

Australian Gas Price: Myths and Facts

Myth: There is not enough gas for domestic users



Fact: There is no shortfall of gas in the domestic market (Gas Statement of Opportunities, Australian Energy Market Operator 2020).

Fact: Over 80 agreements to supply gas for industrial and domestic customers have been signed since 2012 (APPEA, 2020).

Fact: 2019 saw record CSG production in Queensland, increasing supply to the east coast market and driving prices down (EnergyQuest, 2019).

Myth: Natural gas can be supplied at \$4 per gigajoule



Fact: The wholesale price of gas in Australia has not been below \$4 since 2006 (Oakley Greenwood, 2018).

Fact: About 90% of all proven and provable reserves in the east coast have a lifecycle cost of more than \$6 per gigajoule (ACCC, 2018).

Fact: New projects have production costs of up to \$8.25 per gigajoule before transport, distribution, retailing, commercial or financial costs (ACCC, Core Energy report, 2018).

Myth: Asian countries pay less for gas than Australians do



Fact: Gas prices from 2018 show that the average wholesale price was 40% lower than the average wholesale price in the Asia Pacific region (IGU, 2019).

The ACCC's Gas Inquiry Interim Report from July 2019 stated that "The delivered prices that the C&I gas users in the East Coast Gas Market pay are lower than the delivered prices paid by C&I gas users in Asian countries that purchase Australian LNG."

Myth: Exports are the cause of higher gas prices



Fact: "To lower prices in the southern states, lower-cost gas must be produced in the southern states" (Rod Sims, Chairman ACCC, 2019).

Fact: Queensland projects underpinned by export contracts have provided record supply to eastern markets and driven down costs for domestic users (EnergyQuest, 2019).



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Myth: Restricting exports would lower gas prices



Fact: Over time, reservation policies would reduce new sources of gas being developed meaning less diversity and lower levels of supply for domestic users (ACCC, 2016).

Fact: Economic modelling shows that, because WA's domestic gas reservation policy causes a loss to gas producers, it "...imposes an overall net loss to the nation of \$600 million each year. The net loss to Australian households is estimated to be \$300 million" (Neill, 2019).

Fact: "Proposed interventions such as imposing a national interest test, reserving gas for domestic use or subsidising domestic gas users will almost certainly add more costs than benefits, and fail to create more supply" (Tony Wood, Grattan Institute, 2016).

Myth: LNG netback prices are the price of gas



Fact: Netback pricing does not set east coast gas market prices and should not be treated as a direct price comparison (ACCC, 2020).

"An LNG netback price is not the sole factor that influences domestic prices in the east coast gas market. Individual prices paid by gas users will also reflect other factors that may be relevant to their circumstances, including the terms and conditions of their gas supply and any applicable transportation retailer" (ACCC, 2020).

Myth: Gas prices are not transparent



Fact: Spot gas prices are readily available from the short-term trading markets, gas supply hubs and the Victorian designated wholesale gas market operated by AEMO (AEMO 2020).

Fact: The COAG Energy Council's gas market transparency work will consolidate a range of gas price and other market information and introduce new price information (COAG Energy Council 2020).

Fact: The ACCC regularly publishes pricing information through their Interim Gas Market Reports (ACCC 2020).

Fact: The ACCC regularly publishes an LNG netback pricing series on their website (ACCC 2020).

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