Week Commencing 16 April 2018

Future Fuels CRC Funding to Support Australia's Energy Transformation

David Norman CEO Future Fuels CRC 12 April 2018

If you missed this announcement in the Special Edition of gas connections sent 16 April please view here

Restoring Australia's Energy Advantage

Ai Group media release Thursday 12 April 2018

At the link below is a transcript of a speech delivered to the Australian Institute of Energy in Adelaide today by Australian Industry Group Chief Executive, Innes Willox:

"Day by day we are bombarded with reports and opinion about energy projects or policy proposals. We spend a lot of time arguing about which projects are dogs and which policies are dead cats. We spend far too much time viewing long-term energy developments through the lens of the shortest-term politics.

"Australia used to have an advantage in energy. Why? What has happened to it? What can we realistically aim for over the long term? And how can we actually get there?"

…… Let's start with a take on history.
Australia has for the most part had very cheap energy over the last few decades: Eastern Australian gas prices of around \$3-\$4 per gigajoule, National Electricity Market wholesale prices of around \$30-\$40 per megawatt hour. We didn't have this everywhere or all the time, but we had it consistently enough that industry has relied on it as a source of competitive advantage. Some industries, like aluminium smelting, would never have been here at all without confidence in long-term cheap energy.

….. Obviously, a lot has changed.
This time last year gas prices offered to industry were as much as \$24 a gigajoule, and while they've thankfully slipped back from that apocalyptic level, members are still being offered as much as \$14 and there's a widespread expectation that wholesale prices will float in an \$8-\$12 range over the long term.

Wholesale electricity prices have more than doubled, averaging around \$100 a megawatt hour across Eastern Australia in 2017. While futures prices decline over the next few years, they only drop to around \$70.

These changes have been incredibly painful for industry, and they still are: businesses entering the market this year to replace two- and three-year-old contracts are still gobsmacked by the scale of price increases, despite the improvement since early 2017.

Why has this happened? Our take is pretty simple.

Gas prices went up because the market was utterly transformed by Liquefied Natural Gas exports. Export demand required production to triple, with nearly all of the new supply coming from Coal Seam Gas with higher production costs than older conventional resources.

Producers now expect export parity pricing. And demand ramped up so fast that production seems to have struggled to keep up, bringing scarcity pricing for a while.

……..A lot is changing in energy regardless of policy, and the market will continue to surprise us. But if we can conclude the reforms I have talked about today we will unlock a huge amount of private investment and reinvestment in energy. That will help deliver the price reductions we need, the reliability we expect and the emissions reductions we have committed to.

In short, the future can be ours – if we can let go of the past and forge a new path. Here's to the energy politics of aspiration – not exasperation.

View to full speech here: **Innes Willox: Restoring Australia's Energy Advantage**