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MEDIA RELEASE - ACCC LNG netback review Final Decision Paper

The voice of the oil and gas industry today said the Australian Competition and Consumer Commission's (ACCC) final report on netback pricing confirmed the current mechanism appropriately reflected the Australian market.

APPEA Chief Executive Andrew McConville said the ACCC has confirmed once again that the netback price was an indicator and not an actual price in the market.

"The current mechanism accurately reflects the massive investment and commercial risk taken by producers to develop more gas resources, which in turn has underpinned ongoing supply to domestic customers," Mr McConville said.

"The ACCC's decision shows the market is continuing to work for Australia and Australians; interventionist policy on gas pricing will only serve to discourage continued growth and investment, impacting communities and the nation's wider economic recovery.

"As seen with the release of the latest Resources and Energy Quarterly*, the Australian oil and gas industry is vitally important to the nation's economy. Australia's oil and gas industry is helping ensure we keep the lights on at home, and our hospitals and other public facilities operating, by continuing to deliver reliable energy to the domestic market and it has done so despite the challenges posed by the COVID-19 global pandemic.

"With 110 agreements to supply gas to major domestic customers since 2012, and independent advice finding that local prices are not higher than those paid by overseas customers, our markets are working.

"Even greater transparency measures are on the way, along with the development of the Wallumbilla Hub and we are pleased to see this established and effective mechanism maintained.

"The report found there is no need to link the netback price to the Henry Hub. US gas prices have little relevance to the cost of producing gas in Australia.

"The US and Australian markets are very different, with the US many times larger. The Henry Hub services 330.1m people and is connected to 485,000 kilometres of pipeline compared to Australia's population of just 25.7m with less than 40,000km of pipelines."

"APPEA will look forward to working with the ACCC as they look to further consider and develop their longer-term forward LNG netback pricing series."

* Resources and Energy Quarterly: September 2021, available at www.industry.gov.au/req

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