

Australian Gas Prices Myths vs 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 2021).

Fact: Over 100 agreements to supply gas for industrial and domestic customers have been signed since 2012 (APPEA, 2021).

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

Fact: In nine consecutive reports from December 2017 to February 2021, the ACCC has found no shortfall in the domestic gas market.

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: Average wholesale prices in the Asia Pacific region are 27% higher than the average wholesale price in Australia (IGU, 2021).

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: Australian manufacturers pay more for gas than those overseas



Fact: Average wholesale gas prices in Australia are lower than prices in many of the world's largest manufacturing countries including China, Japan, South Korea, Thailand and Chinese Taipei (IGU, 2021).

Myth: Intervening in the market 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: International evidence shows government interventions in oil and gas markets discourages investment in exploration and long-term supply and does not guarantee lower prices (EnergyQuest 2020).

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, 2021).

"The published prices do not represent the ACCC's view of a fair price for sellers or buyers, or a regulated price cap." (ACCC 2021).

"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 2021).

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 2021).

Fact: The ACCC regularly publishes an LNG netback pricing series on their website (ACCC 2021).

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Myth: The viability of manufacturing is highly dependent on gas costs



Fact: The cost of gas is a tiny proportion of manufacturers' cost base – just 0.3% of total costs on average. For the few manufacturing sectors that use gas as an input, gas is still only 3% of the cost base on average (CIE, 2020).

Fact: Energy accounts for just 3% of costs for Australia's food manufacturers, compared to primary commodity inputs (51% of total costs), wages (19%) and packaging (14%) (AFGC, 2021).

Fact: Manufacturing has been declining as a percentage of GDP for 30 years, during which time tariffs were reduced and the sector had to compete with imports (CIE, 2020).

Myth: The Henry Hub gas price in the US is an appropriate benchmark for Australia



Fact: "Henry Hub prices reflect the supply-demand fundamentals of the US domestic gas market and these prices currently have limited influence on Asian LNG pricing. LNG that has been bought at Henry Hub prices and supplied into Asia is already captured in Asian price assessments such as JKM" (ACCC 2021).

Fact: The Henry Hub is located more than 14,000km away from Australia, on the other side of the Pacific Ocean.

Fact: Australian producers are not connected to the Henry Hub. Australian manufacturers are not connected to the Henry Hub.

Fact: The Henry Hub services a population of 330.1m people at 34 people/km² (US Census), compared to Australia's population of 25.7m at 3.3 people/km² (ABS).

Fact: The US is serviced by more than 485,000 kilometres of pipeline (2019 US Bureau of Transportation figures) compared to Australia's less than 40,000km of pipelines (APGA).

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