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## **RISK TO FUTURE ENERGY SUPPLY AS INTERVENTION DISMANTLES AUSTRALIA'S GAS MARKET**

Today's energy reform package will push up gas prices for households and businesses after the radical intervention smashes investment confidence in Australia.

The Australian Petroleum Production & Exploration Association (APPEA) has criticised the lack of consultation with industry before the Australian Government announced it was introducing an unprecedented market intervention of a gas price cap and mandatory code of conduct.

APPEA Chief Executive Samantha McCulloch said: "A gas price cap will force prices higher for households and businesses because it will kill investment confidence and reduce future supply.

"Less gas will ultimately mean higher prices while threatening Australia's energy security, our emissions reductions goals and the enormous economic benefits that the industry delivers for Australians.

"This heavy-handed, radical intervention has been conducted with no prior consultation with industry to consider specific measures and warn of potential risks to Australia.

"Today's decision is the opposite of what should have happened – the Government should be providing confidence to the market with positive policies that promote investment in new supply that can put downward pressure on prices and secure all the other benefits of having more gas production.

"Recent gas supply agreements with manufacturers for competitively priced gas showed the market was working.

"But with this decision the Government has not given the Heads of Agreement with east coast exporters and the Australian Gas Industry Code of Conduct – both announced only 71 days ago – a chance to work.

"The Code, announced in September, was subject to two years of extensive consultation with Government and customers – yet this sudden new direction has not had any consultation.

"The introduction of a regulated price for gas in the mandatory Code of Conduct is of particular concern and a fundamental departure from Australia's open and market-based economy."

Ms McCulloch said analysis by EnergyQuest showed price caps would have the opposite impact of what was intended, ultimately leading to higher prices down the track by reducing investment confidence and future supply as investors went elsewhere.

“From negative impacts for exploration to development of gas resources, the economics of gas storage in Victoria and the viability of LNG imports on the east coast, EnergyQuest found a price cap could have substantial long-term economic implications,” she said.

The EnergyQuest report can be viewed [here](#).

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