



3 February 2014

WA gas needs best met by maturing, diversified market

Western Australia's second *Gas Statement of Opportunities* (GSOO) confirms once again that an open and competitive market – not government intervention – is the key to guaranteeing the state's long-term energy security.

Released by the state's Independent Market Operator, the GSOO reconfirms forecasts of strong annual growth for WA's domestic gas supply over the next decade compared to only modest growth in demand.

Stedman Ellis, Chief Operating Officer – Western Region at APPEA said: "The GSOO report has once again called into question the need for WA's protectionist gas reservation policy, which delivers little more than subsidised gas for big industrial gas users.

"APPEA believes long-term energy security is best delivered through efficiently operating markets and by encouraging new entrants and competition, a view that is shared by other Australian governments that have considered and rejected the need for reservation policies.

"The State Government should abolish its reservation policy and focus its efforts on attracting investment for new gas developments.

"Australia's ability to develop new gas projects is already threatened by rising costs at home and growing competition abroad. Policies that dictate where and how gas can be sold represent a further barrier to investment."

Some major industrial gas users also acknowledge that market interference is unsustainable.

As Orica Chairman, Russell Caplan, acknowledged in today's *Australian*, gas users need to stop seeking government intervention and look to "self-help" initiatives. "At the end of the day, gas producers will want to sell gas at world prices," Mr Caplan said. "I think that tide is irreversible and shouldn't be reversed, because companies need to get out and look after themselves." ([The Australian p17](#))

WA's GSOO confirms there is more than enough gas and processing capacity to meet any of the IMO's forecast demand scenarios. It notes that producers remain willing to supply gas to the domestic market if commercially acceptable terms can be agreed with existing or potential gas consumers.

CANBERRA

+61 2 6247 0960
Level 10
60 Marcus Clarke Street
Canberra ACT 2601
GPO Box 2201
Canberra ACT 2601

BRISBANE

+61 7 3321 0500
Level 36
32 Turbot Street
Brisbane QLD 4000
PO Box 12052
George Street QLD 4003

PERTH

+61 8 9426 7200
Level 4
190 St Georges Terrace
Perth WA 6000
PO Box 7039
Cloisters Square WA 6850

SYDNEY

+61 2 8241 1900
Suite 4, Level 8
3 Spring Street
Sydney NSW 2000
PO Box H291
Australia Square NSW 1215



Mr Ellis said: “WA is experiencing a growing level of competition in the domestic gas supply market as new capacity comes on stream, as demonstrated by the recent addition of the Devil Creek, Macedon and Red Gully domestic gas facilities.

“These projects proceeded because buyers were willing to commit to commercial terms that underpin the enormous investment required to develop and construct a gas processing facility.

“They have been driven by market forces, not by government intervention in the form of a reservation policy.

“The expansion of the Mondarra gas storage facility and the State Government’s initiatives of the GSOO and Gas Bulletin Board (GBB) provide further evidence that the WA gas market is maturing.”

Media Contact: Kieran Murphy – 0408 151 922 – kmurphy@appea.com.au