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**TITLE: Every CSG well another nail in manufacturing's coffin.**

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Resources and Energy Minister Chris Hartcher claims there will be “catastrophic consequences” if NSW does not develop more coal seam gas. He seems to believe that by doing so there will be more gas for local industry and that this will prevent soaring prices.

This couldn't be further from the truth.

The Australian Energy market operator has reported a drop in demand for gas in NSW from both industry and households. At the same time demand for electricity in the state is also falling, as energy efficiency measures begin to pay off, and householders install more and more solar panels.

The reason that gas prices are set to rise has little to do with farmers and environmentalists opposing coal seam gas, as Minister Hartcher would like us to believe.

Rather, it is because the multinational gas giants that are extracting the gas are selling it in advance to overseas customers.

Within the next three years, three massive gas export terminals in Queensland will begin operating. This will allow them to export vast amounts of gas by ship to Asia. The price they can get for the gas in Asia is around \$15 per Gigajoule, around four times the amount we pay in Australia. (see table 22p75)

These companies will not sell gas to Australian factories, power stations or households for a quarter of the price they can get overseas. Once the export terminals start operating, if Australians want gas, they are competing with the Asian market and will have to pay Asian prices minus the cost of exporting it. This means the price in Australia is likely to at least double, or even triple (see ChartA p 7).

And that's if you can get it.

Last October the Queensland Department of Energy and Water Supply predicted domestic gas prices increasing to over \$10/GJ by 2015 and gas scarcity for domestic contracts". Large companies like Rio Tinto have already had trouble securing contracts, and exporters will be under intense pressure to satisfy their overseas customers before signing new contracts with local users. AGL chief executive Michael Fraser warned last April that these plants would operate "like a giant vacuum cleaner for the east coast gas market".

The gas industry has fiercely resisted the idea of setting aside gas for the domestic market and both the federal government and opposition have unequivocally backed them.

At the same time, the massive gas export projects are costing manufacturing jobs. These projects are driving up the Australian dollar and creating a severe skills shortage. This is making our exported manufactured goods more expensive, and imports cheaper, and at the same time making manufacturing companies compete with inflating mining wages to get the skilled labour they need to operate.

This is decimating manufacturing and is the main reason for the relentless stream of manufacturing job losses over the past few years.

Don't believe me? Look no further than the gas companies themselves whose own economic analysis confirms these impacts. Arrow Energies own analysis of its planned LNG export project acknowledges it will cost 1600 jobs, 1000 in manufacturing. And that's just one of four massive projects planned for Queensland, the other three are approved and under construction.

Speeding up CSG extraction by reducing environmental regulations will increase risks to aquifers, health and the environment but it will not reduce gas prices, or guarantee a secure gas supply for NSW. Any additional gas will simply be exported, because foreign demand is so large and they are having trouble finding enough gas to fulfil their current contracts.

The gas companies are sinking tens of billions of dollars into their export facilities and the more gas they export the more profit they will make.

If you spend 20 billion dollars on a gas exporting facility, as Asia Pacific LNG has, then you want to make sure you export as much as you can.

We could cover every farm and forest in NSW with CSG wells and the gas will still be exported and Australia will still be linked to overseas prices.

There have been suggestions that if Australia allowed enough extraction of coal seam gas we could reduce the gas price as has happened in the US. This ignores the fundamental difference that the US heavily restricts the export of its gas. To date only one export terminal in Louisiana has been approved. Australia has the opposite policy which is to approve gas export terminals with the capacity to export many more times the amount of gas we currently produce.

If Australia wants to reproduce the low gas prices in the US, we simply need to ban gas exports. This would have the added benefit of saving a lot manufacturing jobs as it would put downward pressure on the Australian dollar.

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