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Domestic gas prices fall as LNG exports sustained

A new report by energy consultancy EnergyQuest has found Australian domestic gas prices have fallen while shipments of Australia's gas exports have been sustained.

The report shows the number of liquified natural gas shipments increased 3 per cent in April from the same month last year, while domestic gas prices have dropped more than 50 per cent in the same period and are at their lowest since 2016.

APPEA Chief Executive, Andrew McConville said the report again confirms that sustained domestic supply and export revenue are not mutually exclusive – one need not come at the expense of the other.

Mr McConville said that the global impact of the COVID-19 pandemic and related international supply and demand conditions meant, that along with many parts of the Australian economy, the oil and gas industry is facing the most challenging market conditions it has seen in many years.

"These market conditions are having a significant negative impact on the investment environment for the Australian oil and gas industry. This situation is not forecast to change in the short-term, given the global fall in demand for oil," Mr McConville said.

The price of Brent crude oil (the most relevant international price marker for Australia) fell by nearly 75 per cent between January and April 2020, to its lowest level in 20 years.

"As Australia looks towards an economic recovery, energy supply is essential. The Australian oil and gas industry will continue its focus to ensure safe operations and the sustainable, continuous supply of gas to all Australians who rely on it in their daily lives," Mr McConville said.

"The industry takes its responsibility to continue to power Australian homes, businesses, hospitals, schools and other industries very seriously.

"As we look to economic recovery in all sectors of the economy — not just oil and gas — maintaining access to open and competitive markets is in Australia's best interest."

Mr McConville said governments must resist calls coming from some for intervention in the gas market that force non-commercial outcomes.

"Such approaches act as a tax on gas production, raising costs and can discourage long-term investment, reducing production and undermining long-term energy security," he said.

"A better solution is to support investment that helps to increase supply. Markets work best without intervention.

"In the current challenging environment, governments can help ease pressures by releasing more acreage for gas exploration and development and removing unscientific bans on onshore gas development.



“Transparent, open and secure access to resources for exploration and development and developing access to domestic and international markets on globally competitive terms is the key for long-term industry development.

“Going after a vigorous reform agenda, ensuring open and competitive markets and a tax system that helps us maintain our international competitiveness can see industry and governments work together to support the positive role the oil and gas industry can play in contributing to Australia’s economic recovery.”

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