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Rude energy shock awaiting NSW businesses and households

NSW energy policy is threatening state investment, damaging energy security and is set to cost jobs and drive up energy costs, according to a new report written by ACIL Allen Consulting.

In response, APPEA – in conjunction with the Australian Workers' Union and Australian Industry Group – has written to NSW Premier, the Hon Barry O'Farrell MP, highlighting the likely consequences for industry, manufacturing and households of failing to adequately encourage the development of the state's natural gas reserves and resources.

APPEA commissioned the ACIL Allen Consulting work to highlight the likely economic and energy security consequences for NSW of current policy settings.

Modelling compares two contrasting scenarios. The "Base Scenario" entails the natural expansion of the state's gas industry, while under the "CSG Freeze Scenario" NSW continues to source 95 per cent of its natural gas from other states.

The study finds a CSG Freeze Scenario would result in:

- Wholesale gas prices in Sydney projected to be 24 per cent higher (on average) relative to the Base Scenario over the period 2025 to 2035;
- A reduction of around \$4.0 billion (in real 2012-13 dollars) in direct capital investment in NSW upstream CSG development and a loss of around \$2.9 billion of associated recurrent operating expenditure foregone over the period to 2035;
 - These losses would result in investment moving to other jurisdictions and the net result sees a total reduction in real NSW Gross State Product of \$14.2 billion over the period to 2034-35.
- NSW real income \$24.6 billion lower over the period to 2035 (\$7.9 billion lower in net present value terms which equates to \$1 100 per NSW resident);
- NSW employment falling noticeably by a cumulative total of 34,287 employee years compared to the Base Scenario – equivalent to an average loss of 1,441 full time equivalent (FTE) jobs each year;
- Loss of royalty and tax revenues. CSG royalties and payroll tax over the period to 2035 reduced by about \$1.9 billion aggregate; and
- A loss in average NSW household real income of \$290 per household per year and an increase in average NSW household electricity bills of \$31 per household per year and an increase in gas bills of around \$22 per household.

The Australian Petroleum Production & Exploration Association represents the upstream oil and gas industry in Australia. APPEA member companies produce around 98 per cent of Australia's oil and gas.



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APPEA Chief Executive David Byers said: “The failure of NSW to respond to increasing gas demand and develop its gas reserves will have unfortunate consequences, in the form of lost jobs, higher prices, and foregone economic opportunity.

“Appeasement of vocal and extreme minorities has meant NSW now faces unnecessary economic and energy security risks.

“Reactive policies such as the blanket exclusion of vast tracks of the state from gas development should be urgently reconsidered.”

The ACIL Allen Consulting report can be found at: www.appea.com.au

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