



14 March 2017

## The choice for State governments: \$7-\$8 gas or \$12 gas

State and Territory governments have been warned that gas prices in eastern Australia are likely to double by 2030 unless urgent action is taken to develop new supply.

This warning is contained in a new report "*Meeting east Australia's gas supply challenge*" by McKinsey & Company.

APPEA Chief Executive Dr Malcolm Roberts said the report was an urgent call to action for policymakers, especially those in New South Wales, Victoria and the Northern Territory.

He said the McKinsey study showed gas customers would pay a high price if restrictions on developing new gas projects continued.

"McKinsey finds that there are sufficient undeveloped resources and efficiency opportunities to meet our future needs," Dr Roberts said.

"But to turn those undeveloped resources into new supply, \$50 billion must be invested in the next 15 years.

"And the door is closing fast. Some supply options are time-sensitive. Decisions are needed by 2020.

"If we act now, according to McKinsey, we could contain the cost of gas on the east coast to around \$7 to \$8 per gigajoule (GJ). Failure to act, however, will likely see the price rise up to \$12 per GJ.

"The impact of this failure is likely to add around \$2 billion to the annual energy costs for households, businesses and industry."

Dr Roberts said the McKinsey study was especially timely with the Prime Minister and the industry meeting tomorrow to discuss options to increase local gas production.

"The Australian Energy Market Operator has highlighted that gas-fired generation must stay in the energy mix to protect energy security. APPEA welcomes the Prime Minister's initiative to work with the industry to remove the barriers to more gas supply," he said.

"The Commonwealth, South Australia and Queensland understand how much energy security and economic prosperity rely on responsible development of Australia's gas resources. Their example must be followed by New South Wales and Victoria."

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