

Fact-checking the AWU's gas report

14 February 2018

The Australian Workers' Union (AWU) released a report – [*Shipping Away Our Competitive Advantage*](#) – on 12 February.

This report peddles **misleading, out-of-date data** to support the union's agenda to cut Australia's liquefied natural gas (LNG) exports.

The AWU's alternative policy would **jeopardise investment in new gas supply, costing jobs and pushing up prices.**

Claim: *Australian industries are now paying more for wholesale gas than their overseas counterparts.*

Fact: The latest [global survey](#) of wholesale gas prices by the International Gas Union shows that east coast gas prices are *lower* than prices in our main trading partners. Australia's average wholesale price in 2017 ranked 26th in a survey of 52 nations. Australian prices are lower than prices paid by our major customers: Japan, South Korea and China. Our prices are also lower than average wholesale prices in LNG-producing countries in our region, such as Malaysia and Indonesia.¹

Claim: *Many industrial users of gas are receiving supply offers of up to \$22/GJ.*

Fact: In its December 2017 [report](#), the Australian Competition and Consumer Commission (ACCC) found that, since July 2017, contract offers to large commercial and industrial users are generally in the \$8 - \$12/GJ range.²

Claim: *Wholesale gas prices are increasing for both the commercial and residential sectors.*

Fact: In January 2018, the [Gas Price Trends Review 2017](#) report to the Council of Australian Governments (COAG) found that the average wholesale price on the east coast in 2017 was \$9.19/GJ, 6 per cent *lower* than in 2016.³ It also found that, in 2017, residential gas prices fell in all east coast states, except Victoria and Tasmania.

¹ IGU, [Wholesale Gas Price Survey 2017 edition](#), May 2017, p.34.

² ACCC, *Gas Inquiry 2017-2020, Interim Report December 2017*, p.12.

³ Commonwealth of Australia, [Gas Price Trends Review 2017](#), p. 3.

Claim: *The major gas companies are gouging the east coast's domestic gas supply to meet their overseas contracts, withdrawing substantial amounts of Australia's gas away from households and industry.*

Fact: In its December 2017 report, the ACCC confirmed that the LNG projects have *increased* their supplies of gas into the local market.⁴ Since September 2017, the LNG projects have contracted another 42 PJ of gas (around 7 per cent of total demand) into the east coast market.

Claim: *Gas producers and exporters have attempted to create the perception of a shortfall of gas in the public debate on our energy crisis.*

Fact: The AWU argument is a mess of contradictions.

The AWU claims that the LNG projects have “engineered” a supply shortfall by taking gas out of the local market. But, in this claim, the AWU talks of the industry creating just a “perception” of a supply shortfall.

The facts are clearer but they are also inconvenient for the AWU's argument. The ACCC confirms that there should be **no** shortfall of supply for the east coast gas market as a whole in 2018. However, the ACCC warns that customers in Victoria and New South Wales – the states which have blocked gas production – will face local shortfalls and will be paying an extra \$2 to \$4/GJ more to import gas from Queensland.⁵

Claim: *Prices offered to industrial users are significantly above netback prices (allowing for transport and distribution/retail costs) in the southern states – estimated to be \$6.29-\$7.77/GJ for 2018.*

Fact: Again, the facts are clear, but the AWU uses old, misleading data. The data used by the AWU is taken from the ACCC's September 2017 report. In December 2017, the ACCC revised its netback calculation to a range of \$6.55-\$9.93/GJ.⁶

Claim: *For a nation that produces more gas than any other in the world, our competitive advantage should be a prosperous manufacturing sector.*

Fact: Australia does not produce more gas than any other country in the world, in fact we produce only **2.6 per cent** of global gas. Many countries – including the largest producer USA (21.5 per cent) – have gas reserves that are larger and cheaper to develop than ours.⁷ Australia's gas industry has its own challenges in staying competitive in global markets and continuing to attract the billions in investment needed to develop local resources.

Gas supply is only one of many factors affecting local manufacturing's competitiveness. While gas is an important input for some manufacturing businesses, most manufacturers use relatively little or no gas.

⁴ ACCC, *Gas Inquiry 2017-2020, Interim Report December 2017*, p.28.

⁵ ACCC, *Gas Inquiry 2017-2020, Interim Report December 2017*, p.11.

⁶ ACCC, *Gas Inquiry 2017-2020, Interim Report December 2017*, p.13.

⁷ BP, *Statistical Review of World Energy 2017*, underpinning data, accessed on 13 February 2018.