



Gas too Good to Burn

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Disclosure & Disclaimer

Disclosure.

- I am a full time employee of the University of Queensland where I am Director of the Centre for Coal Seam Gas (CCSG).
- The CCSG is an applied research centre which is approximately 80% funded by the 4 main Queensland CSG sector companies and 20% by the University.
- My other role at UQ (Director, CCS) attracts funding from the coal industry.

Disclaimer

- The views represented in this presentation and discussion are my own and not necessarily those of the University or any CCSG members or industry funders.

Context & Perspectives

How did we get to this point ?

- What did we *think* would happen ?
- Who are the players involved ?
- Where have all the good times gone ?

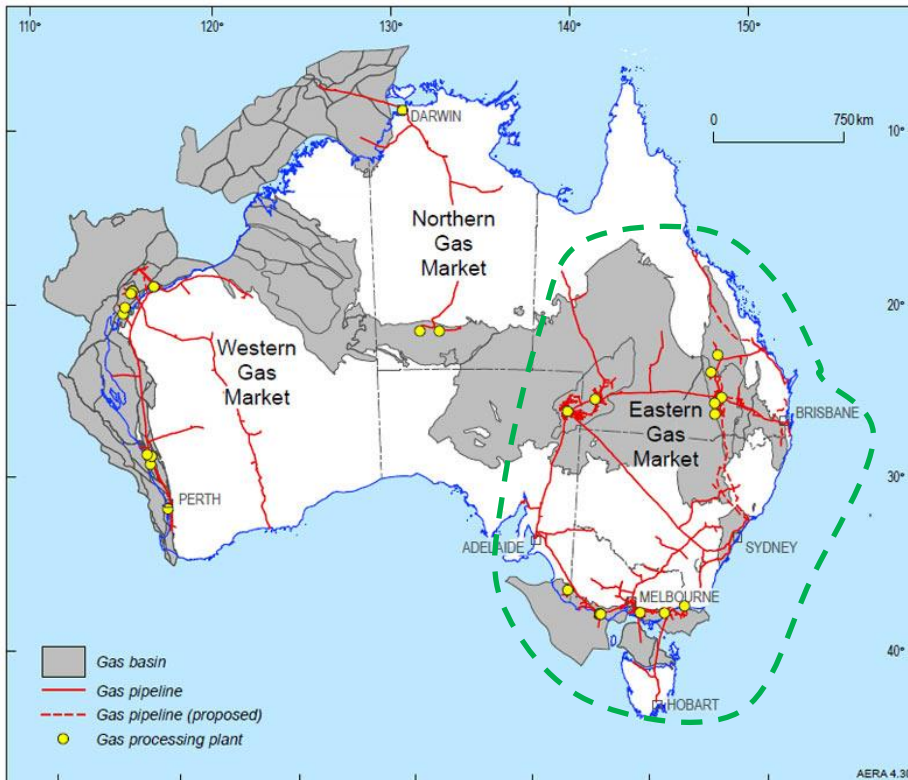
What did we *think* would happen ?

Forget CSG for a minute..

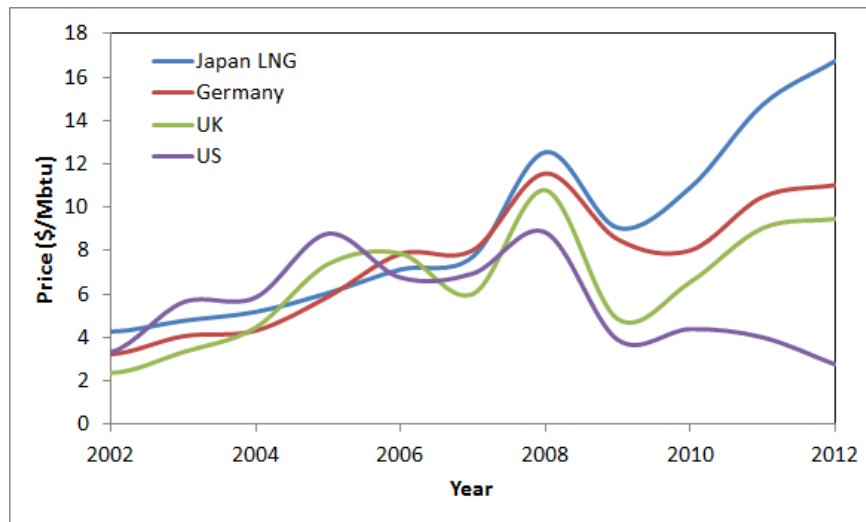
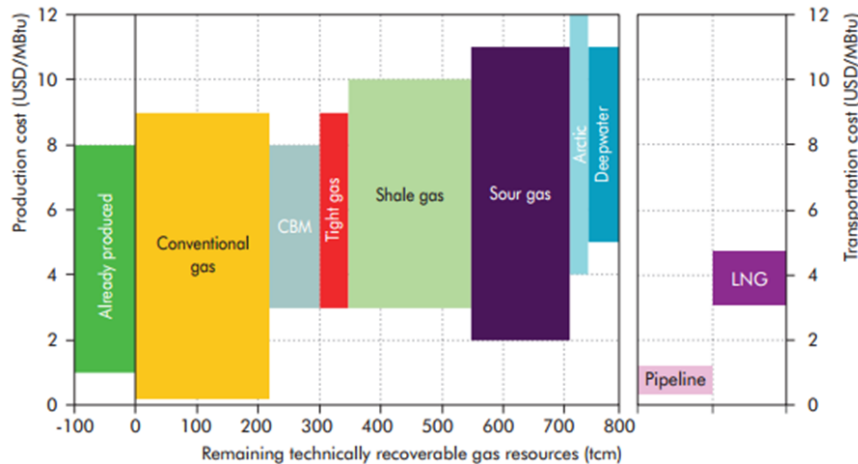
- A finite natural resource
- A closed, isolated system & small market
- Progressive resource depletion & degrading (*inevitably*)

Expectations ..

- Production cost trend ?
- Sales price trend ?



What did we *think* would happen ?

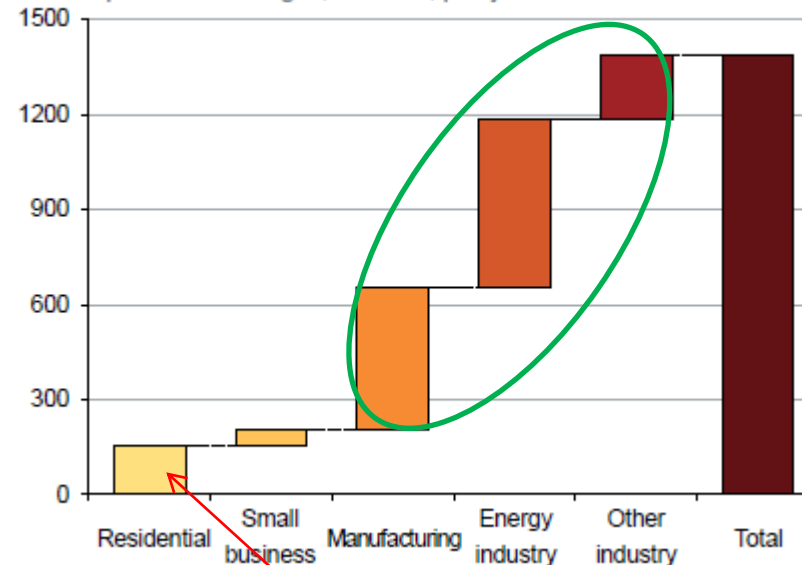


- Gas getting more difficult to *extract*
- Demand growth *and* price growth
- Competition is for international *capital*
 - Rel. high cost environment
 - Rel. low sales price
- Especially at-risk capital
 - everyone's free to take a punt
 - where would you invest

So who are the players

From: Gas at the Crossroads:
Grattan Institute

Figure 2: Gas is used across the Australian economy
Consumption of natural gas, 2012-13, petajoules



Source: BREE (2014)

Voters
especially in
Victoria.

- Most use is **industrial**
- Producers are also major users
 - in operations & (sometimes)
 - power generators / retailers
- Largely **private** corporations
 - Owned by national and international institutions and funds.
 - *And therefore by Pensions / Supers* (foreign and domestic)
- Market distorting & cross- (one way) subsidising mechanisms not as impersonal or abstract as it seems
 - Quarantining, reservations, moratoria all have an impact on (our) invested value

Where have all the good times gone ?

- “Access to low-cost energy has shaped the Australian economy” (BCA, 2014).
 - Did we really think this was *sustainable*, competitive advantage ?
- 2008 – Queensland: Bligh government opened the whole of East Australian gas to international price environment.
 - It opened the previously closed system *and* massively expanded the market for Australian resources and stimulated gas which otherwise would have been fallow,
- The large new industry (jobs, taxes, additional gas supply, societal fears and concerns **warts ‘n’ all**) *is only there because of those international prices.*
 - *and with it we get the usual “winds of creative destruction” – swings and roundabouts*
- This was preceded by well over 4 years of domestic and international precursors ‘warning signs’ for all to see
 - domestic exploration activity & investment and increasing global demand & prices
 - and even without this 4 yrs price pressures were up (costs, productivity, de-grading, depletion)
- Reflecting rehtorically: what did we do with the years of comparative low-cost energy to build more robust, competitive industry & economy (*when prices were never going to go south*)?

Nothing lasts forever, this is only the *current* energy dilemma

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“We cannot solve our problems with the same thinking we used when we created them” – *Albert Einstein*

End
