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Gas market reforms may hurt business confidence

Australia's oil and gas industry will work closely with the Australian Government on any proposed gas market reforms, APPEA said today.

APPEA Chief Executive Andrew McConville said industry recognises its important role in supplying energy to Australians and the role a secure and competitive natural gas supply plays for households and businesses.

"There have been numerous reforms to the gas market in recent years. Sensible reforms can improve the efficiency of the gas market and improve its operation," Mr McConville said.

"However, market interventions could adversely affect confidence in the oil and gas sector as well as discourage new market entrants and supply diversity.

"Ongoing investment is crucial for economic growth and being able to fund the very tax cuts Federal Parliament is debating. Investment will only continue if businesses are confident they can manage the risk associated with the investment.

"There is enough supply in the market, according to the Australian Energy Market Operator, so we see no need for changes to the Australian Domestic Gas Security Mechanism (ADGSM) at this time. The ADGSM is up for a review in 2020 and the gas market transparency work will follow on from ACCC recommendations recently made public."

The oil and gas industry – which underpins around 80,000 direct and indirect jobs – has recently announced billions of dollars in new investment to bring more gas into the market, supporting domestic gas consumption and gas export projects that are underpinning Australia's growth.

"Today, we have seen another new gas sales deal announced by the Australia Pacific LNG venture with manufacturers Orica and Orora. This highlights the importance of developing new gas resources and the response industry is taking to accelerate the delivery of more supply.

"The new supply also adds to the significant number of new gas agreements announced in the past three years to domestic customers."

Recently there have been announcements from Arrow Energy, Shell Australia, Senex, Cooper Energy, Strike Energy, GLNG and Santos to provide new supply in various parts of eastern Australia.

Mr McConville said rather than intervention measures by government, the best way to put downward pressure on gas prices is more gas from more suppliers.

"More gas supply into the Australian domestic market helps make a significant difference to the millions of homes and thousands of businesses that use gas," Mr McConville said. "Increasing supply should be the focus of government, industry and all Australian businesses that rely on sustainable gas supply."

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