



appea

the voice of australia's
oil and gas industry

Future of gas in Australia: a new paradigm? APPEA comments

Grattan Institute Energy Futures Forum, Melbourne

Thursday, 19 May 2016

Who is APPEA?

- The Australian Petroleum Production & Exploration Association (APPEA) represents the collective interest of Australia's upstream oil and gas industry.
- APPEA member companies produce around 98% of Australia's oil and gas.



www.appea.com.au

22 April 2016

ACCC East Coast Gas Inquiry Report confirms urgent need to remove regulatory restrictions on gas supply

The Australian Competition and Consumer Commission (ACCC) *East Coast Gas Inquiry Report*, released today, confirms the urgent need for policy and regulatory changes to enhance gas supply.

"The report highlights that the greatest risk to the market is regulatory failure, not market failure," said Australian Petroleum Production & Exploration Association (APPEA) Chief Executive Dr Malcolm Roberts.

"The ACCC confirms that removing unnecessary government restrictions on exploration and development is the most effective way to boost supply, enhance competition and put downward pressure on prices.

"Australia has ample gas resources to supply domestic and export markets – if industry is allowed to develop these resources. But, at a time of unprecedented demand, government policies risk creating an artificial shortage of gas and higher prices.

"The effects of an unnecessarily tight market are already being felt, especially in industry where gas is both a source of energy and an irreplaceable feedstock for manufacturing products such as glass and packaging.

"The risk is most pronounced in Victoria. Almost 40% of the gas consumed by industry in Victoria is used as a feedstock. Victoria also has the highest use of gas by households – 77% of households use gas.

"The ACCC was asked to conduct this review because it has the power to obtain confidential, commercial information. Using this power, the Commission has amassed the most detailed and complete data on the market. With this data, the Commission has been able to test all the claims made about the market.

"Contrary to claims by some parties, the ACCC has found – as the Productivity Commission found in 2015 – that there is no evidence of misuse of market power or other breaches of competition law.

"While market conditions were tight in 2012-2014, a range of gas supply agreements were made during this period. As the report finds, even more gas supply offers are now available.

"The Commission rejected arguments for domestic gas reservation, noting that such interventionist policies will quickly reduce supply and raise prices.

"The Commission has recommended measures to provide more public information on the market. APPEA understands the desire for greater transparency. APPEA will consider these recommendations on their merits and looks forward to working with governments and customers on ways to improve transparency.

"The industry welcomes the Commission's findings and trusts that the public debate can now move on from discredited arguments to the real issues. In particular, we are looking to the COAG Energy Council to make regulatory reform an urgent priority. Governments must remove regulatory barriers to bring more supply and more suppliers into the market."

Media contact: Chris Ward – 0408 033 422 cward@appea.com.au

Canberra +61 2 6247 0960 appea@appea.com.au Adelaide +61 8 8943 0675 adelaide@appea.com.au Brisbane +61 7 3231 0500 brisbane@appea.com.au Darwin +61 4 3391 7317 darwin@appea.com.au Perth +61 8 9426 7200 perth@appea.com.au

Recommendations 1 and 2

Gas supply

1. Governments should consider adopting regulatory regimes to manage the risks of individual gas supply projects on a case by case basis rather than using blanket moratoria. Governments should take into consideration the significant effects that moratoria and other restrictions on gas development may have on gas users.
2. Gas reservation policies should not be introduced, given their likely detrimental effect on already uncertain supply.

In conclusion ...



- The industry welcomes the findings and recommendations and trusts that the debate can now move on from discredited arguments to the real issues.
- In particular, we are looking to the COAG Energy Council to make regulatory reform an urgent priority.
- Governments must remove regulatory barriers to bring more supply and more suppliers into the market.



In conclusion ...



- The industry welcomes the findings and recommendations and trusts that the debate can now move on from discredited arguments to the real issues.
- In particular, we are looking to the COAG Energy Council to make regulatory reform an urgent priority.
- Governments must remove regulatory barriers to bring more supply and more suppliers into the market.





appea

the voice of australia's
oil and gas industry

Future of gas in Australia: a new paradigm? APPEA comments

Grattan Institute Energy Futures Forum, Melbourne

Thursday, 19 May 2016