



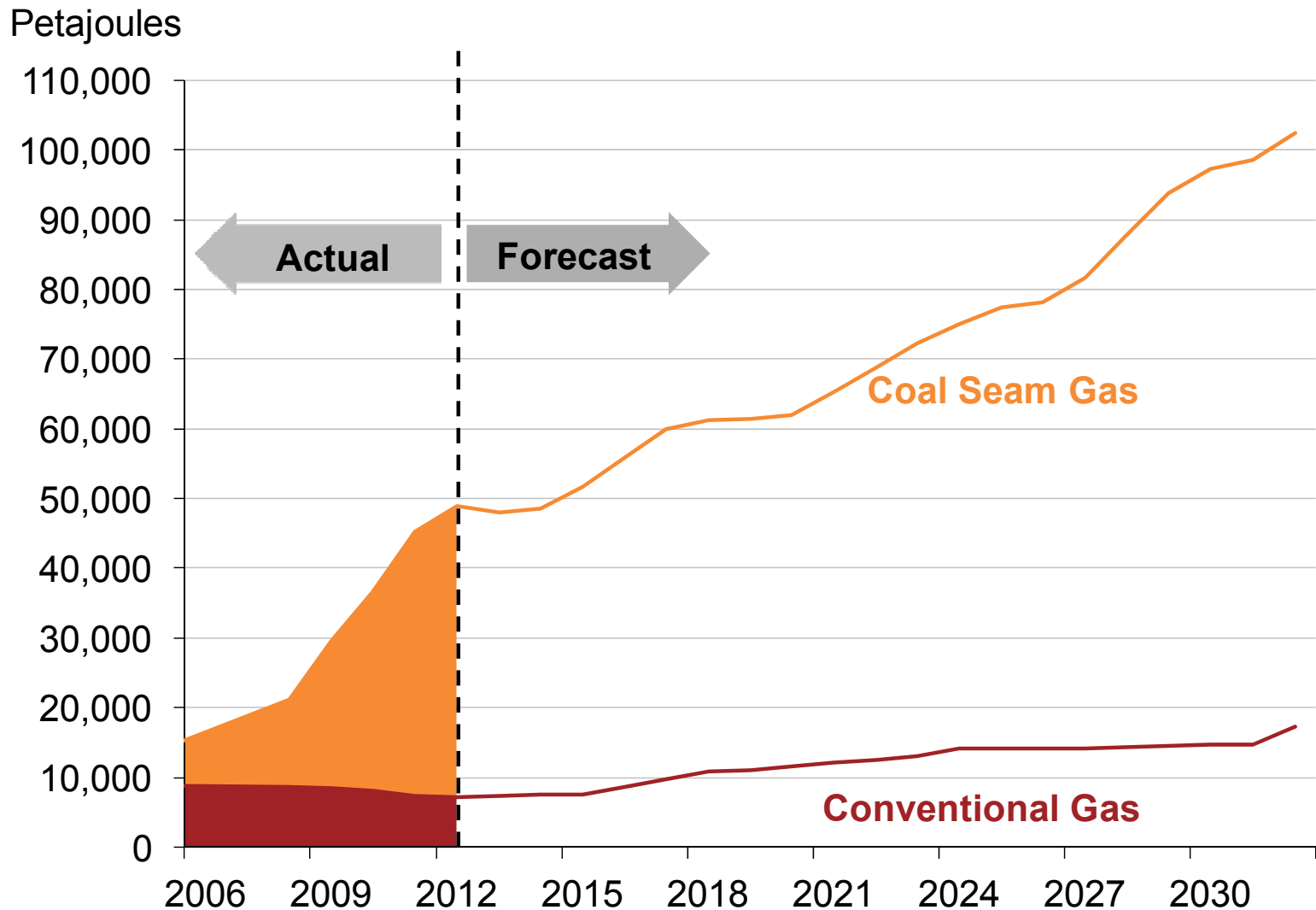
Getting Gas Right

24 June 2013

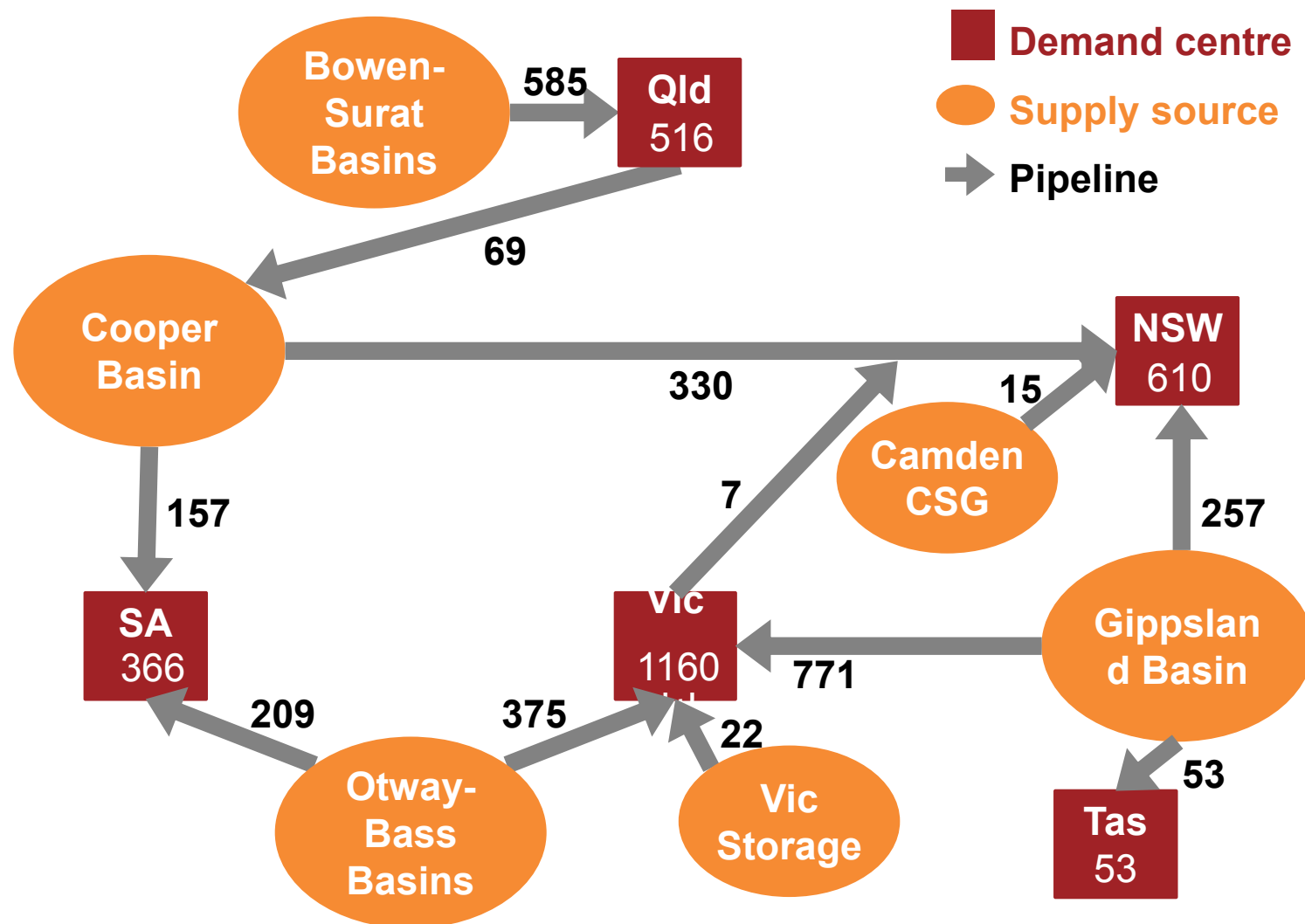
Context

- By 2017 east coast gas, added to growing Western Australian supplies, could create the world's biggest gas export industry, worth \$53 billion a year.
- Strong Asian demand and high prices are inducing Australian producers to export their gas. That means local consumers will have to pay the export price.
- Within the next couple of years, wholesale gas prices are forecast to rise by 80%. Households, particularly in Victoria, will see prices rise by \$170 a year. Large industrial users of gas will come under pressure from equally significant price increases.
- There is no overall shortage of gas, but there is a risk of short term shortages of gas on the east coast, especially in New South Wales.
- The long-anticipated 'dash for gas' is not happening. Falling demand, rising gas prices and a renewable energy target that largely supports new wind energy mean no new gas-fired electricity is required for at least the next decade.

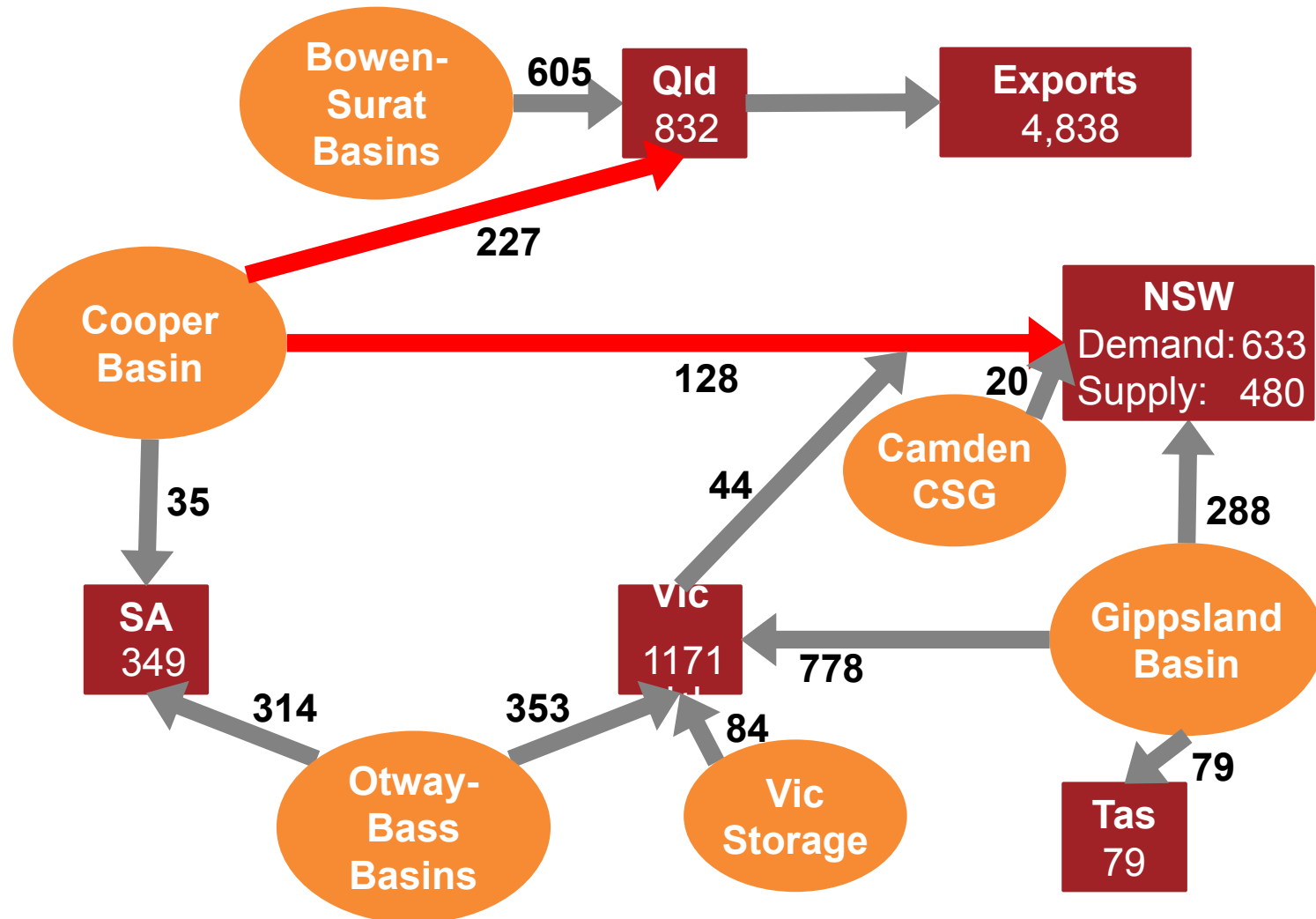
There is no overall gas shortage...



Supply to NSW, winter 2011...



A supply problem, winter 2016...



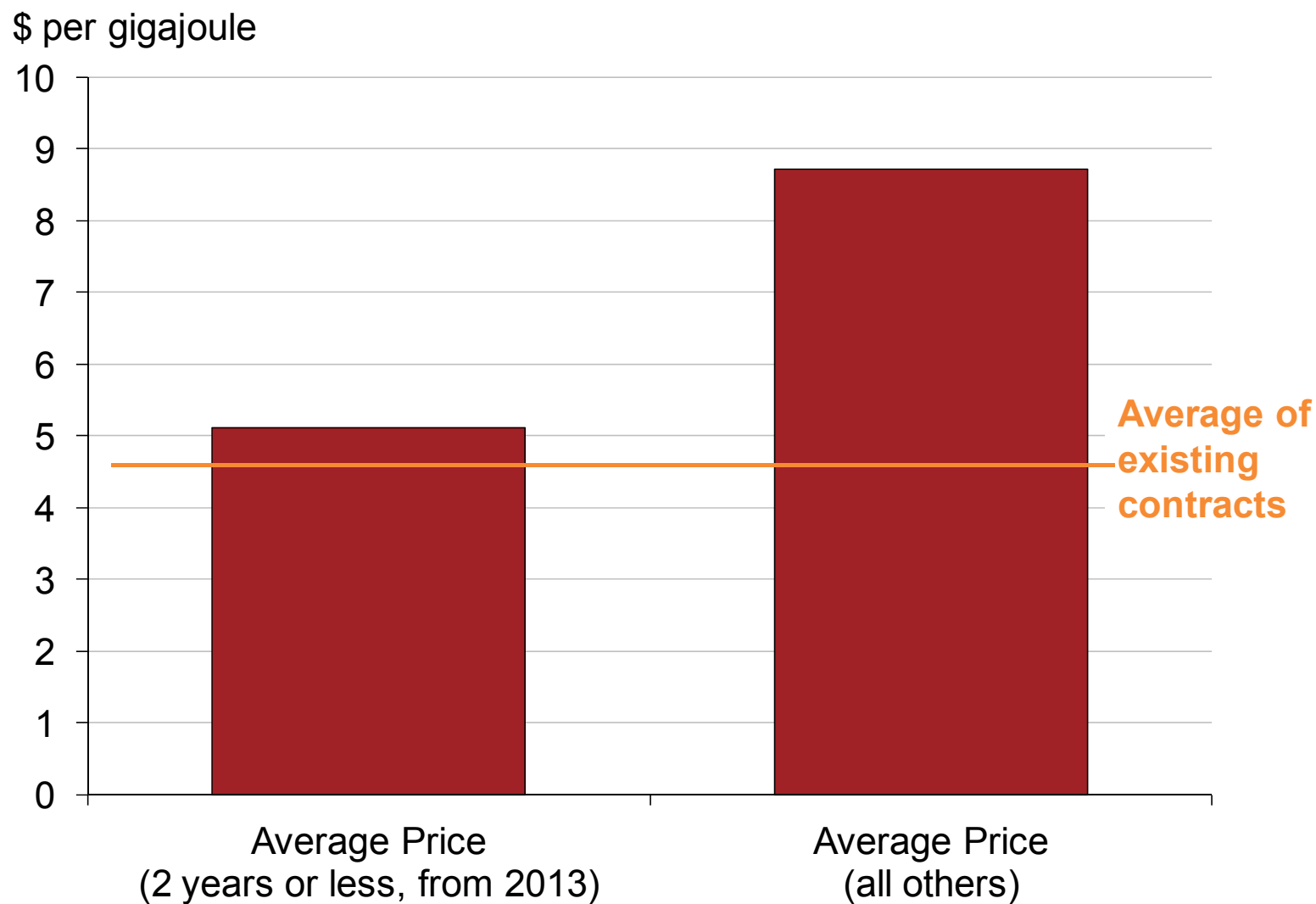
Solutions for NSW...

- The CSG impasse must be resolved. More CSG would make NSW less reliant on importing gas from other states.
- Increase the gas supply from Victoria through the Eastern Gas Pipeline or Culcairn Interconnector.
- Expand production capacity at the Cooper basin.
- Increase gas production in Queensland.
- Add a gas storage facility that would accumulate gas on low demand days and release gas on high demand days.
- Reduce demand. Higher prices will reduce consumption, possibly starting with gas fired generators.
- Some of these measures are already being considered.

A role for government...

- Resolve the impasse on CSG development.
- Increase market transparency through a published gas price index that provides clear information to all players. The current market structure makes it difficult for smaller players to obtain price information.
- Promote competition through support for pipeline capacity trading and moving towards the elimination of joint marketing as markets mature.
- Ensure an appropriate tax regime to collect revenue from exported gas.
- Resist calls for industry protection.

A challenging environment for gas users...



... But with a great deal of economic upside...

Projects currently under development in Australia are worth over \$160 billion. There are further projects proposed for coming years.

