The Hon. Scott Morrison MP
Treasurer

The Hon. Josh Frydenberg MP
Minister for the Environment and Energy

MEDIA STATEMENT

Tuesday 12 December 2017

TURNBULL GOVERNMENT DELIVERS MORE GAS, MORE JOBS

Australia is no longer facing a shortfall of gas supply in 2018 on expected demand, with Turnbull Government action to keep more gas for the domestic market beginning to reap dividends.

Since we moved to shore up our gas supply for Australian users, significant gas supply has been diverted to the domestic market, and we are now on target to have a 20 petajoule (PJ) surplus of gas in the coming year, based on expected demand.

Just three months ago, the ACCC estimated Australia would face a shortfall of between 55 PJ, on expected demand.

More gas in the domestic market means more contracts for businesses, more offers to customers, and lower prices.

And that is exactly what we are now seeing.

Today's updated report from the ACCC finds that Queensland LNG producers have contracted 42 PJ of gas to Australian buyers in the past few months, and have reduced their planned exports by 29PJ.

In just a few months, prices for large gas users have fallen from a peak of $16 a gigajoule (GJ) to as low as $8/GJ, allowing more users to secure affordable supply agreements.

Prices for small users have fallen from around $18-$19/GJ in mid-2017 to less than $11/GJ.

Daily spot prices between the 2nd and 4th quarter of this year have fallen 11-12 per cent in Queensland and 34 per cent in Sydney, Adelaide and Melbourne.

In April, we directed our consumer watchdog the ACCC to investigate and report on Australia's gas market; an inquiry that would run for three years and allow the ACCC to shine a light on the industry using its compulsory information gathering powers.

In its first interim report released in September, the ACCC determined there would be a substantial shortfall of domestic gas in 2018, with large amount of LNG headed for the export spot market, leaving domestic users without contracts.

In response, the Turnbull Government reached an agreement with LNG producers that required them to keep more of their gas at home for the domestic market. This was about getting a better deal for Australian customers.

The result of that action has delivered a significant win for many Australian businesses that were either struggling to afford high gas prices or to secure a long-term contract.

While our interventions have had the desired impact and have likely saved us from a shortfall in 2018, we need to continue to address the issues identified by the ACCC.

The report also note gas users in southern states are paying an extra $2-$4/GJ to transport gas from Queensland as a result of a shortage of gas in their states.

The ACCC's estimates for 'benchmark' prices show that Victoria sits at the top end of estimated prices. And this is not going to improve easily, given demand outstrips supply.

The report reiterates the negative effects that moratoria and regulatory restrictions on onshore gas exploration are placing on the security of our future gas supply and pricing.

Removing State government moratoriums on onshore gas exploration is the best way to increase supply and lower gas prices. The solution for State Governments which are inflicting the highest gas prices in the country on their households and businesses is literally under their feet.

The highest estimated benchmark price for gas in the country is in Victoria, a State with an estimated gas resource equivalent to 44 years of supply for the east coast market.

The ACCC notes that while pipeline prices remain elevated, they expect prices should come down as a result of regulatory reforms brought forward by Minister Frydenberg and agreed by COAG.

Importantly, the ACCC notes that limitations in gas supply create a risk that commercial and industrial gas users are crowded out of the market by gas powered electricity generators.

You can't simply switch from coal to gas and think it won't have an impact on the price of gas and its supply.

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