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ACCC confirms gas industry has secured domestic demand – time for governments to remove restrictions on supply

The latest ACCC gas market report confirms that the gas industry – and Queensland's LNG industry in particular – has secured domestic supply for 2018 and 2019.

"The industry is meeting the commitment it gave to the Prime Minister in October to ensure eastern Australia has sufficient gas supply," said APPEA Chief Executive Dr Malcolm Roberts.

"The ACCC finds LNG producers have made significant additional quantities available to the domestic market over the past few months and that prices have eased significantly.

"Beyond the hyperbole that has been a feature of much of the debate this year, the ACCC report underlines a simple truth – the only sustainable way to place downward pressure on gas prices and to improve energy security is more gas supply and more gas suppliers."

The ACCC notes that while action by the industry has reduced short-term pressure on the market longer-term challenges remain. As it states on page 16: *"... the best way to address the supply shortage in the Southern States is to increase production of gas in the Southern States ..."*

"The report places the blame for higher-than-necessary prices squarely at the feet of governments," Dr Roberts said.

"The report highlights – again – the need for governments in New South Wales and Victoria, to remove their unscientific bans and restrictions and the need for ongoing reforms to reduce the costs of exploration and development.

"The report also highlights the need for ongoing reform to reduce transmission costs, which can add \$2-\$4 a gigajoule to gas prices for customers in southern states."

Dr Roberts said the report continued a trend this year of dramatic revisions to demand forecasts, with a 55 petajoule (PJ) shortfall in gas supply for 2018, reported in late September, now a 20 PJ surplus, all in less than six weeks.

"This highlights the dangers of using short-term demand forecasts to justify market interventions that have serious long-term consequences and raise sovereign risk concerns for international investors," said Dr Roberts.

"Cooler heads must prevail in 2018. The focus must move back to where it belongs – the need to ensure more gas supply and more gas suppliers. This is the only way to place downward pressure on prices and enhance gas supply security."

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