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Productivity Commission: red tape and market intervention threaten natural gas benefits

Proposals and campaigns for market interventions such as domestic gas reservation should now be withdrawn following the release of a Productivity Commission report, *Examining barriers to more efficient gas markets*, released today.

APPEA Acting Chief Executive Paul Fennelly said: "The Commission's report is a welcome and thoughtful contribution to a debate that has been too often characterised by misinformation and poorly considered policies.

"The Commission rightly concludes proposals such as domestic gas reservation should be consigned to the scrap heap. Advanced economies underpinned by competitive markets, such as Australia, should not rely on one industry to subsidise another.

"Over many years, the benefits of freer markets and freer trade have been championed by the Commission and accepted by successive Australian governments, and indeed by most developed economies.

"The Commission's key finding – that developing a gas export industry in eastern Australia will deliver a net benefit to the community – is particularly welcome."

Mr Fennelly said the Commission had found that removing regulatory burdens restricting exploration and production of natural gas, particularly in Victoria and NSW, was the clear pathway to not only allowing the market to work more efficiently and effectively, but also bringing on more gas supply.

"As the Commission finds, the scientific evidence suggests that the technical challenges and risks can be managed through a well-designed regulatory regime.

"The gradual removal of market distortions has delivered significant economic benefits to the nation. The Commission should be congratulated on its findings that interventions such as domestic gas reservation would reverse those gains.

"This also means Western Australia, the only Australian state with reservation in place, should now abolish the policy as the costs imposed on the economy far outweigh any perceived benefits."

Mr Fennelly said: "The Commission's report should be embraced by all involved in this debate. We need to move beyond misguided campaigns for gas reservation that offer no sensible or viable solution to impending gas challenges and instead focus on the real issue – providing the regulatory environment to enable more gas to flow into the eastern Australian gas market."

The Productivity Commission's report can be viewed [here](#).

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