



Media Release For Immediate Release

13 December 2016

COAG Energy Council must act to avoid energy crisis

Australia's manufacturing and food processing industry today called on the COAG Energy Council to urgently address the crisis in the domestic energy market, which is increasing costs, undermining global competitiveness and destroying business confidence.

The alliance of six associations said that while it welcomed recent efforts by the COAG Energy Council to develop a reform plan for the Australian gas market, short term energy prices are sky rocketing due to increasingly tighter supply and limited competition.

"Australia has abundant gas reserves and is about to become the world's biggest gas exporter. However, we now confront the bizarre situation where Australian manufacturers are struggling to get the gas they need," said Innes Willox, Chief Executive of Australian Industry Group.

"The absurd reality is that Australia is now a secondary market for its own gas," said Andrew Richards, CEO of Energy Users Association of Australia. "Australian manufacturing was historically built on the back of long-term stable energy supplies. But businesses are now facing significant price increases, sometimes more than double what they were previously paying."

"Despite the global spot price for LNG plummeting, the price of gas in Australia is skyrocketing. As a consequence, we are handing a competitive advantage to international manufacturers in an area that should be one of Australia's key comparative advantages – affordable and accessible energy."

"For Australian manufacturers, already under intense pressure to stay competitive, spiralling energy costs is a particularly cruel blow," said Mr Richards.

In 2014, this alliance commissioned a ground breaking Deloitte Access Economics report on the impact of a gas price spike on Australian manufacturing, warning of the potential loss of \$120 billion of manufacturing output and 15,000 jobs by 2021.

"This is a noose tightening around the neck of Australian manufacturing. It is undermining the confidence to invest and it will cost jobs," said Samantha Read, CEO of PACIA. "State moratoria on the further development of gas reserves have effectively choked off any supply response to the domestic shortage."

Now to make matters worse, the electricity market is facing significant uncertainty and volatility from uncoordinated government renewables policies and the closure of uneconomic baseload generators.

“Gas will play an important role in transitioning the economy from coal to renewables. The uncertainty of gas supply and price volatility, will make that transition more difficult and risk the viability of a significant part of Australia’s economy,” said Gary Dawson, CEO of the Australian Food and Grocery Council.

Media contacts:

Claire Selby – cselby@pacia.org.au or 0448 028 876

Krista Imberger – kimberger@pacia.org.au or 0439 318 290

James Mathews – james.mathews@afgc.org.au or 0407 416 002

Tony Melville – Anthony.melville@aigroup.com.au or 0419 190 347

Our manufacturing industry alliance comprises the Australian Aluminium Council, Australian Food and Grocery Council, Australian Industry Group, Energy Users Association of Australia, PACIA and Australian Steel Institute. Collectively our members employ 950,000 people (8.2% of domestic employment) and transform at least 32% of Australia’s domestic gas into a broad range of value-adding products and services throughout the entire economy.