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Australia needs more gas, not more regulation

The report released today by the Australian Pipeline Industry Association (APIA) shows the importance of allowing industry to respond to price signals.

However, the comprehensive review of the Australian gas market that was part of the Australian Government's Energy White Paper has shown there is no market failure in the east coast gas market.

APPEA Chief Executive David Byers said: "The real problem is a growing regulatory burden that is inhibiting the gas industry's capacity to deliver the new supplies needed to put downward pressure on prices."

As APIA points out, "there is sufficient gas in Australia to meet the needs of domestic and export markets" and "any concerns regarding availability and/or price of gas for the domestic market can only be met by ensuring adequate supply. This means removing constraints on exploration and development as soon as possible given the timeframe required for gas projects."

However, APPEA believes that several policy interventions proposed in the report by APIA's consultants fail to reflect the reality that companies in the gas supply sector must invest billions of dollars in risk capital to develop Australia's natural gas resources.

Mr Byers said: "Recommendations that propose a total restructuring of the exploration acreage release regime across all jurisdictions or seek wholesale changes to the entire fiscal system are implausible, highly theoretical and would damage investor confidence.

"The answer does not lie in new interventions that would worsen the effects of existing regulations. Removing existing impediments is the first step that governments should take. The best response to rising gas prices is not more regulation – it is more gas.

"Policies that undermine the development of energy projects and curtail energy production impose real costs on the Australian community in the form of lost jobs, forgone economic opportunity, and higher energy bills.

"Green tape, regulatory and fiscal uncertainty, and threats of market intervention each compound to undermine the confidence required to deliver the next wave of Australia's resources boom.

"The Bureau of Resource and Energy Economics recently reported that about \$150 billion of high-value energy and resource projects have been delayed or cancelled since April 2012. Now is the time to remove regulatory hurdles, not build new ones."

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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.