



Federal Minister for Industry Ian Macfarlane is keen to see the development of the CSG industry in NSW.

Eastern states domestic gas policy a keen area of debate for industry and government *(Page 1 of 2)*

By Martin Kovacs, 16 Oct 2013

The outlook for domestic gas supply on Australia's east coast has become an increasingly pressing issue for all levels of government and industry, with the gas market framework expected to change significantly in coming years and the prospect of sharply rising prices and gas shortages if policy settings are not adapted to adequately accommodate changing market conditions.

Within politics and industry there are many competing viewpoints as to what action needs to be taken, with a concerted push from some bodies, including Manufacturing Australia, for the introduction of domestic gas reservation in the eastern states.

"Unrestricted gas exports will lead to gas price hikes for businesses and households, as well as putting at risk almost 200,000 manufacturing-reliant jobs—Australians will be forced to pay one of the world's highest gas prices, despite having one of the world's largest supplies," Sue Morphet, Manufacturing Australia Chairman, commented upon the release of a Manufacturing Australia survey prior to the September federal election in which [the majority of respondents were found to be in favour of a gas reservation policy](#).

The Australian Financial Review has recently reported the Business Council of Australia (BCA) is looking to broker a possible deal aimed at ensuring adequate supplies of competitively priced gas are available for local use, reporting the BCA has written to 16 chief executives of Australia's biggest energy suppliers and customers inviting them to join a new energy working group.

"Those asked to join the group include Origin Energy's Grant King, Santos' David Knox and AGL Energy's Michael Fraser, all of whom have been fiercely opposed to calls to reserve gas for local manufacturers," the *AFR* reported.

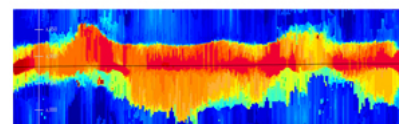
Gas reservation is also a concept strongly opposed by the Australian Petroleum Production & Exploration Association (APPEA), which argues the best approach to alleviate price pressures is to bring more gas to market.

A recent Deloitte Access Economics report, *The economic impacts of a domestic gas reservation*, commissioned by APPEA, found the introduction of a domestic gas reservation policy on Australia's east coast [would come at significant cost to the nation's economic welfare](#).

APPEA stated the report found the impact of the policy is to, in effect, place a simultaneous tax on domestic gas production and a subsidy on domestic gas consumption, with the result being the economy forgoing export income in order to inefficiently subsidise domestic consumption.

"It's extraordinary that those who oppose the development of natural gas from coal seams are now arguing for a domestic gas reservation policy," APPEA Chief Executive David Byers wrote in an opinion piece recently published in *The Courier Mail*. "Gas reservation policies do not help to bring a greater supply of gas into the market as they act as a disincentive to investment.

"It is also important to recall wholesale gas prices represent only about 30% of the final bill paid by retail gas consumers, with network charges and costs imposed by green schemes the major contributors to gas bills. The reality is the best response to


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rising gas prices is not more regulation or a halt to a major export industry, it's more gas."

As reported by the ABC, at the recent Australian Pipeline Industry Association (APIA) annual convention in Adelaide APIA Chief Executive Cheryl Cartwright similarly stated the federal government's energy white paper needs to focus on provision of more access to natural gas reserves.

"If there is concern about the availability or the price of gas in the next few years, the only way to address that is to ensure that those gas reserves are accessed and supplied into the market," the ABC reported Cartwright as stating.

"There's no point ensuring that the market's operating efficiently if we don't have enough gas, so the answer always comes down to we need supply, we need gas to come onto the market."

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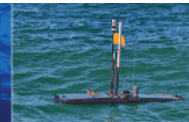
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Federal Minister for Industry Ian Macfarlane is keen to see the development of the CSG industry in NSW.

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In NSW the debate over CSG extraction continues, with the NSW Chief Scientist & Engineer Professor Mary O'Kane conducting an independent review of CSG activities, which is expected to continue well into 2014.

At the end of July O'Kane [released an initial report from the review](#), recommending the state government work on building public trust in its capacity to oversee a safe CSG industry, stating both government and industry face significant challenges going forward.

Upon release of the report APPEA stated "many of the recommendations are already part of the industry's business processes and operations".

"The association hopes this review's final recommendations lead the NSW government to urgently reconsider its energy policy that has so significantly damaged state investment and energy security," APPEA stated.

"The continued failure of the NSW government to respond to increasing gas demand and facilitate the development of its gas resources will have unfortunate consequences in the form of lost jobs and foregone economic opportunity."

Federal Minister for Industry Ian Macfarlane has made [addressing the 'NSW gas challenge' a matter of priority](#), recently stating discussions are set to begin 'as soon as possible' as the federal government seeks to kick-start the CSG industry in NSW.

"Consistent with our pre-election policy, the Coalition government believes it is a priority to set in place a workable gas supply strategy for the east coast gas market to 2020," Macfarlane stated at the recent NSW Energy Security Summit. "The most pressing issue for the oil and gas sector remains the progress of coal seam gas development and how this can fuel domestic and export opportunities.

"Other states are benefiting from record levels of committed investment in resources and energy, particularly in gas projects. Given Australia's standing as an energy and resources superpower, our challenge now is to make sure the same opportunities are extended in NSW."

Macfarlane has indicated the federal government would like to see an increase in activity in NSW by the end of the year, and industry, both energy producers and users alike, will no doubt be closely monitoring state-federal interaction and policy developments over the coming months.

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