



15 June 2017

Revised gas forecast shows no need for export controls

The Energy Supply Outlook, released today by the Australian Energy Market Operator (AEMO), confirms that there is no need for the Commonwealth to restrict Queensland's LNG exports.

AEMO expects that all regions of the National Electricity Market will meet the reliability standard for the next two years.

AEMO can foresee a worst case scenario for South Australia and Victoria on an exceptionally hot summer day, if coal-fired and renewable generation unexpectedly fail to deliver.

APPEA Chief Executive Dr Malcolm Roberts said gas producers were working with AEMO, generators and pipeline operators to guarantee that, in such an extreme event, gas would be available to support gas-fired peak generation.

"That was our commitment to the Prime Minister in April," Dr Roberts said. "The gas industry already supplies, at short notice, gas into the electricity market in response to sudden outages."

APPEA notes AEMO's conclusion today that:

"Gas availability on the supply side, together with new initiatives to reduce peak demand via demand side management, will form a formidable combination in managing power system security during those hours on the very few extreme condition days per year."

Dr Roberts said the gas supply-demand situation may be even more positive than the ESO suggests.

"The ESO is only a partial update of the March 2017 Gas Statement of Opportunities (GSOO)," he said. "It does not capture new gas supply announced after 1 May, such as Arrow's Tipton Fields project, and, inexplicably, does not revise the high forecasts of LNG demand for gas. The ESO shows that actual demand for gas from the LNG projects to date is significantly lower than the March 2017 forecast."

"The Government is rushing the introduction of the Australian Domestic Gas Security Mechanism (ADGSM) to commence on 1 July when the ESO shows there is no need to restrict Queensland's LNG exports."

"The threat to tear up export contracts was prompted by the March 2017 forecast of a gas shortage. But AEMO's revised forecast shows production will be sufficient to meet demand."

"The ADGSM is a sovereign risk issue for Australia. It undermines our reputation as a safe place to invest. This is not a spurious claim from the industry – media reports today quote one of the world's leading experts, Dr Fereidun Fesharaki, as warning:

"I guarantee you a lot of people will not extend contracts in Australia ... because it is un-Australian to interfere in the market when contracts have been signed."

Dr Roberts said that by discouraging investment in new gas supply, the ADGSM risked exacerbating the very problem it was meant to solve.

"The market is responding to tightening supply. In recent months, the industry has announced new projects to boost gas production, showing its commitment to providing secure and reliable energy."

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