

PC Review into GAS – Survival of Aussie industries is in the national interest

Energy users welcomed news this morning of the Productivity Commission commencing a project examining policy issues related to the Australian gas markets. 'The massive transformation currently experienced by Australian gas markets has the potential to shut down entire industries,' said Phil Barresi, CEO of the Energy Users Association of Australia (EUAA). 'The economic impact of gas price and supply issues cannot be underestimated.'

'Energy users have been calling for policy makers to take this grave issue seriously,' said Mr Barresi. 'Today's announcement gives hope that domestic energy users' concerns might finally result in both short term remedial and long term solutions.'

The project is focusing on three critical elements - *the implications of linking to global markets, the effects of economic regulation on usage and investment, and the potential costs and benefits of policies affecting exploration and production activity.* 'This focus project is quite significant and we trust removes the emotional hyperbole coming from producers and anti production interest groups at the cost of having gas flow to manufacturing and commercial centres in our regional centres,' said Mr Barresi.

'International price parity and the diversion of all gas to international markets will decimate local industry. In terms of economic regulation we implore the Productivity Commission to go a step further by looking at the effects of possible market intervention as a short term transitional solution to enable local manufacturing to become more confident in their future investment in Australian jobs.'

'It's essential to ensure transmission access and transparency of access is fully maximised to enable those few local manufacturers who are able to find gas to have it shipped to them,' said Mr Barresi. 'Finally, the Commission's proposed analysis of policy costs and benefits will potentially resolve one of the long standing concerns of gas users, being the 'lose it or use it' principle for onshore gas reserves.'

'We encourage the Commission to go one step further, and add to its investigation a recommendation from one of our earlier reports of an *'national economic interest test'* on all future gas exploration and the impact it may have on future investment decisions,' said Mr Barresi. 'There has been far too much rhetoric that a test of this nature would destroy exploration and production. These claims must finally be factually verified or dispelled.'

'Manufacturing is a critical part of the Australian economy, employing more than 220,000 Victorians alone,' said Mr Barresi. 'If businesses were to absorb projected increased gas input costs it is unlikely that operations would remain viable for more than a few years, with potential closures having devastating direct and flow on impacts across entire communities.'

Deloitte Access Economics research undertaken on behalf of a consortium including the EUAA, suggested specific industry sectors will suffer up to \$118 billion loss of income from 2014-2021, with significant impact on employment. By 2021 manufacturing employment is projected to reduce by up to 14,626 full time equivalent jobs.

'With smart, considered policy responses from industry and government we can make the most of our enviable gas endowment, with a thriving manufacturing sector existing alongside a growing gas export industry,' said Mr Barresi. (12/09/2014)

The EUAA is the peak industry body for Australia's energy users including manufacturers, retailers and resource-based industries.

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