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GAS MARKET INTERVENTION A WARNING FOR AUSTRALIAN INDUSTRY

Australian businesses should be alarmed that the parliament has passed a Bill that upends a functioning market with virtually no consultation and within just days of being announced.

Australia's oil and gas industry today said capping prices and establishing unprecedented interventionist powers – including ongoing regulation of gas prices – should be a warning to businesses across the economy that the Government would step in and regulate without notice.

The laws, which passed the parliament this afternoon, give the government command and control of the market but fail to address the underlying causes of higher domestic gas prices – declining supply and increasing demand for gas for power generation.

The Australian Petroleum Production & Exploration Association (APPEA) said these measures would also smash investor confidence and undermine Australia's reputation as a secure and stable investment destination.

The upstream oil and gas sector employs 80,000 Australians and has invested more than \$400 billion in projects. A further \$27 billion has been committed in the past 18 months.

These investments are delivering essential energy for Australian households and manufacturing, but the policy uncertainty created by these ill-considered interventions puts future investment at risk.

APPEA Chief Executive Samantha McCulloch said the industry had worked with the Government to guarantee supply into the east coast domestic gas market, including through a Heads of Agreement backed by a voluntary Code of Conduct.

These mechanisms, agreed in September, were already underpinning long-term supply contracts at competitive prices. They should have been given a chance to work to bring on new supply and reduce prices in a sustainable way, rather than reaching for heavy-handed approaches that unravel two decades of gas market reform.

"We share the Government's objective of ensuring that energy prices remain affordable and support targeted relief to households and business. Sustained high domestic energy prices are in no one's long-term interest.," Ms McCulloch said.

"But this intervention in the market will have the opposite effect of that intended. Price caps and ongoing regulation of prices will undermine the case for investment in new supply and ultimately lead to higher prices and greater problems down the track."

Last week, EnergyQuest released analysis showing gas price caps would lead to damaging economic consequences including higher prices after investment confidence was hit and future supply was reduced as investors went elsewhere.

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