

## **LATEST ACCC INTERIM GAS MARKET REPORT CONFIRMS CONSUMERS' WORST FEARS; TIME FOR GOVERNMENTS TO ACT**

The Australian Competition and Consumer Commission (ACCC) Interim Gas Report yet again paints an alarming picture for Australian energy users who have been raising concerns about the state of Australia gas markets for many years.

“Projected domestic gas shortfalls, potential market power issues and evidence of escalating contract prices should ring alarm bells for all Australians,” said leading advocate for large C&I energy users, the Energy Users’ Association of Australia (EUAA).

“High gas prices and lack of feedstock for large C&I have begun making their way into the costs of every day goods for all Australians at a time when inflation is already high,” said EUAA CEO Andrew Richards. “The latest ACCC report clearly indicates this will continue unless immediate, corrective actions are taken.”

This statement taken from the report sums up the situation in one sentence:

*‘The LNG exporters are expected to contribute to the supply shortfall in 2023 by withdrawing 58 PJ more gas from the domestic market than they expect to supply into it.’*

“Time and again energy users have been told by the gas industry that there was plenty of gas, that prices wouldn’t go up and that they would do the right thing by domestic customers. Time and again the ACCC have demonstrated this is not the case.”

The EUAA support a review of the ADGSM, extending the Heads of Agreement (HoA) between the Commonwealth and LNG exports and the ACCC call for the Federal Government to initiate the first steps of the ADGSM, but we fear it will not be enough.

“It is time for governments and regulators to stop rattling the sabre and to draw their sword. It seems clear that threatening the gas industry with stronger actions is not enough. It is only taking strong actions that will effect change,” said Mr Richards.

“Energy users are looking for stronger action such as ADGSM and HoA triggers that not only ensure the volume of gas is sufficient but also seek to ensure price of gas is affordable.”

Gas is a critical input into many everyday essentials manufactured by Australian businesses and purchased everyday by Australian families and business, including bricks, steel, paper, food, glass, beer, plastic and fertiliser. For industries making these essential goods, there is no current commercial alternative to gas – in most cases electrification is not an option and potential alternatives such as green hydrogen are still a long way away from being affordable or commercially feasible.

Large energy users have been ringing the alarm bell for almost a decade during which time they have been telling governments and the ACCC about the challenges they are facing in contracting affordable gas and the negative

implications if they can't. This latest ACCC interim gas report confirms yet again that this perilous situation is not just impacting a few manufacturers but is at a critical point for most Australian businesses, gas fired power stations and householders and requires action.

“We should not gloss over the concerns raised in the report around actions that can impact competition, contract clauses that can impact gas being made available to the market, and potential impacts on CCA from joint marketing. All of these issues demonstrate that more needs to be done to protect consumers.”

Many EUAA member companies rely heavily on gas to manufacture many products that Australians use every day. For many companies there is no commercially viable alternative to using gas although promising alternatives may be available in the future, such as green hydrogen, biogas or electrification.

High gas prices also lead to higher electricity prices as the cost of running gas peaking plant increases significantly. The latest AEMO ISP identifies we will need 10GW of gas fired power stations to successfully manage the energy transition, but that will only occur if gas is available and affordable.

“We believe that the transition to net zero at least cost will require gas to play a key role, a role that is now in jeopardy unless immediate actions by governments and the gas industry are taken.”

“Many energy intensive business are concluding that we need to ensure we preserve gas for high value activities such as manufacturing, food processing and peaking energy generation while we allow those who can, to transition to electrification or alternative fuel sources,” said Mr Richards.

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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.

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