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Gas production critical to eastern Australia gas prices

Reported calls by Dow Chemical Australia and other manufacturers to remove regulatory impediments currently restricting the production of natural gas for eastern Australia's domestic supply are supported by gas producers.

The gas industry has long argued that the solution to rising east coast prices lies in increased gas supply in New South Wales and Victoria; not in market interventions or in new protectionism or subsidies for gas users, as advocated by others.

APPEA Chief Executive David Byers today told the Eastern Australia's Energy Market Outlook Conference: "A rapid and efficient supply response to meet domestic needs depends largely on clear market signals and efficient government regulation. A freely operating and competitive market is the best way to allow gas resources to be developed.

"Campaigns that pin hopes on domestic gas reservation policies to solve complex gas supply issues are misguided particularly when there are other workable and achievable options available to policy makers

"The Eastern Australian Gas Market study released in January this year highlighted that the market's continued capacity to deliver depends on industry's ability to explore for and develop Australia's vast gas resources.

"It is not a lack of natural gas but onerous regulatory restrictions in some jurisdictions that is impeding gas supply," he said.

Mr Byers also told delegates that governments and gas users need to consider gas as an export commodity in its own right that will continue to deliver enormous economic benefits to Australia for many decades.

"Australia is blessed with abundant natural gas resources for both domestic and export demand but now is not the time to fear exports when opportunities abound to develop supply for all gas users, big and small.

"The fact that Liquefied Natural Gas projects in Queensland have been under construction for more than five years should come as no shock, nor the fact that prices were always going to rise in the face of increasing production costs and other factors."

Australia's economy is experiencing significant structural change.

Mr Byers said: "The long-term trend is that industries such as agriculture and manufacturing have declined in significance as service orientated industries – such as financial and insurance services – become a larger proportion of economic output.

"The current Australian industry composition is dominated by the services sector with over 70 per cent of industry output coming from services orientated industries. This is up from 60 per cent in the 1970s and is expected to be 75 per cent by the end of 2030.

"In addition to strong services sector growth, Australia's abundance of natural resources and strong export demand from Australia's major trading partners have driven strong growth in the resources sector – including oil and gas – over the past decade.

"Structural change is good for the overall economy as it reflects a continued shift of resources from sectors with lower ratios of the value of outputs to inputs to those with higher value-add for the economy, such as oil and gas."

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