Gas at the crossroads
Australia’s hard choice
Tony Wood
Gas is used in a variety of applications in Australia.

The biggest consumers are manufacturing and electricity generation.

Natural gas consumption 2012-13, petajoules
International gas prices: diverged and volatile

The shale gas revolution and the Tsunami in Japan have made big impacts

Gas price US$ per mmbtu

USA
Europe
Japan
While domestic gas prices have already increased substantially.

Electricity price increases have captured most of the headlines.

Index of real electricity and gas prices

Big companies are already seeing the impact of higher prices.
Some Australian homes use a lot of gas

The use of gas to heat our homes makes a big difference

Annual consumption, gigajoules

- Low gas user
- Medium gas user
- High gas user

@GrattanInst gaspricing
And, price increases will be biggest where gas is used the most

Households will have hard decisions and little good information
Some businesses use a lot of gas

Bakers, drycleaners and food processing businesses are particularly gas-intensive

Like households, their choices are limited
And, gas may be priced out of power generation

Even a 50% switch to coal would mean an extra 15 million tonnes per year of CO₂ emissions

And, now there is no carbon price to stop that happening

Marginal cost $ per Megawatt-hour for existing plants

And, now there is no carbon price to stop that happening

@GrattanInst  #gaspricing
Actions for governments

Do:
• Remove inappropriate barriers to supply
• Communicate the price issues more clearly
• Remove barriers to competition in the gas market
• Ensure effective support for vulnerable consumers

Don’t:
• Reserve gas for domestic markets
• Introduce a national interest test
• Repeat the subsidies for regional gas extensions
• Subsidise domestic prices

Consider:
• Commission a review of gas market competition
• Review current resource tax and royalties
• Promote energy efficiency
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