



**Getting gas right:  
Australia's energy challenge**

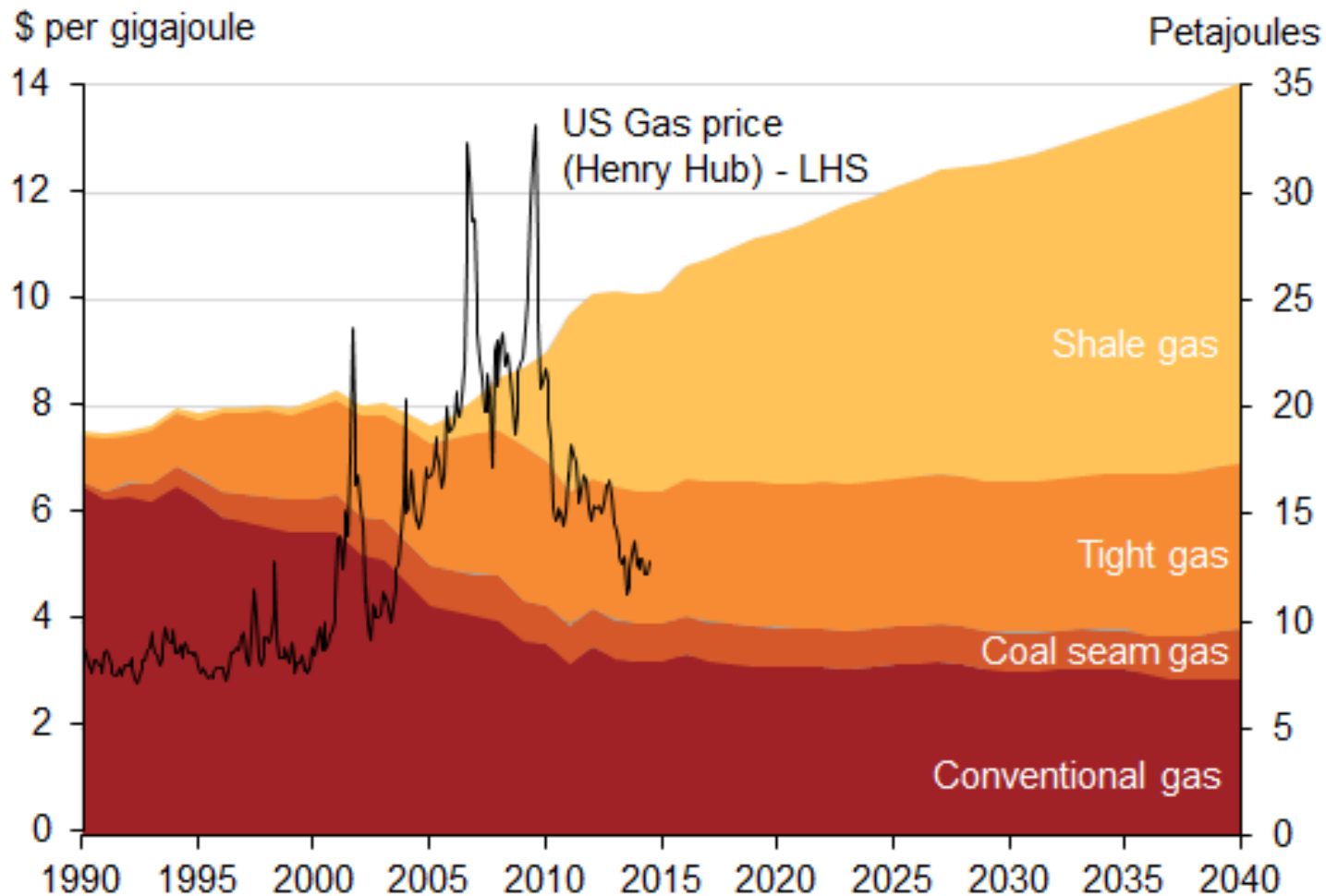
**3 October 2013**

## Key themes

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- By 2017-18 Australia could be the world's biggest gas exporter, generating more than \$53 billion a year in export earnings.
- Unconventional gas (coal seam gas in Australia and shale gas in the US) is creating a global energy revolution.
- Strong Asian demand and high prices means local consumers will face export parity prices for Australian homes and businesses.
- There is a serious risk of a shortage of gas on the east coast, especially in New South Wales.
- Industry protection is always bad, but markets can be improved with government action
- The long-anticipated “dash for gas” is not happening. Falling demand, rising gas prices and the renewable energy target mean no new gas-fired electricity is required for at least the next decade.

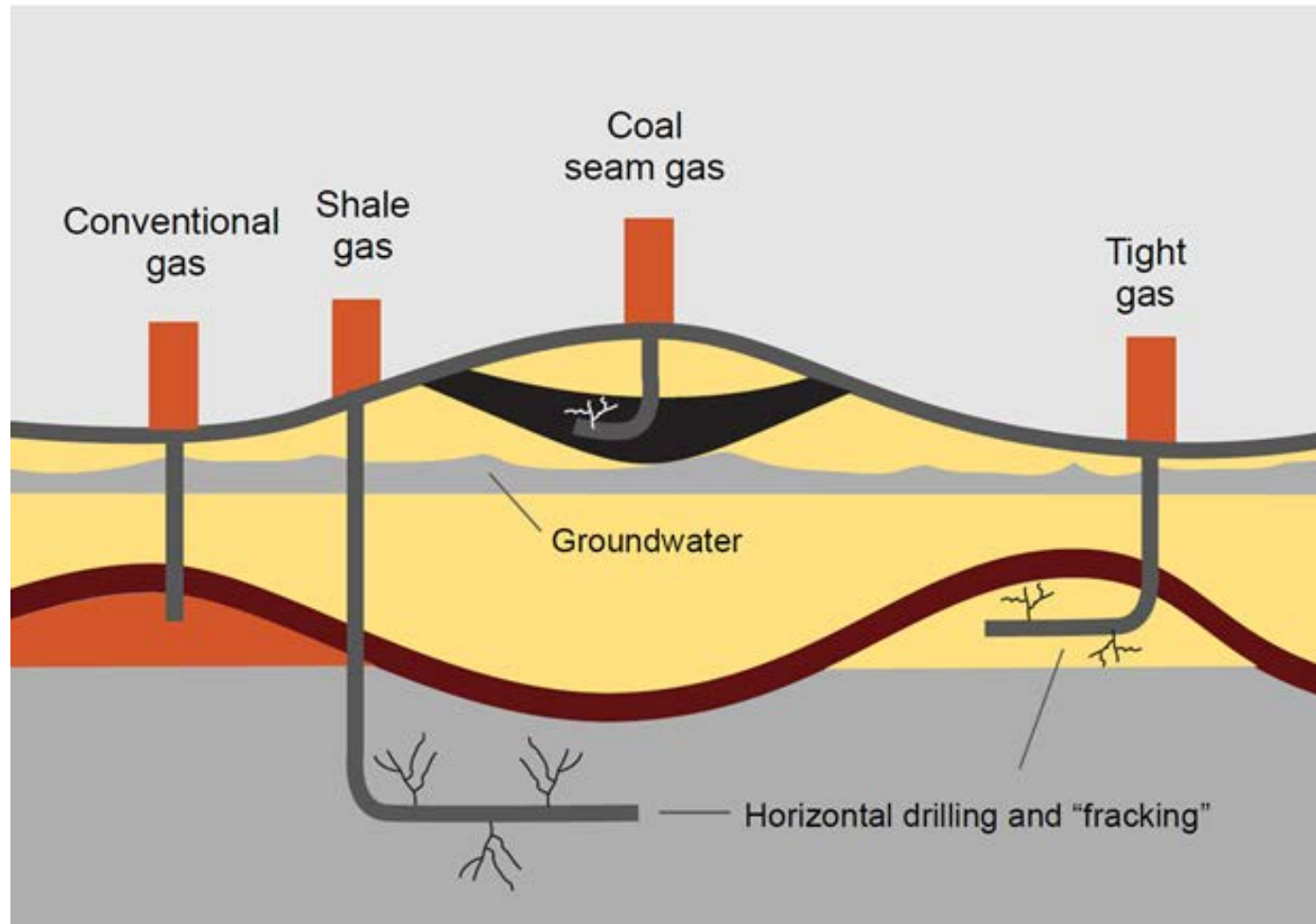
## In the US, the market is working and shale gas is delivering



Source: EIA, US Geological Survey

**And, its all pretty much the same gas**

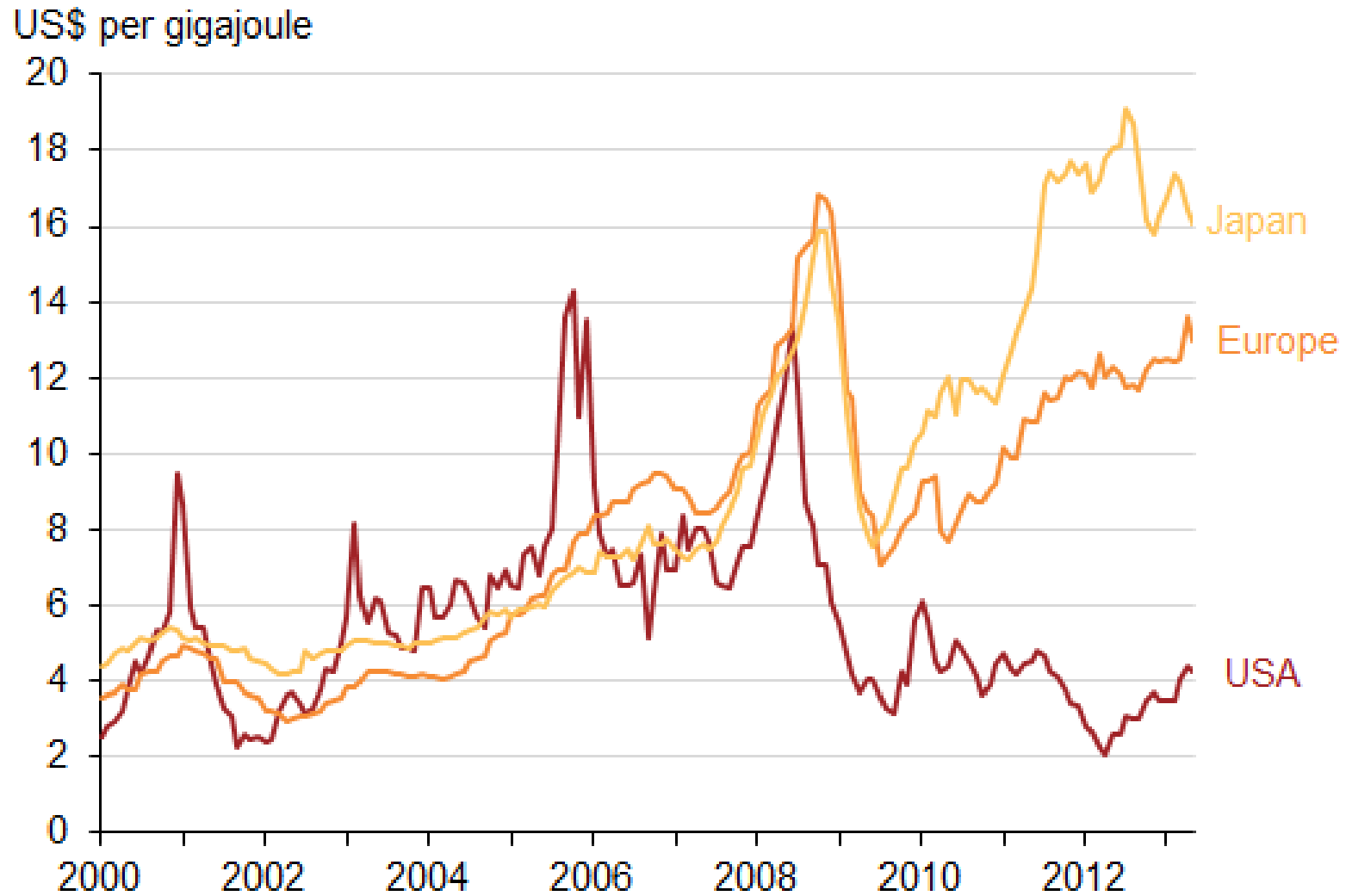
## Technology has provided the vehicle to deliver unconventional gas



Source: EIA, US Geological Survey

**feeding into increasingly linked regional gas markets**

## Global prices have separated

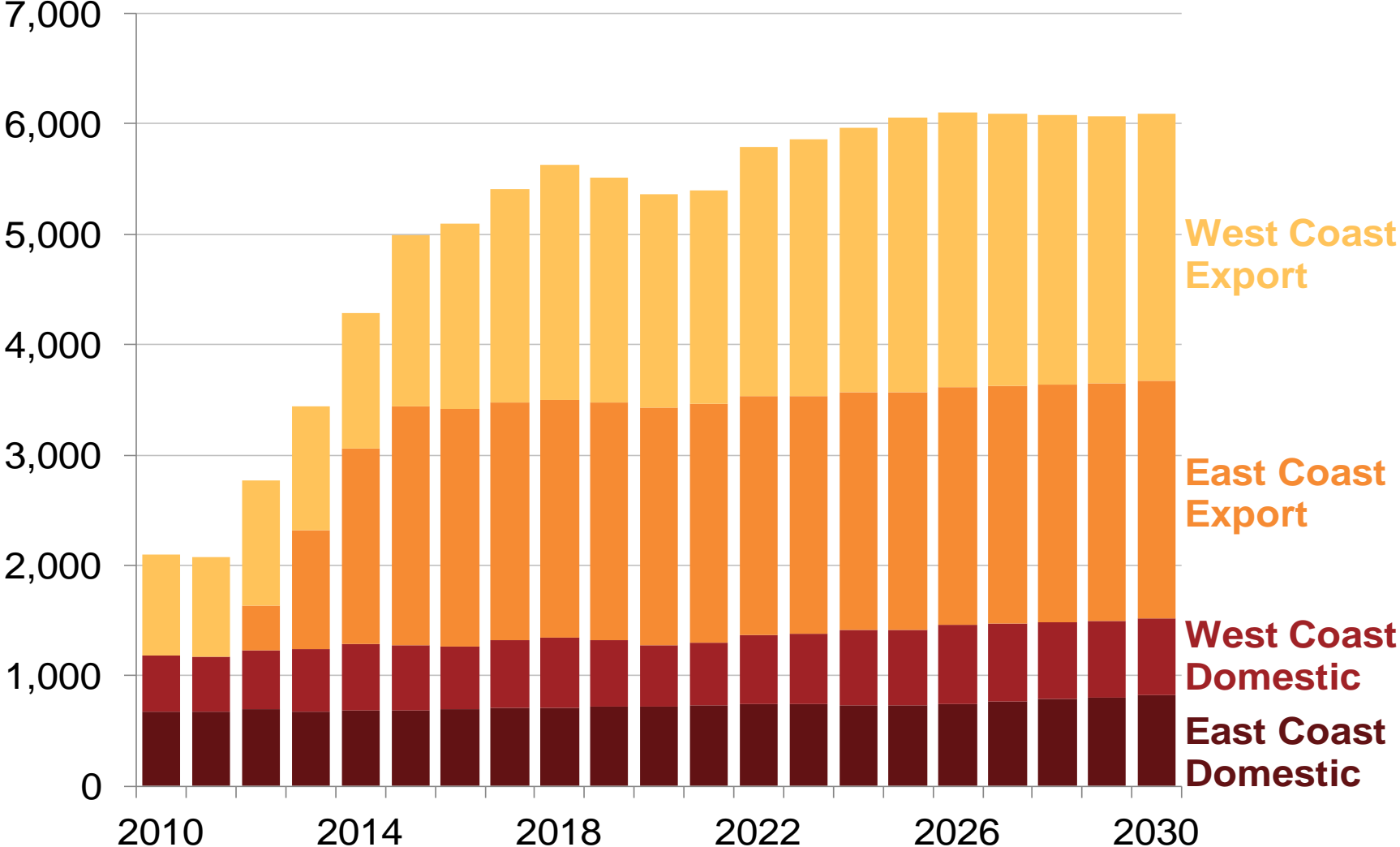


Source: World Bank

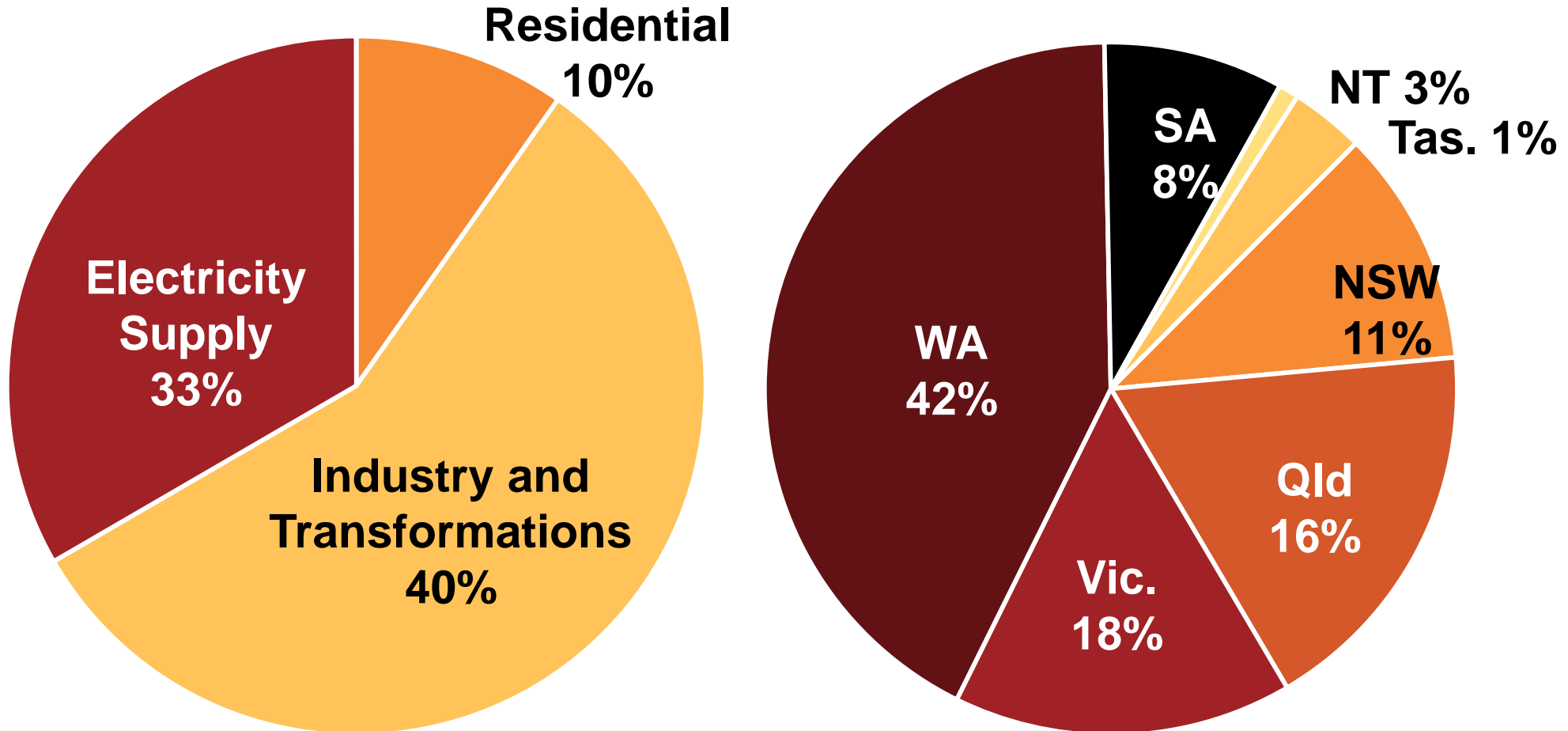
but maybe not be for long

# The Australian market is responding

petajoules



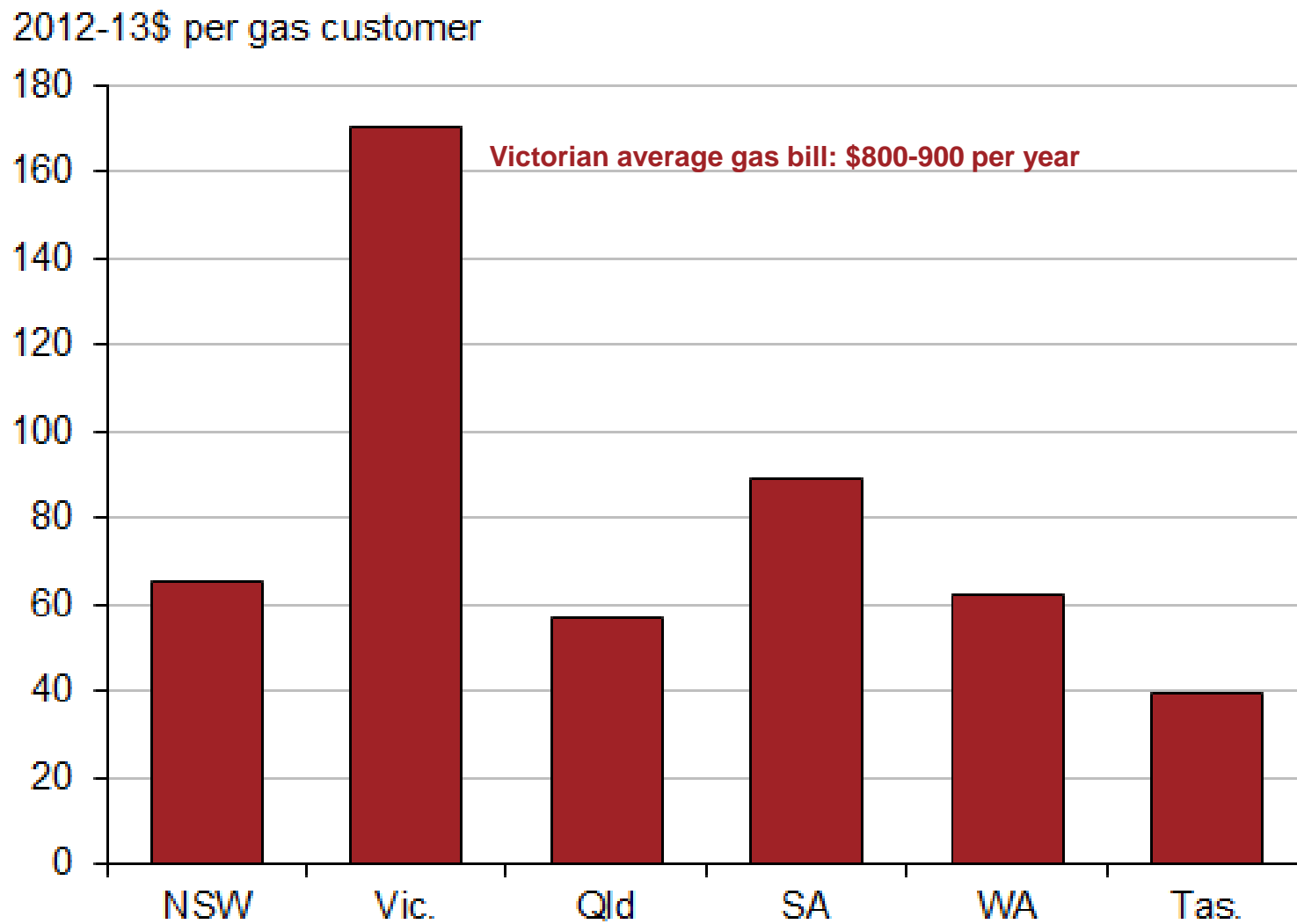
# Gas plays an important, but poorly understood, role in Australia



Source: BREE

Leading to big consequences in particular circumstances

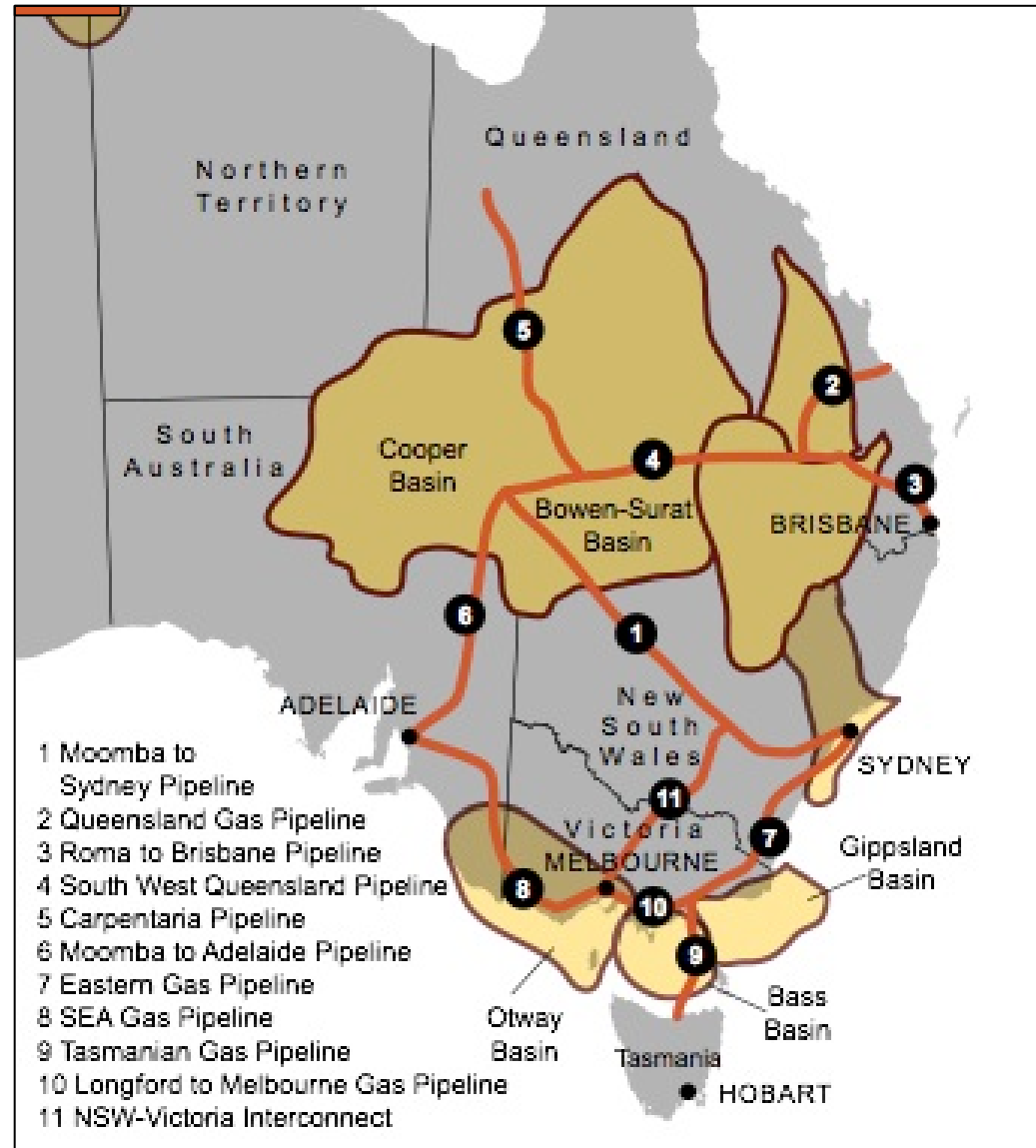
## Australian households will see gas price increases



**For some businesses the increase will be a very big deal**



## The east coast gas market is increasingly connected

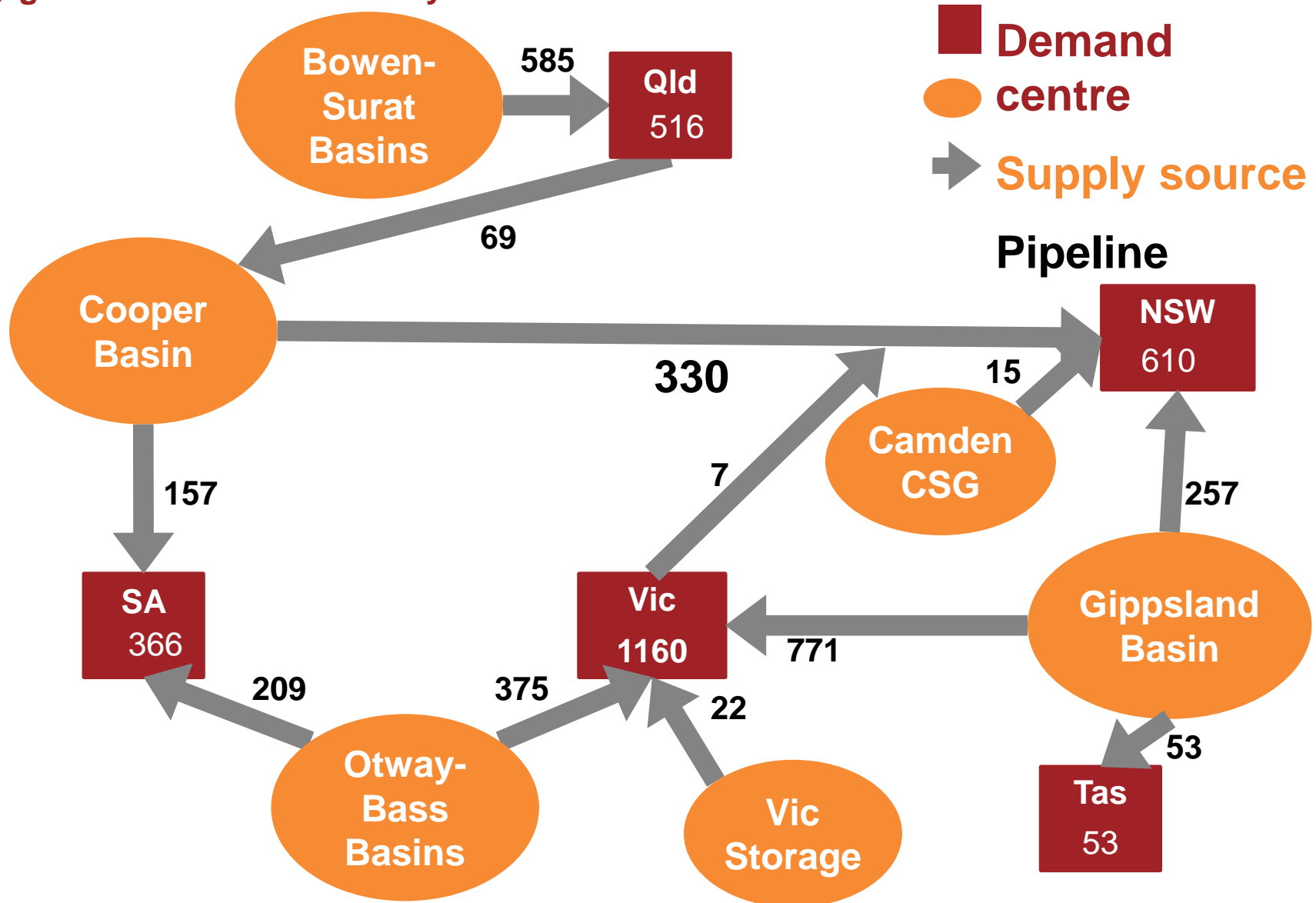


CSG in Queensland has grown over the last decade or so

CSG in New South Wales remains largely untapped

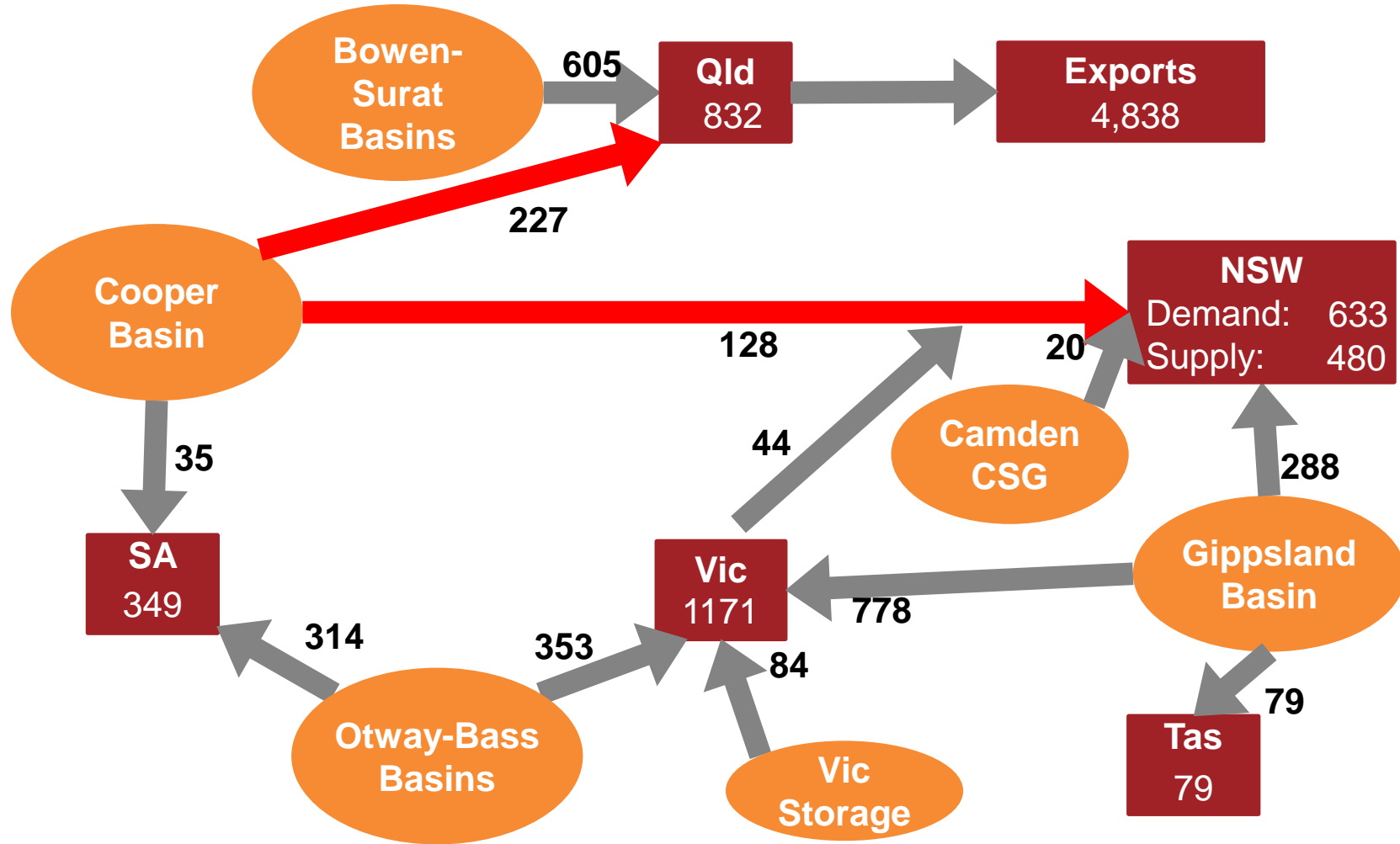
# And has been in balance

Daily gas flows on a winter's day in 2011



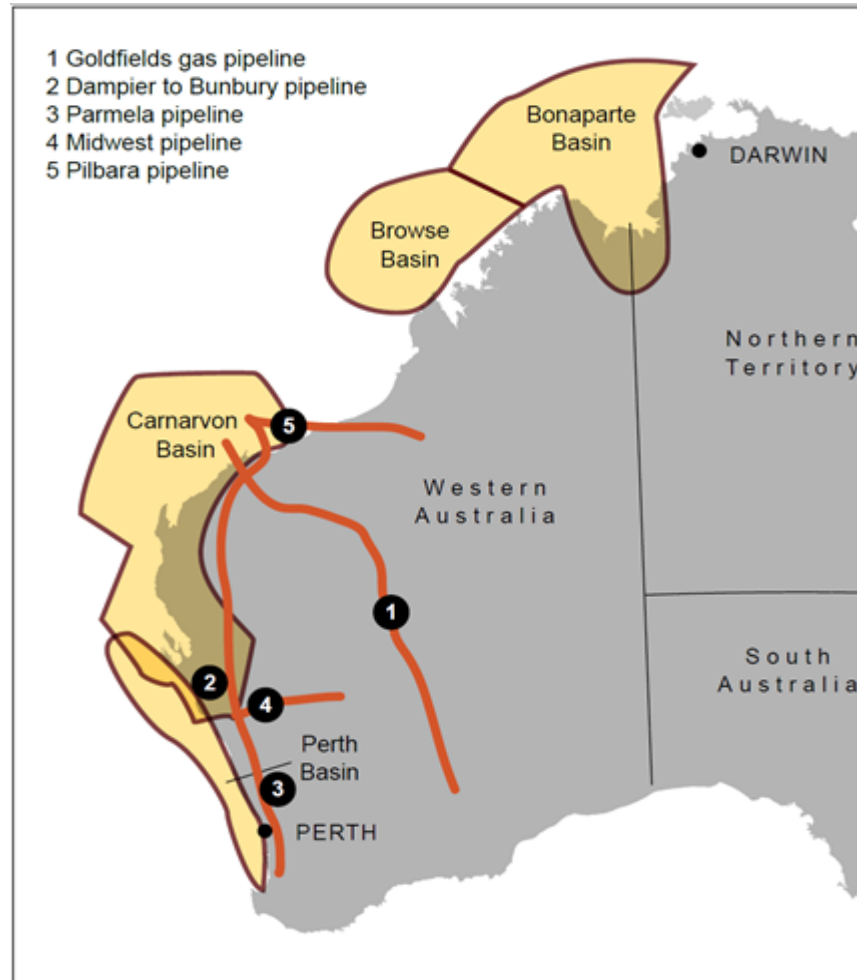
# And gas could be very tight within 3-5 years

Daily gas flows on a winter's day in 2016



unless commercial solutions are reached

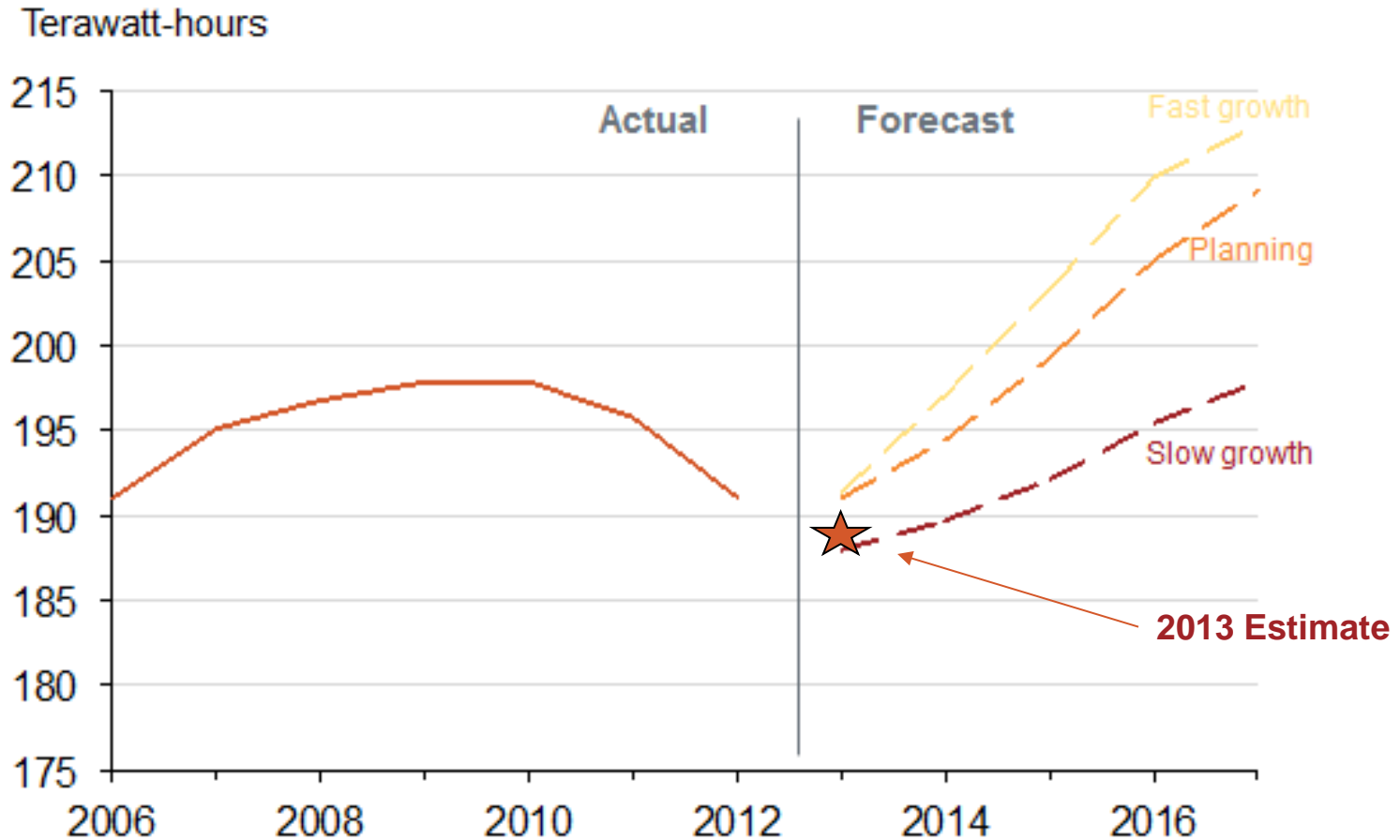
## The WA market is domestically concentrated, but already exports LNG



WA focus has been on new projects and gas reservation

# Carbon pricing was to favour a dash for gas, but demand has fallen

## NEM electricity demand



Source: AEMO (2012, 2013)

And the trend is continuing

## Conclusions

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- More than \$160 billion investment is good for the economy. Governments should resist calls to cap prices or reserve gas for the domestic market.
- Unconventional gas brings conventional problems and an unusual alliance
- Governments must:
  - End the coal seam gas impasse in New South Wales.
  - Create a more transparent and efficient gas market including new trading hubs, a published gas price index pipeline capacity trading and elimination of joint marketing.
- Industry must get the gas to market and commercial deals should get done.
- There is no shortage of gas
  - Global resources are more than 200 years of supply – great news for energy users, possibly very bad long-term news for climate change.
  - Australia's proven and probable reserves are enough for 70 years at current production. Coal seam gas and shale gas could quadruple that coverage

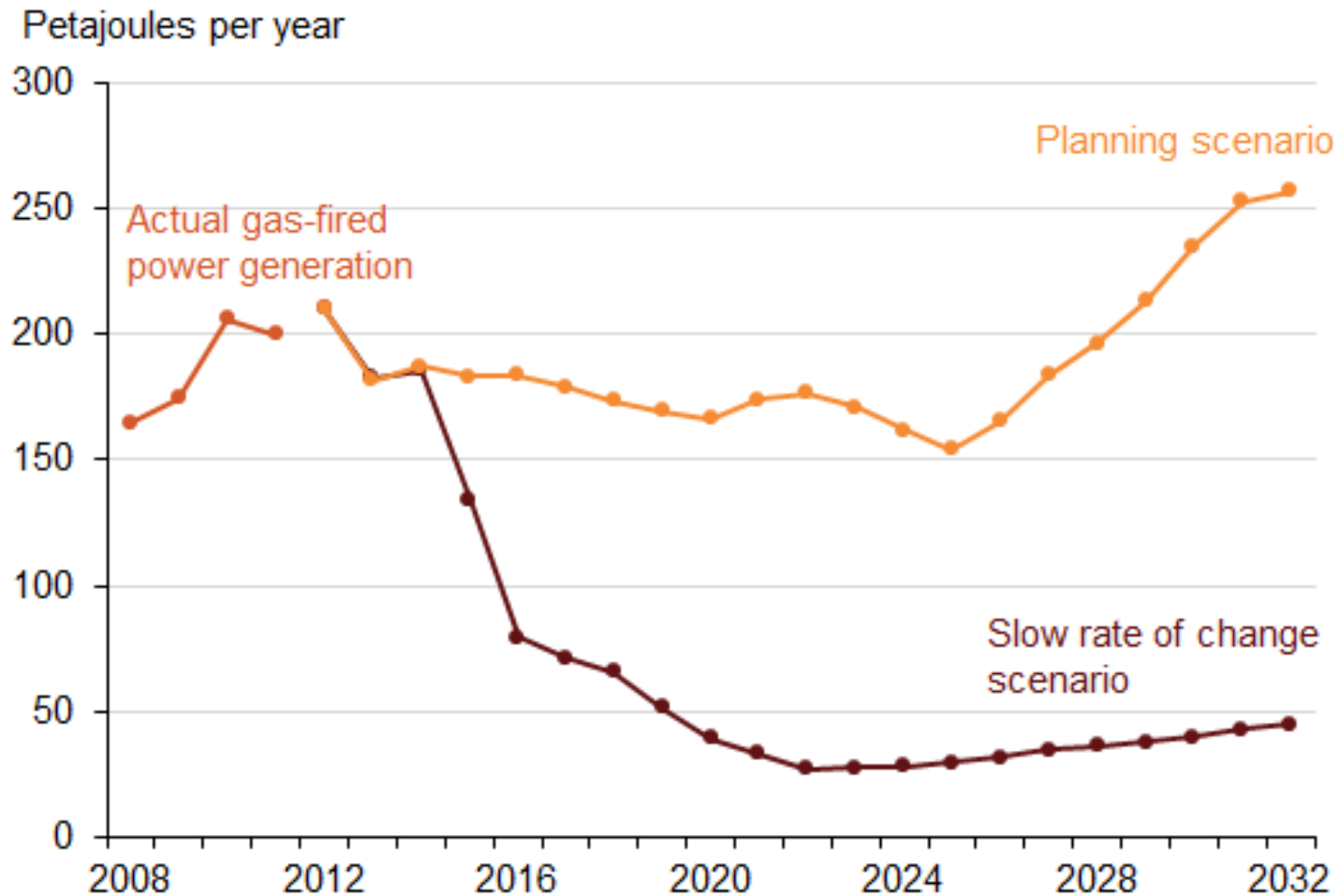
**For Australia, getting gas right presents very big challenges**



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## So, the outlook for gas generation is very uncertain



Source: AEMO (2012)

a remarkably different position from most other countries