

Gas economics quick facts

Gas fields covering NSW farmland and forests are approved largely on the basis of the claims they make about jobs and economic benefits. The gas industry employs some people and generates economic activity – but often not to the extent claimed by industry advocates. The industry also says very little about who benefits and who bears the costs. This fact sheet aims to give context to the role of the gas industry in the Australian economy.

Jobs.

The oil and gas industry is highly mechanized and a very small employer. In 2012 it employed a total of 20,700 people, around 0.2 of 1% Australian workers.ⁱ To put this figure into context, hardware retail company Bunnings employs 33,000 people.

What about indirect jobs?

All industries create indirect jobs, but few talk about them as much as the gas industry. “Jobs multipliers” used by the gas industry to make claims about the indirect jobs they create have been recognized as “biased” by the Australian Bureau of Statistics who no longer publish multipliers for that reason.ⁱⁱ

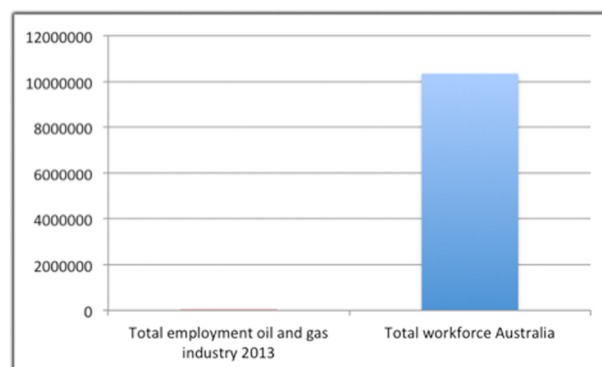


Figure 1: Total oil and gas employment 2013. Source ABS

If all industries claimed to provide as many “indirect jobs” as the gas industry does, it would add up to more than 3 times the amount of jobs that actually exist in Australia.

What rate of tax does the oil and gas industry pay?

The oil and gas industry pays a low rate of company tax. Last year the industry paid 5.4% company tax rate, well below the average rate of 17.6% paid by Australian industries.ⁱⁱⁱ

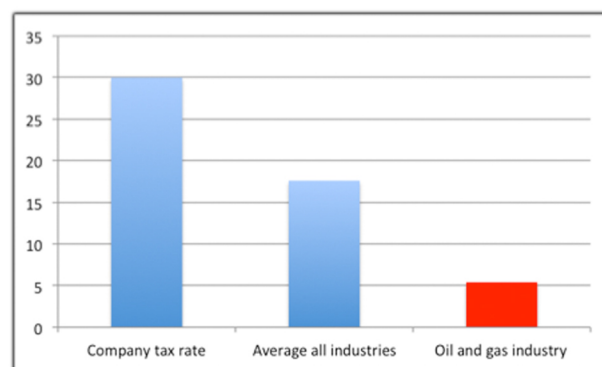


Figure 2: Oil and gas industry company tax rate 2011/12. Source ATO, ABS.

How reliant are we on gas taxes?

The gas industry pays the Petroleum Resource Rent Tax (PRRT) on its “super profits” as well as company tax. These two taxes make up the vast majority of Commonwealth taxes paid by the industry. Last year these taxes combined made up less than 1% of federal government revenue.^{iv}

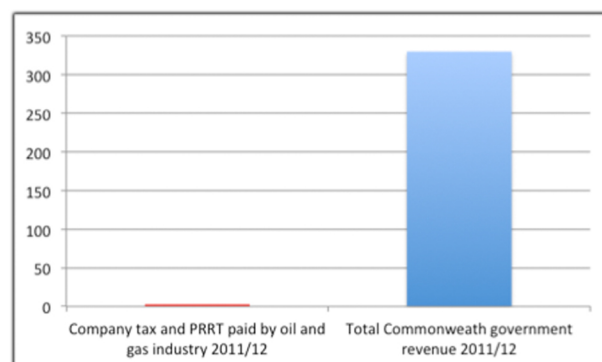


Figure 3: Oil and gas industry company tax and PRRT compared to Commonwealth Government revenue 2011/12. Source Commonwealth budget papers 2012, ATO.

Why are gas prices going up?

Asian gas prices are several times as high as Australian gas prices have been. Because virtually unlimited exports of CSG have been approved, gas companies can now demand Australian consumers compete with Asian customers to buy Australian gas.

Is gas mining good for the Australian economy?

Economic modeling by one of the main CSG companies operating in QLD, Arrow Energy found that this project alone would displace 1600 jobs in other industries and crowd out \$440 million of manufacturing activity.^v And that's just one project of many!

But there is also the impact of gas price rises caused by allowing unlimited CSG exports.

Economic modeling by Deloitte Access Consulting shows that gas price rises caused by CSG exports have created a \$69 billion bonanza for the gas industry (mostly global oil and gas majors), but will cost the manufacturing industry in Australia \$118 billion dollars.^{vi}

Will mining more gas bring down gas prices?

No. All the gas mined in eastern Australia is part of the one market, whether it is used in Australia or exported. Covering huge areas of NSW farmland and forests in gas wells would not change this.^{vii}

Gas industry attempts to say more gas mining is needed to reduce gas prices have been ridiculed by commentators.^{viii}

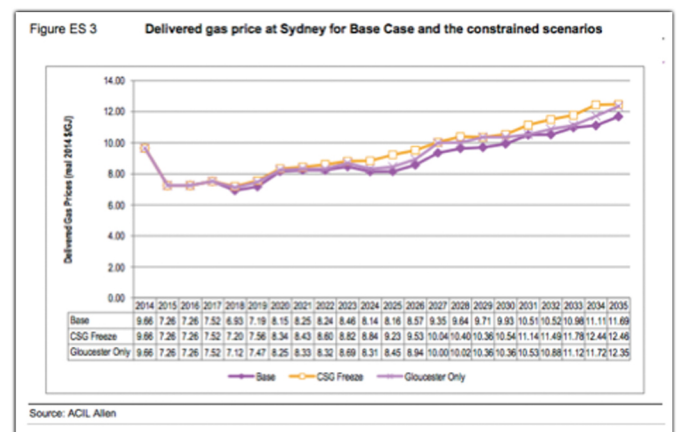


Figure 4: Gas price projections comparing different scenarios of CSG mining in NSW. Source ACIL Allen Consulting 2014.

Even the gas industries' own modeling shown in the graph in Figure 4 from a report by ACIL Allen Consulting for gas company AGL shows that gas prices will be virtually the same whether or not further CSG mining is allowed in NSW.^{ix}

Is there a shortage of gas in NSW?

No. There is plenty of gas. All of eastern Australia is a single gas market. Australia is almost tripling gas production within just a few years. This is one of the largest and fastest expansions of gas mining anywhere in the world, ever. At the same time domestic gas demand in Australia is actually falling and according to industry analysts ACIL Allen, looks "unlikely to return to current levels for 20 years".^x

Even gas companies (other than those seeking approval to mine gas in NSW) have dismissed the idea that there is a shortage of gas in NSW.^{xi}

Gas will be available to Australian consumers, but gas companies will demand a higher price for it, and no amount of further gas mining will change that.^{xii}

i ABS (2013a). 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly, Aug 2013.

ii ABS (2010) 5209.0.55.001 - Australian National Accounts: Input-Output Tables - Electronic Publication, Final release 2006-07 tables.

iii ABS (2010) 5209.0.55.001 - Australian National Accounts: Input-Output Tables - Electronic Publication, Final release 2006-07 tables.
ATO (2012) Id., Commonwealth Budget papers 2012.

iv ABS (2010), ATO (2012) id.

v Grudnoff M (2012) An analysis of the economic impacts of Arrow Energy's Gladstone LNG plant. The Australia Institute.

vi Deloitte Access (2014). Gas market transformations—Economic consequences for the manufacturing sector.

vii Grudnoff (2013) Cooking up a gas price. The Australia Institute.

viii Gittins (2013) Industries CSG campaign is a con. SMH.

ix ACIL Allen Consulting (2014) Future NSW gas supply and usage: Economic benefits of coal seam gas development.

x Balfe, P (2013) Gas supply and demand outlook for Eastern Australia. Acil Allen Consulting.

xi Chambers (2013). Looming gas shortage a myth, says BG Group, The Australian.