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TITLE: Fracking will not keep local gas prices from rising

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Peter Reith, Paul Howes and Innes Willox think lifting the ban on fracking in Victoria will stop gas prices from rising. Sorry guys, but you're wrong.

To think that more gas is going to stop the price going up misunderstands why the gas price is rising.

It's going up for the simple reason that the rest of the world is willing to pay far more for our gas than we currently do. Until now that didn't matter because we couldn't export our gas, but huge gas export facilities under construction in Queensland will soon allow gas producers to sell their product overseas. Then we will all have to compete with the overseas market and pay the world price.

The joint letter by Misters Reith, Howes and Willox published in the Herald Sun last Friday rightly points out that the higher gas price is going to put jobs and businesses at risk. But it wrongly claims that increasing the supply of gas will stop this.

Innes Willox represents businesses that are going to be impacted by the high gas price and Paul Howes represents workers who will also be HURT. They are right to raise concern, but if they want to protect businesses and jobs then they need to come up with a solution that is going to work. We could frack all of Victoria and New South Wales and the gas price would still go up.

Mr Willox and Mr Howes may have best intentions for the people they represent, but what about Mr Reith? He's the chairman of the Victorian government taskforce on the eastern gas market. He's also a lobbyist for a company which provides its services to at least two groups with strong interests in coal seam gas (CSG). One of these clients has just won a \$1.8 billion contract from a CSG producer for the construction of gas compression facilities in Queensland. Hardly an unbiased expert.

The truth is that gas in Victoria is cheap by world standards and gas producers would prefer to sell it overseas for much higher prices.

The price rise is not an accident or an unfortunate side effect, it is the objective. Gas producers want to sell at a higher price. They want to link the eastern gas market to the world market. No matter how much CSG is extracted in Victoria, the world price isn't going to fall.

Victorian households and industry have had access to cheap gas for decades but that is about to end. If Peter Reith, Paul Howes and Inness Willox were serious about protecting jobs then they would have raised the alarm about the impact of linking Victoria's gas market to the world market years ago.

But rather than do something to stop the gas price rises, they are pushing to remove restrictions on fracking for CSG in Victoria. This will do nothing to prevent the gas price surging and nothing to protect Victorian manufacturing. It will, however, cause long term harm to Victoria's farmers and environment.

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