

PM's Gas intervention comes as Australia passes record for world's highest gas prices.

Ai Group media release 15 March 2017

"The Prime Minister has made a welcome intervention today into the growing gas crisis which is putting jobs and investment at risk," Innes Willox, Chief Executive, Australian Industry Group said today.

"The commitments that the gas exporters are giving to domestic supply are positive, but it will take time to gauge their effectiveness. Supply into the gas market during extreme peaks is critical for a secure electricity system, but it is the chronic tightness of the gas market that is driving contract prices to extremes. The test for the gas exporters will be whether they can stabilise the domestic contract market, not just tip some gas into the spot market from time to time. The proposed gas industry commission will also help build transparency over time.

"Today's meeting came at a time when we can confirm that Australia is now paying the highest gas prices in the developed world.

"The soaring price of Australian gas has now reached record levels, taking Australia from having a competitive advantage in low gas prices, to the point where even Japanese customers are able to buy gas on spot markets for well below the prices being offered to Australian customers today.

"Current spot market prices for the USA, Europe and Japan are (in Australian dollars):

- USA - \$4/GJ (Henry Hub)
- Europe - \$8.40/GJ (World Bank)
- Japan - \$11/GJ (METI report of spot LNG landed)

"Meanwhile we are seeing in Eastern Australia that gas is being offered for new contracts at \$16-22/GJ in the short term, and \$12.50+ for 3 years. Prices seem to be headed up from here. This is economically unsustainable and will drive investment and jobs offshore.

"Immediate action is needed. New supply will be needed from onshore gas resources in New South Wales, Victoria and the Northern Territory, but that will take years to deliver. In the meantime the Government is rightly moving to encourage commercial arrangements that swap gas from the export market to domestic supply. Liquid global markets in LNG can help exporters meet their commitments. The only alternatives in the near term are catastrophic demand destruction or sovereign risk intervention," Innes Willox said.

SA power plan proves urgent need for national policy

ENA 14 March 2017

States will be forced to act in their own energy security interests until we have national agreement on energy and carbon policy, Energy Networks Australia CEO John Bradley said today following the release of the South Australian Government's power plan.

Mr Bradley welcomed the integrated approach to power system security, storage technologies and gas supply development but said a national plan is still required. "Energy security is vital to homes and businesses and we understand the South Australian Government needed to put this beyond doubt," Mr Bradley said.

"But breakout measures by State Governments should be a last resort in a national energy market and serve as a warning that the COAG Energy Council processes are not working effectively." Mr Bradley said the South Australian Government's plan recognises the need for an integrated approach to system stability. "This plan encourages new gas supplies which help to support system security, allows a competitive process for large scale storage and enables gas-fired generation to support a stable and reliable grid," he said.

"We welcome indications that the Plan's key measures are intended to integrate with future national mechanisms for grid stability and carbon policy. "However, some of the mechanisms in the Plan could have implications for storage or generation market participants wanting to invest on a commercial basis. "We still need a national plan that supports commercial investment in energy markets without major administrative interventions by government. "Australians are expecting the Finkel Review Blueprint to deliver that plan."

GAMAA Technical Committee meeting - Thursday 6 April 2017

Where: Ai Group - L2, 441 St Kilda Road Melbourne; Time: 10am to 3pm

RSVP: Essential for registration and catering purposes – please email associations@aigroup.com.au



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