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Gas industry is responding to supply concerns

Australian gas producers are responding to concerns about east coast gas supply with a raft of new contracts announced.

APPEA Chief Executive Dr Malcolm Roberts said recent deals showed gas producers are delivering more supply.

“The industry acknowledges that the east coast gas market is tight and further supply is needed. Recent announcements have confirmed that approximately another 64 petajoules of gas will be delivered into the market – equivalent to 10 per cent of total demand,” Dr Roberts said.

“Since March, a dozen new gas contracts or new projects have been signed or announced [see attachment] to boost supply on the east coast.

“Queensland is now virtually self-sufficient, with local production 20 per cent higher in the last quarter than a year ago. For the first time since November 2015, there is a net flow of gas south from Queensland.

“At the same time, the Gippsland basin is sustaining record output. Nevertheless, we need to bring more supply to the market to put downward pressure on prices.”

Dr Roberts said while gas producers are striving to increase supply, governments could and should be doing more.

“Governments should concentrate on reducing the costs and risks of developing new gas supplies.

“Independent analysis shows that regulation can account for 30 per cent of costs during the first eight years of a project. Reducing these costs during the exploration and early development stages – when businesses have no revenue – would help revive exploration and lower the industry costs which are eventually passed through to customers.

“Governments should be very concerned that onshore exploration is at a 30-year low.

“It almost goes without saying that States must lift their political bans on developing local gas. New South Wales and Victoria are heavy users of gas but have blocked local projects.

Dr Roberts urged the Commonwealth not to rush forward with export restrictions under its Australian Domestic Gas Supply Mechanism.

He said the Australian Energy Market Operator’s revised gas supply forecast for 2018 and the Australian Competition and Consumer Commission’s gas market review must be made public so all parties can have their say before any determination is made under the ADGSM.

“The ADGSM has raised global concerns about sovereign risk in Australia. Triggering the mechanism on flimsy evidence would only compound those concerns,” he said.

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