

NT Gas pipeline decision begs the national questions - Ai Group Press release

The North East Gas Interconnector (NEGI) will be a valuable project for the Northern Territory and the Eastern Australian gas market. But there remains deep uncertainty about the future of the market and the role of national considerations in NT Government's call in selecting the Northern Route for the NEGI," Australian Industry Group Chief Executive, Innes Willox, said today.

"There is no doubt that getting more gas into Eastern Australia through more avenues is a positive for gas users dealing with high prices and uncertainty.

"Gas markets in Queensland, New South Wales, Victoria and South Australia have been turned upside down in recent years by the emergence of the Liquefied Natural Gas export juggernaut in Queensland. Prices surged on the back of parity with oil-linked Asian gas pricing, and supply struggled to match trebling demand.

"Now the market is being upended again as low oil prices hit the sector, throttling exploration and investment. It's not yet clear whether domestic prices will dip with international prices, or be driven higher by inadequate supply and competition. Gas users and suppliers alike are beset by deep uncertainty.

"Getting gas flowing from the NT to Queensland through the Northern Route of the NEGI should help, though will take until 2018 at best. Further, the volumes will need to be large to make a dent in a 2,100 petajoule market.

"But we do not know if gas users, and Australia as a whole, would have been better off with the Southern Route to Moomba. The Southern Route would have cost significantly more to construct, but offered more points of connection to the rest of the market and greater prospects to boost competition and ease supply risks.

"The NT Government quite properly makes its decisions for Territorians. But balancing the costs of these options versus the benefits to industry and other gas users across eastern Australia is quintessentially a job for the national government and the States and Territories acting together.

"For gas as for much else, we need national policy in the national interest," Mr Willox said.

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The logo for GAS Connections. The word 'GAS' is written in large, bold, orange, 3D-style letters. Below it, the word 'Connections' is written in a smaller, orange, sans-serif font. The background of the logo is black with blue and white wavy lines at the bottom.

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