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GAS INDUSTRY SETS THE RECORD STRAIGHT ON INDUSTRIAL GAS MARKET PRICES

Australia's gas industry has outlined the reasons for upward price pressures being experienced by some businesses in the small section of the industrial market that relies on spot gas prices.

The Australian Petroleum Production & Exploration Association (APPEA) today said volatility in east coast spot price markets was because the energy system as a whole was under pressure and relying more on gas.

APPEA Acting Chief Executive Damian Dwyer said: "This is particularly because of coal outages, relatively low levels of renewable power generation as a result of weather conditions and international market pressures arising from the Russian invasion of Ukraine.

"Around 85% to 90% of the gas market is covered by long-term contracts, known as gas supply agreements (GSAs), which were offered for this year – and locked in by many customers – at price levels of around $6/GJ to $9/GJ.

"The remainder is covered by smaller, volatile spot price markets which for much of this year have been around 70% lower than those paid internationally, remembering that some of the headline-grabbing figures of recent days were future forecasts before prices were capped, not real prices being paid.

"Domestic supply is secure and at near record levels. While we understand that current spot prices are under pressure and we are working with all parties to resolve this issue, the vast majority of manufacturers are either long-term, lower price contracts or aren't major users of gas and so not materially affected by gas prices.

"As identified by AEMO, coal prices have skyrocketed and there have been outages at a number of coal-fired power stations – increasing electricity prices and increasing demand for gas to fuel gas-fired power generators that were suddenly called into operation.

"Gas is keeping the lights on through international shocks, lower renewables power generation and higher coal prices. Gas price rises are not being driven by gas exports or shortfalls."

According to EnergyQuest this week, LNG exports are not causing domestic supply issues. It also noted there has been a 26% drop in solar generation output.

The Australian Competition and Consumer Commission most recently found there was no shortfall in the east coast market for the 11th straight time and, in fact, expects a surplus of 11 PJ in 2022.

Mr Dwyer said: "There is enough gas for domestic customers and there are mechanisms to make sure there is gas for domestic customers and that the market is transparent.

"What this situation highlights is the important role gas will play in the future cleaner energy mix, replacing coal as a cleaner fuel or as a stabiliser for intermittent renewables.

Mr Dwyer said the pricing pressures also showed why it was important to ensure new supply to put downward pressure on prices and continue to ensure ongoing energy security.

"More supply is the solution, not more regulation. We're investing in more gas despite years of moratoriums, bans and delays, but we need investment certainty.

"But with long lead times between investments and production beginning, it is important that investment conditions are conducive to bring on more supply."

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