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New gas contract undermines reservation lobby argument

Claims by a pro-gas reservation lobby group that its members in Western Australia are struggling to secure long-term supply have been undermined by a new five-year contract signed by Santos and Alcoa of Australia Ltd.

The deal will see Santos supply an initial 82 petajoules (PJ) of gas and includes options for two five-year extensions.

APPEA Chief Operating Officer Western Region Stedman Ellis said the contract was evidence of WA's increasingly mature domestic gas market.

He said claims by the DomGas Alliance that gas reservation was needed to correct a market failure in WA had been once again exposed by one of its own members.

"The DomGas Alliance has consistently sought to justify ongoing government intervention in the WA domestic gas market by claiming that its members cannot secure the volumes of gas and the length of contracts they need," Mr Ellis said.

"But the long-term contract signed by Santos and Alcoa, which is a key member of the Alliance and WA's single biggest gas user, shows there is no difficulty obtaining domestic gas supply.

"The Alcoa deal follows last year's announcement by FMG, another Alliance member, that it is converting its operations from diesel power to gas, an investment that would not be contemplated in a constrained market."

Mr Ellis said the health of the domestic gas market was again highlighted by the Independent Market Operator's annual Gas Statement of Opportunities released in December, which forecast an abundant supply of gas for export and domestic needs over the next decade.

"The evidence clearly shows that there is no difficulty obtaining domestic gas supply as long as customers are prepared to pay prices that reflect the high cost of exploration and development," Mr Ellis said.

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