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## **Muddled logic does not help gas supply debate: DomGas Alliance**

The DomGas Alliance says a new Business Council of Australia report is a confused and superficial contribution to the debate on gas supply issues affecting domestic industry and jobs.

The report, "Australia's Energy Advantages", makes a number of useful comments about the need for industry, government and other stakeholders to work together to build community support to help unlock Australia's unconventional gas resources.

But DomGas Alliance Executive Director Matt Brown says the report makes the same old mistakes when it comes to assessing domestic gas reservation policy.

"The report appears to be confused on domestic reservations, saying firstly that they are all about lowering gas prices but then stating that they don't lower prices," Mr Brown said.

"Domestic reservations are primarily about ensuring that a small but fair share of Australia's gas is directed toward Australian industry and Australian jobs.

"It's all about supply. In a State like Western Australia that relies on gas for 50 per cent of its energy needs, the domestic gas reservation policy has been critical to ensuring some gas comes into the local market.

"At least one major producer has been quoted as conceding that without the policy none of the gas from their major projects would come into the local market.

"The core issue has been a reluctance of gas producers to supply the local market, instead preferring to direct our gas to the export market.

"So the BCA report, like so many others, fails to grasp the fundamental fact that the West coast market is both unique and isolated.

"The report says 'well-functioning markets' are the answer to the problem. We simply don't have properly functioning markets, particularly on the West coast, and it is foolish for the report to blithely ignore this reality."

Mr Brown said the report repeats the muddled logic that simply opening up new gas projects will somehow resolve domestic supply issues.

"Much is made of the comparison between NSW, where a moratorium has been placed on unconventional gas projects, and Queensland where reportedly more than 4,000 agreements have been signed with farmers to develop coal seam gas.

“But even with that massive surge in coal seam gas development in Queensland, the Federal government’s recent Energy Green Paper noted Queensland would face gas supply shortages ‘throughout the year’ in 2020.

“So the BCA may be right in saying the best way to ensure competitive prices is to increase supply. But new sources of natural gas that are then simply directed to the export market won’t do that.

“The NSW government appears to have understood this by granting ‘strategic energy project’ status to the Narabri project on the proviso the gas is directed to the domestic market. This is, in essence, a form of reservation policy intervention.”

Mr Brown said the BCA report supports work done by the Fortescue Metals Group on the warehousing of gas supplies under retention leases.

“The FMG report proved conclusively that producers are sitting on gas fields which could profitably supply the domestic market so that they can be directed instead to the export market in the future,” he said.

“The weakness of the BCA report is that it lets producers off the hook by saying this issue should be resolved ‘through existing arrangements’.

“Quite clearly the existing arrangements aren’t working, particularly in relation to off-shore fields.

“Even in the unlikely event that the Federal government did get tough on retention lease policy, there is no guarantee that any of the gas would come into the local market in the absence of a reservation policy.”

Mr Brown said the DomGas Alliance is committed to working with all levels of government and groups like the Business Council of Australia to ensure the sensible and timely development of Australia’s unconventional gas resources.

For further comment contact Matt Brown on 0419 813 171.