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New modeling shows huge hit to WA economy from higher gas prices.

Western Australia's economy will take a \$6.5 billion hit over the next seven years from rising gas prices and potential supply restrictions due by LNG exports, according to a new report.

The report by Deloitte Access Economics has modelled the impacts of higher gas prices on Australian industry and shows a cumulative national loss of output of up to \$120 billion of output from the manufacturing sector alone.

The report destroys the myth that the LNG export industry alone will be Australia's economic savior:

"While the gas and construction sectors are expected to benefit from the development of a new East Coast LNG industry, ***almost all other sectors within Australia's economy are likely to experience losses in income.*** Greater input costs associated with higher gas prices and greater risk arising from a more difficult gas contracting environment will have adverse consequences for many regions and states."

Western Australia faces a particular challenge due to the uncertainty of future supply from the North West Shelf project beyond 2020.

The report states:

"In WA, mining output declines by around \$4 billion cumulatively, and manufacturing output by approximately \$8.3 billion, if the NWS does not recontract to domestic gas users."

The modelling suggests that the additional output generated by LNG project activity does not outweigh the significant loss of output from other sectors of the economy.

DomGas Alliance Executive Director Matt Brown says the figures are alarming and highlight the need for action to ensure a supply of competitively priced gas for domestic industry in WA.

"The State government is working hard on the North West Shelf supply issue as it understands how important this is to jobs and industry in our State," Mr Brown said.

"This report should further strengthen the State government's resolve to use the legislative power available to it to secure a fair share of our natural gas resources for industry in our State.

"We need the Federal government to also step up to the plate. With an Energy White Paper process underway we need our Federal politicians to say they will put Australia's energy needs first.

“This is not the ‘either or’ situation that oil and gas producers present it to be.

“The producers point to big investment in new LNG plants and the construction jobs and royalty revenue these projects bring.

“But there is no reason why Australia can’t have these projects, jobs and royalties while also ensuring that a fair share of our gas flows to other sectors of the economy to protect and grow jobs there.

“Canberra should be welcoming oil and gas producers here to develop our natural gas resources but they should also make it clear that their ‘ticket to the game’ is to ensure Australia’s energy needs are met as the first priority.”

Mr Brown also welcomed the report’s confirmation of the previously expressed view by Deloitte Access Economics that the export of gas was the key driver of higher domestic prices, pointing specifically to “the price impact from linking to the international market”.

Deloitte Access Economics also points to the positive benefits of the Western Australian tradition of reserving gas from LNG projects for domestic industry noting it had “protected” the State and that “relatively low gas prices encouraged development of many gas-intensive industries.”

For further comment contact Matt Brown on 0419 813 171.

Note:

The DomGas Alliance represents the major users of gas in Western Australia.

The report - *“Gas market transformations– Economic consequences for the manufacturing sector”* - was commissioned by the Australian Industry Group, the Australian Aluminium Council, the Australian Food and Grocery Council, the Australian Steel Institute, the Energy Users Association of Australia and the Plastics and Chemicals Industries Association.

The DomGas Alliance was not involved in commissioning this report.