

LOOMING GAS SHORTAGE A CRITICAL ISSUE FOR ENERGY USERS

The release today of Australian Energy Market Operator (AEMO) 2020 Gas Statement of Opportunities (GSOO) is yet another reminder that the gas crisis gripping Australia for the last five years is a long way from being resolved.

AEMO are forecasting the potential for significant supply shortfalls from 2023, driven by factors such as falling production from existing fields, pipeline limitations and global LNG markets. This is a critical issue for energy users because gas is used to make many essential items such as food, building materials, paper, plastic and glass, so a shortfall will impact the whole community.

“These issues are predicted to be especially felt in the southern states where supply shortfalls are likely to hit hardest,” said Energy Users Association of Australia (EUAA) Chief Executive Officer, Andrew Richards.

While the supply outlook to 2023 looks positive we note that AEMO have flagged the possibility that spot LNG cargoes may need to be redirected to the domestic market to achieve this.

“If sufficient gas isn’t available or if it becomes too expensive to be economic to use, many of our critical industries will be under threat,” said Mr Richards.

“Despite a softening of global LNG prices, we are yet to see this transferred to the domestic market, so it remains both a supply and a cost issue.”

The Victorian government recently lifted the moratorium on conventional gas extraction, a move that was welcomed by the EUAA. However, as it currently stands we are unlikely to see gas flowing for many years to come.

“We need governments, the gas industry and gas users to work cooperatively to accelerate new gas developments and facilitate more pipelines so we can not only get more gas to market faster but ensure we see a range of new competitors emerge,” said Mr Richards.

“We also see the potential for LNG import terminals to play an important role, boosting supply and hopefully improving competition.”

It can take anywhere from five to 10 years to develop new conventional gas sites so a predicted shortfall in three years is a very short timeline. A number of LNG import terminals have been proposed including in Victoria and NSW but they are not yet confirmed to be commercially viable.

“We have no time to waste in bringing new gas supply to the market. Every possible opportunity must be explored to ensure we do not leave manufacturers, and therefore the community, without this critical fuel,” added Mr Richards.

-ends-

Media Contact: Emily Wood 0421 042 121