

LOOMING SUPPLY ISSUES WILL PUT GAS INDUSTRY TO THE TEST

Leading advocate for large commercial and industrial energy users, the Energy Users' Association of Australia (EUAA) welcomes the ongoing attention from the Australian Competition and Consumer Commission (ACCC) on gas markets and calls on the gas industry to live up to its commitments to both the Federal Government and domestic gas users.

“The latest ACCC interim report into wholesale gas markets has again highlighted critical issues that have major impacts on all Australian gas users,” said EUAA Chief Executive Officer, Mr Andrew Richards.

“We are concerned that one of the key issues highlighted by this recent ACCC report is that LNG producers may not be living up to their commitments under the Heads of Agreement they have entered into with the Federal Government to ensure sufficient gas supply for the domestic market.”

The ACCC has stated that:

“The information provided to date relating to the previous Heads of Agreement does not yet clearly demonstrate compliance. Some of the offers provided by some LNG exporters to demonstrate that they had offered equivalent volumes to the Australian domestic market ahead of exporting uncontracted gas were not sufficient to substantiate compliance.”

“Domestic gas users need to know if there will be sufficient gas and that the industry is living up to its promise to do better for their domestic customers.”

The EUAA has been a vocal advocate for improvements to domestic gas markets for many years and has welcomed the ongoing attention from the ACCC, but this latest report demonstrates how much more there is still to do including increasing supply, reducing market power of producers and delivering fairer outcomes for domestic gas customers.

“Many of our essential everyday items require gas in the manufacture including food processing, bricks, steel, glass and plastics. Ensuring adequate gas supply at affordable prices remains a key concern for all Australians,” said Mr Richards.

Other issues highlighted by the ACCC include market power of gas pipeline owners. Recent changes to gas pipeline regulations should help alleviate some of these issues so we await future ACCC reports to ensure this is the case.

This most recent ACCC report also shows that while there has been a softening of domestic gas prices in the first half of 2021, the future is not so bright for gas users.

“We note that some of the data that has underpinned pricing outcomes in this report has come from late 2020 and early 2021 when spot prices were lower. Unfortunately, domestic prices are again on the rise driven in large part by

increases in Asian gas market prices that we are now linked to. We fear that prices will return to record levels over the next 12-18 months causing great concern to local manufacturers.”

The EUAA is the peak body representing Australian industrial and commercial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing and materials processing industries. Combined our members employ over one million Australians, pay annual energy bills in the many billions of dollars and support the development of a lasting national energy and climate change plan that puts downward pressure on electricity and gas costs.

- ends -

Media Contact: Emily Wood 0421 042 121