



16 February 2021

Latest ACCC Interim Gas Inquiry Report confirms substantially lower domestic gas prices

The Australian Competition and Consumer Commission (ACCC) has released its latest *Gas inquiry 2017-2025 Interim Report*, confirming for the ninth consecutive occasion there is no shortfall in the domestic gas market.

The report confirmed that domestic gas prices have continued to decline throughout 2020. Gas supply agreements for commercial and industrial users over the first half of last year averaged \$6-8/GJ, according to the report, the lowest level since the second half of 2016.

The report's authors also found that the pandemic appears to have had a "minimal effect" on the supply of east coast gas in 2020, with the industry's response ensuring sufficient investment to maintain energy security.

APPEA Chief Executive Andrew McConville said, "In the face of the COVID-19 pandemic and challenging market conditions the oil and gas industry has continued to provide reliable and secure supplies of gas to the east coast domestic market, and this will continue."

The ACCC finds:

There have been substantial reductions in prices offered and agreed under gas supply agreements for 2021 supply.

... the ACCC considers that an improvement in the competitive dynamic, over 2020, has contributed to the fall in prices offered to the domestic market, which in turn reflects additional supply of gas into the domestic market.

It is also the case that prices paid by Australian industrial customers remain well below the price paid by industrial customers in Australia's major export destinations. The ACCC and International Gas Union have both found domestic Australian gas prices to be lower on average than the prices paid by Asian customers for Australian gas.

Recent market releases by major Australian oil and gas companies have shown realised prices in the domestic gas market remain well below LNG prices received by those same companies in their major export markets. For example, as EnergyQuest reported in late January 2021, Origin Energy's quarterly ASX report for the December 2020 quarter disclosed that average revenue realised from LNG sales by the APLNG project in Gladstone, Queensland stood at \$6.71/GJ. APLNG's average revenue realised from domestic gas sales, meanwhile, was just A\$4.40/GJ, 34% (or A\$2.31/GJ) lower than the LNG sale price¹.

"The industry will welcome the opportunity to again discuss the differences between spot gas markets and longer-term contract markets, and the factors² that mean different price outcomes are observed in those markets," said Mr McConville.



“As the ACCC has itself noted on numerous occasions, the LNG spot netback price is not ‘setting a level of gas prices in the east coast gas market or any other market in Australia’.

“It is also the case that spot LNG cargoes are priced differently from longer-term LNG contracts, with prices realised by Australian LNG exporters significantly higher than domestic gas prices.”

Mr McConville stressed that Australian gas companies operate in a competitive market.

“As such they have their own pricing strategies and do not cooperate with their competitors or coordinate pricing strategies. All companies operate in a manner that is consistent with the anticompetitive provisions of the ACCC’s *Competition and Consumer Act 2010*,” he said.

“The Australian oil and gas industry operates with a high level of transparency and oversight, with gas spot prices published continuously by market operator AEMO for all major city hubs on the east coast.

“LNG spot prices are also published by myriad global agencies and media groups, and ACCC’s netback pricing reports have since October 2018 provided information required for future LNG pricing.”

In late December 2020, Australia’s major east coast natural gas producers reaffirmed their commitment to delivering secure, competitively priced gas to domestic customers with representatives of three east coast LNG projects signing an extended Heads of Agreement (HoA) with the Commonwealth. This is one element of an extensive reform package announced by the Prime Minister in September 2020.

“As the ACCC’s report confirms, the best way to ensure competitive gas prices is more supply and more suppliers – and developing gas resources closest to local markets,” Mr McConville concluded.

Media contact: Debra Surman – 0447 793 444 – dsurman@appea.com.au

¹ See, for example, www.energyquest.com.au/aplng-q4-2020-domestic-gas-prices-34-below-lng-prices and www.energyquest.com.au/fact-check-australians-still-pay-less-for-australian-gas-than-asian-lng-buyers.

² As the ACCC has noted (www.accc.gov.au/regulated-infrastructure/energy/gas-inquiry-2017-2025/lng-netback-price-series), “An LNG netback price is not the sole factor that influences domestic prices in the east coast gas market. Individual prices paid by gas users will also reflect other factors that may be relevant to their circumstances, including the terms and conditions of their gas supply and any applicable transportation or retailer charges.”