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Cleaner natural gas opens up enormous opportunity for Australia

The International Energy Agency's (IEA) recognition of natural gas as a growing part of the global energy mix – and a key pillar for stabilising global energy markets, reducing CO₂ emissions, and improving quality of life – should reinvigorate efforts to grow the industry in Australia and capitalize on the enormous economic opportunity it offers.

The 2014 World Energy Outlook, released in Paris overnight, highlights the role natural gas plays in strengthening the world's energy mix. The report finds that over the period to 2040:

Demand for natural gas grows by more than half, the fastest rate among the fossil fuels, and increasingly flexible global trade in liquefied natural gas (LNG) offers some protection against the risk of supply disruptions.

Australia currently has seven LNG plants under construction with a combined capital cost of more than \$200 billion and these huge projects will soon be shipping Australian natural gas to our trading partners.

However, Australia's gas industry is coming to a crossroad.

Labour market strains, increased production costs, and increasing competition from North America and East Africa could stymie our potential for future growth.

Australia can continue to make a meaningful global contribution to reducing emissions and enhancing economic prosperity, but only if the LNG sector's full potential is harnessed via regulatory and labour market reform.

The US has already recorded some of its lowest carbon emissions in 20 years courtesy of the shale gas revolution that has increased use of natural gas for power generation while driving a manufacturing recovery in the wake of the global financial crisis.

China, a key market for Australia's gas exports, is also moving away from coal-fired electricity generation in favour of natural gas in some of the world's biggest cities, including Beijing and Shanghai.

For every tonne of CO₂-e emitted in LNG production within Australia, up to 9.5 tonnes of emissions from coal-fired generation can be avoided globally.

In 2012-13, Australia shipped 23.9 million tonnes of LNG cargoes, earning \$13.7 billion in export revenue. Australia's LNG exports are expected to quadruple over the next five years.

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