean in terms of lost economic opportunities for the State. Without this the report lacks substance.

“The reality is that last year was the seventh year of the domestic gas reservation policy and WA reported record investment in exploration, record LNG export growth and an estimated \$116 billion of investment in new projects. There is no evidence the policy has had any negative impact on our State.

“The continued strong support of the State Government and the State Opposition for this policy shows they understand the importance of securing gas to protect and create jobs, drive regional development, and build our State.

“They have strong support from the community with a recent FlashPoll showing that 86% of respondents opposed pressure from oil and gas producers to have the policy dropped.”

**For further comment contact Matt Brown on 0419 813 171.**

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