

GAMAA Technical Committee meeting - SAVE THE DATE

The next GAMAA Technical meeting will be held on Wednesday 7 March 2018 at L2, 441 St Kilda Road Melbourne, commencing at 10am – Ezo Alfonsetti (ESV) will be joining the meeting ----To register please email associations@aigroup.com.au

The cost of inaction: McKell Institute report

GAS Today Wed 7 February 2018

A report released by the independent public policy thinktank, the McKell Institute, has investigated the impact of wholesale gas prices on average household power bills in Queensland, New South Wales and Victoria.

Using figures advised by the Australian Competition and Consumer Commission (ACCC), the report identifies the patterns in household power prices across the across the Australian east coast energy grid at an electorate level; and the influence that forecast gas prices could have on future household energy prices, and the main drivers of escalating gas prices.

The key findings of the report are:

- Household energy prices across electorates in Queensland, New South Wales and Victoria will continue to rise until the end of 2019 under current forecast price and consumption trends without a significant reduction in the wholesale gas price
- The ACCC believes that wholesale gas prices on the east coast of Australia should be between \$6.30/GJ and \$7.80/GJ. Currently the wholesale gas price is inflated, at an average price of above \$9/GJ, with many industrial users being offered prices of \$16–\$22/GJ.
- Accordingly, households in New South Wales, Queensland and Victoria are already paying approximately \$151, \$175 and \$134 more per year on their household electricity bills respectively as a result of the currently inflated wholesale gas price
- By 2019, estimations using ACCC advised figures of where the wholesale gas price should have been in 2017, and with the Federal Government’s current policy settings, households in the eastern states will be paying substantially more than electricity:
 - The average household in New South Wales would pay \$434 more;
 - The average household in Queensland would pay \$312 more; and,
 - The average household in Victoria would pay \$254 more.
- Under worst-case scenario – where current offers of \$19/GJ became the wholesale average – we forecast average residential prices to be far greater than what they should be; New South Wales at \$660 more, Queensland at \$579 more and Victoria at \$433 more.

The report goes on to say that:

“Clearly, there is a problem with Australia’s gas market, as prices exceed benchmarks and rise significantly above market rates seen elsewhere around the world.

“It is ironic that Australia, as the eminent world leader in gas exports, is subject to the world’s highest gas prices It also argues that:

“The Commonwealth government must do everything in its power to return certainty to Australia’s domestic gas market to put downward pressure on wholesale gas prices.

“Although the Commonwealth have announced minor interventions in the gas market, further action would be required to guarantee domestic supply is met, and downward pressure of gas prices is set in place.”

Industry response

Australian Petroleum Production and Exploration Association (APPEA) Chief Executive Dr Malcolm Roberts says the report doesn’t include the most recent statistics that show the domestic market improving.

“The McKell Institute report ignores the latest advice from the CoAG Energy Council and the advice of the ACCC in its subsequent December 2017 update which shows wholesale gas prices falling in all east coast states last year.”

He goes on to attack the Australian Workers Union (AWU), who are demanding heavy restrictions on gas exports.

“The AWU is ignoring the fact that gas producers, under an agreement reached with the Federal Government, have significantly increased supply to the domestic market,” said Dr Roberts.

“This was done without tearing up existing export contracts as advocated by the AWU, a move that would seriously undermine Australia’s investment reputation and threaten future investment in new supply. Read the full article [here](#)

You can read the McKell Institute’s *The Cost of Inaction* report [here](#).



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