

October 2014

Gas at the crossroads

Australia's hard choice

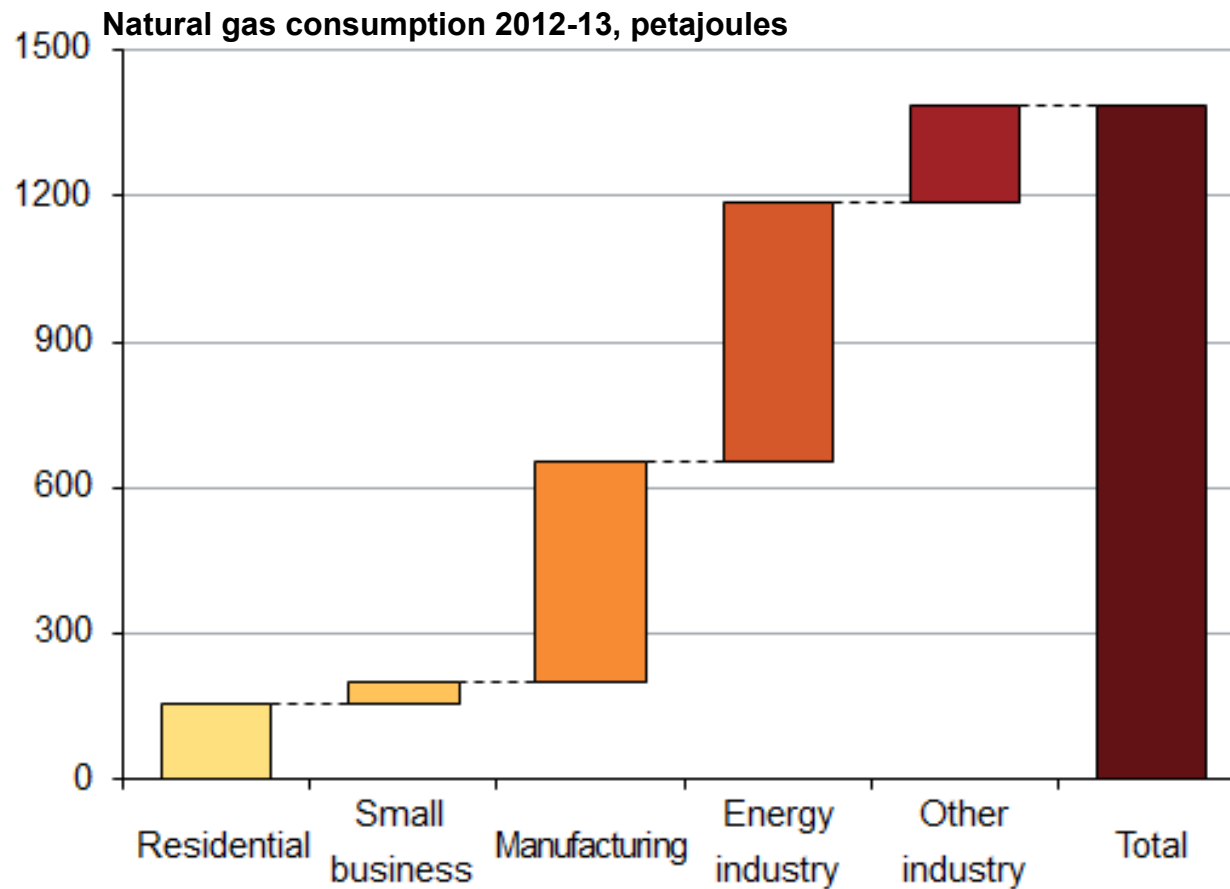
Tony Wood



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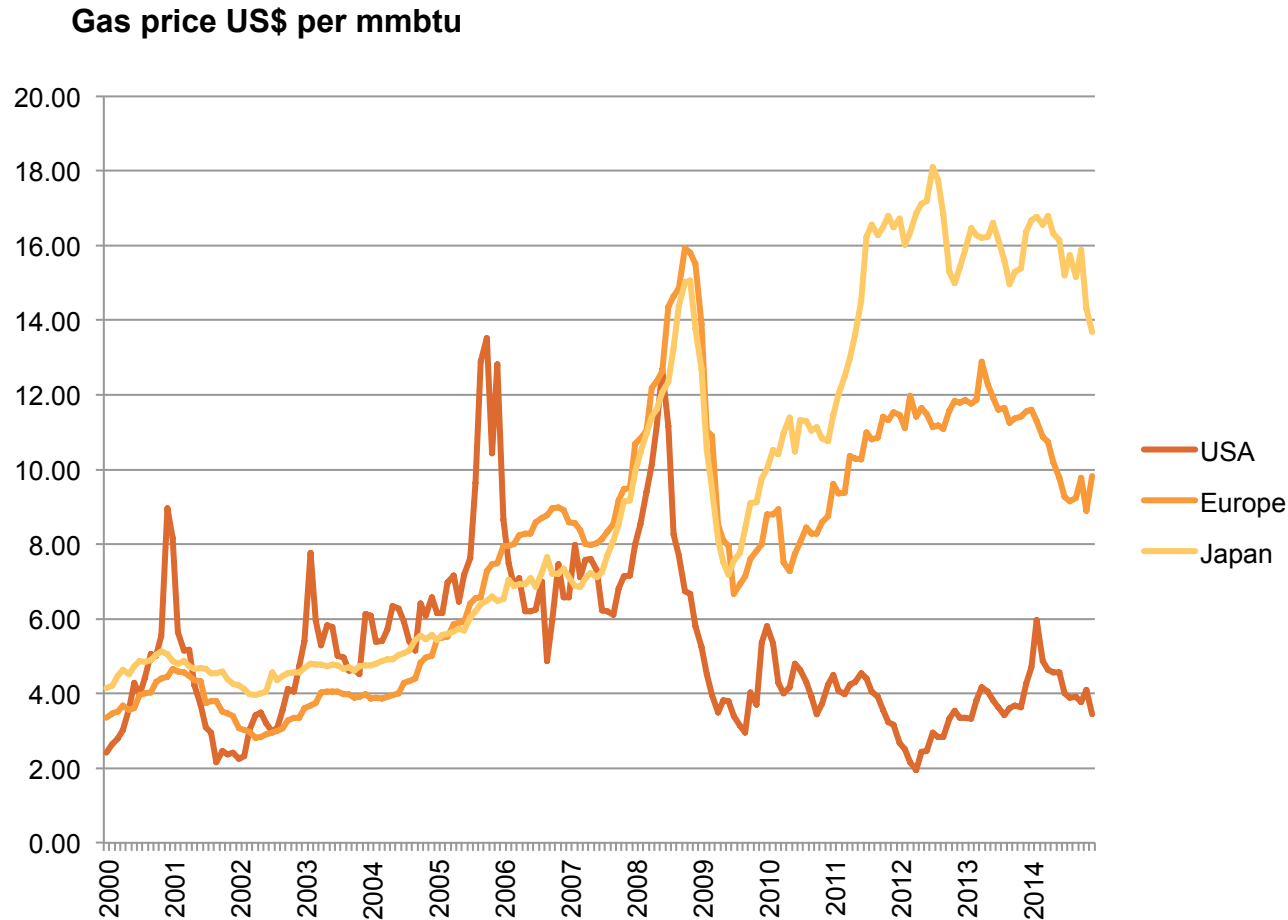
Gas is used in a variety of applications in Australia

The biggest consumers are manufacturing and electricity generation



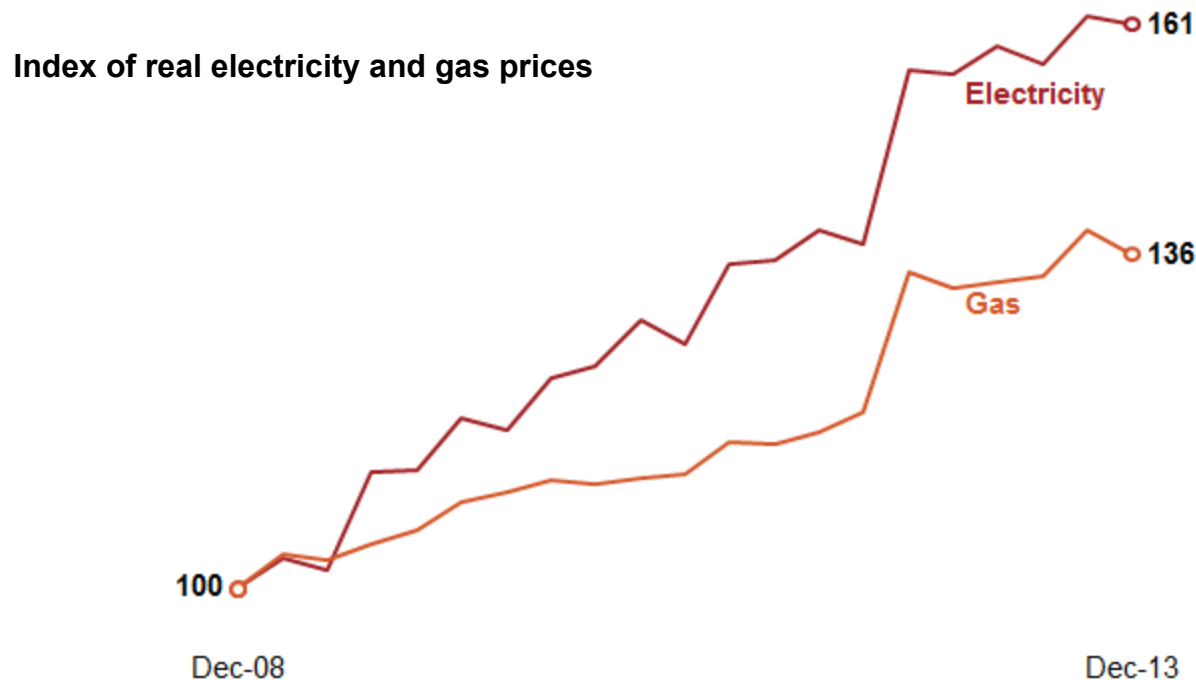
International gas prices: diverged and volatile

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



While domestic gas prices have already increased substantially

Electricity price increases have captured most of the headlines

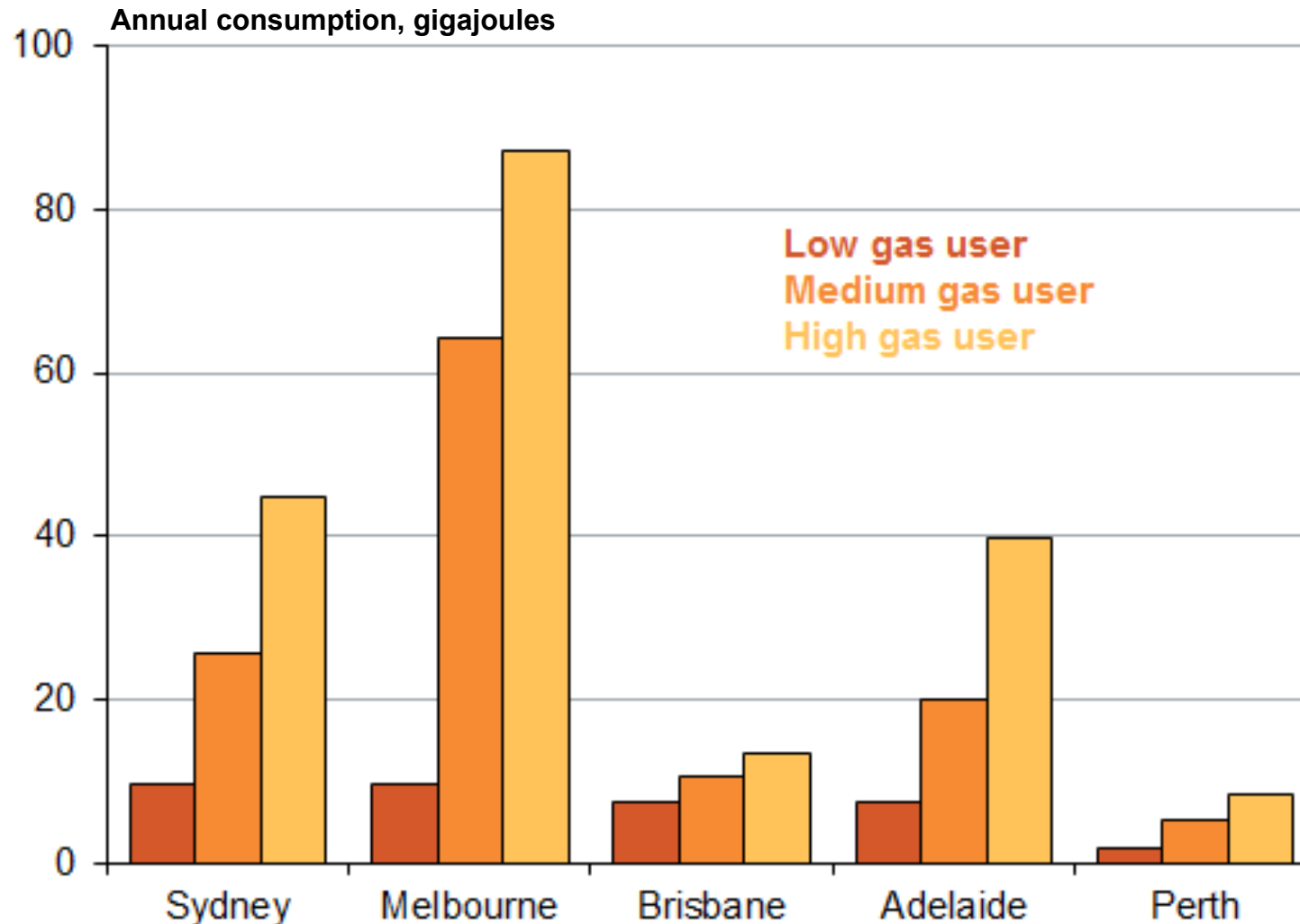


Big companies are already seeing the impact of higher prices

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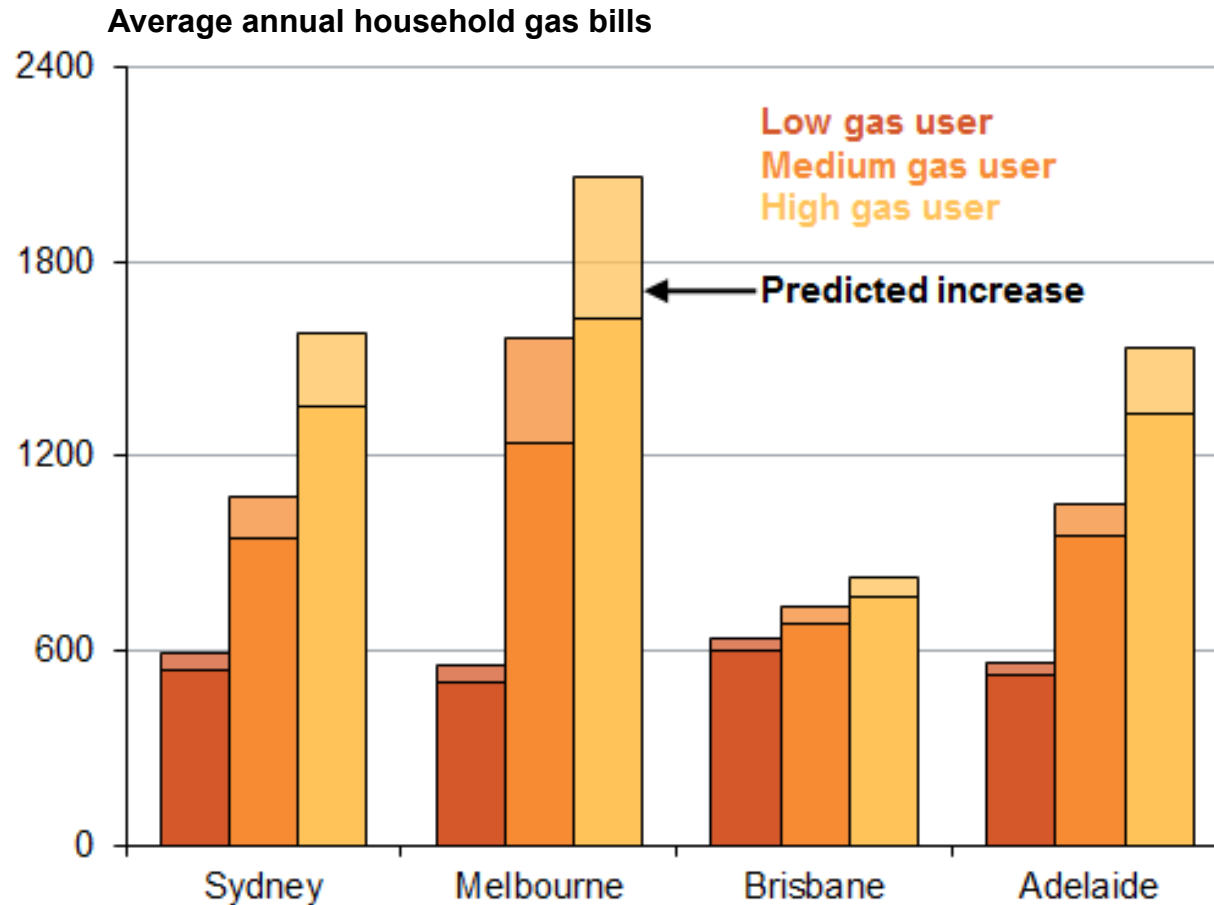
Some Australian homes use a lot of gas

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



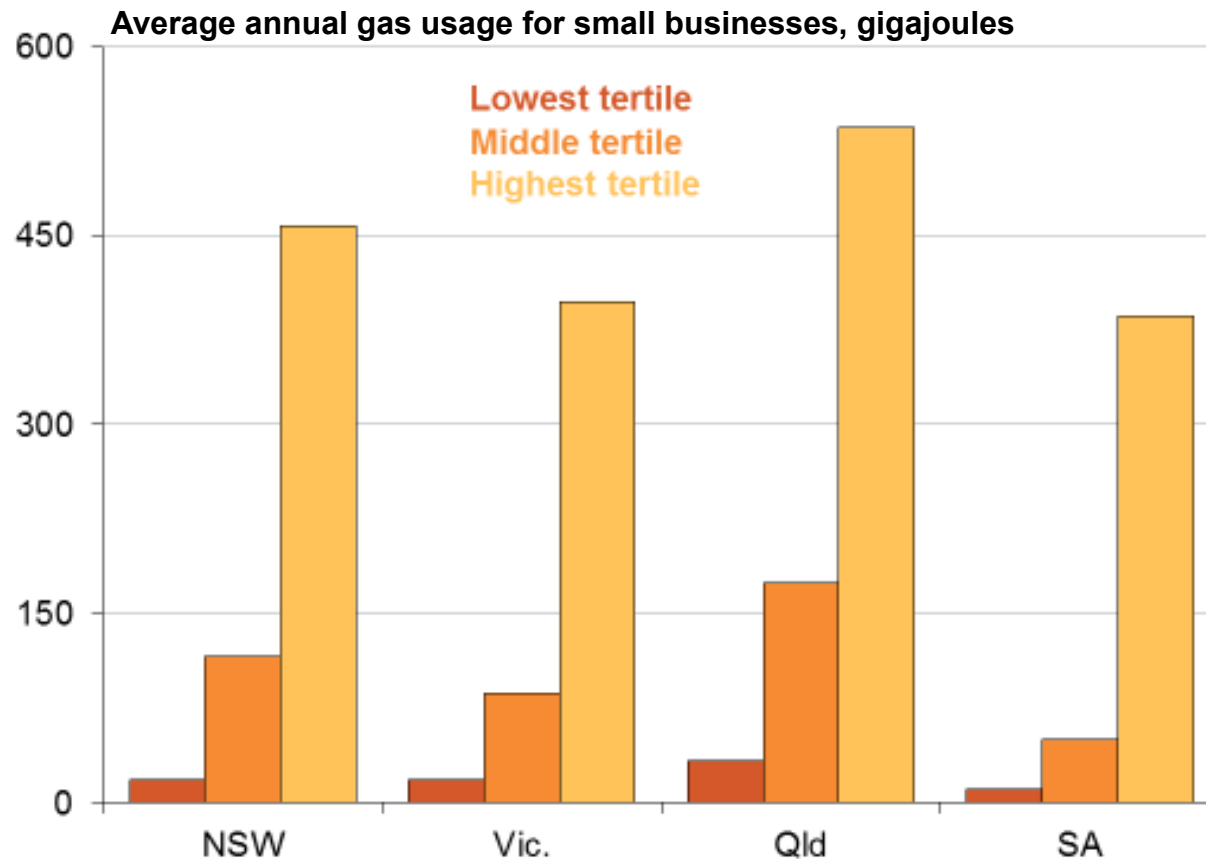
And, price increases will be biggest where gas is used the most

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

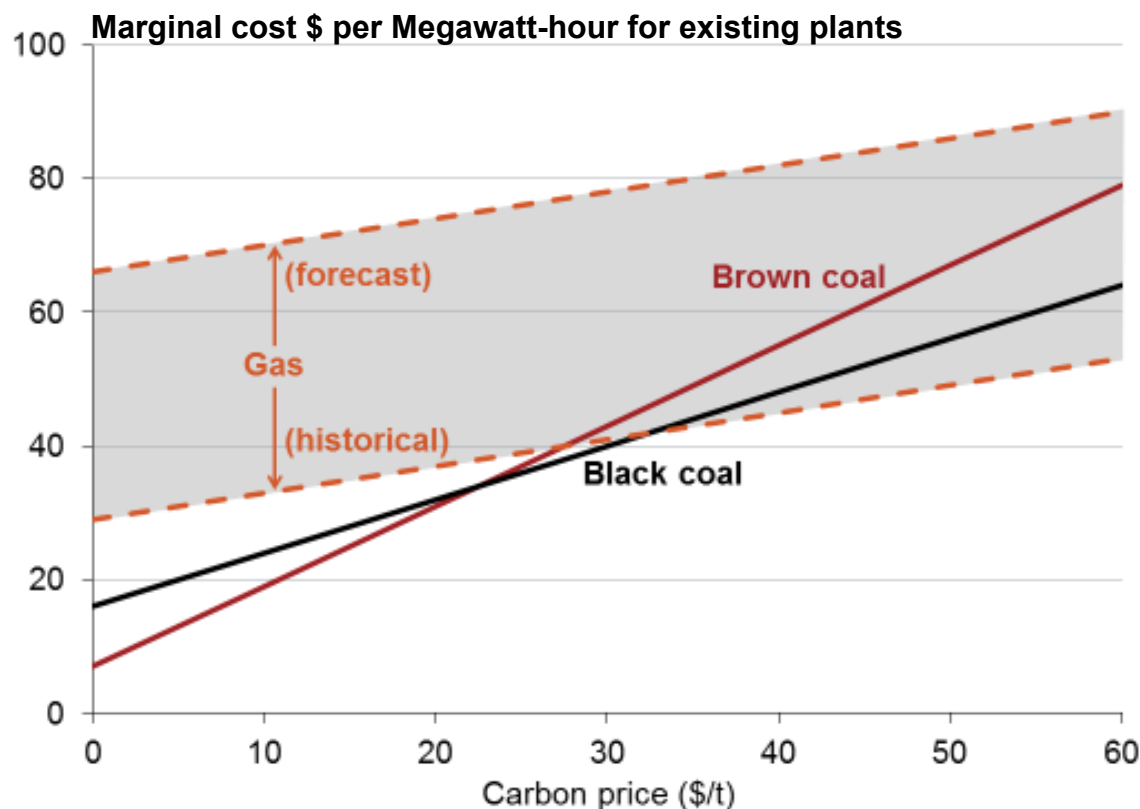


Like households, their choices are limited

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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

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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