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TITLE: Gas prices are rising despite protests

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PUBLICATION: Australian Financial Review

PUBLICATION DATE: 05/03/14

LINK: www.afr.com

Santos has been salivating at the prospect of selling gas for two to three times the domestic price for years. But as the big pay day draws near, the company has started blaming protesters, who oppose the harm that gas exploration does to farms and forests, for the impending price rises; the same price rises that Santos's shareholders have been banking on.

Vice-president James Baulderstone responded to the arrest of protesters on a Santos project near Narrabri in NSW by warning: "In three years' time, when the gas flows, the cost of the gas will be higher due to the actions of these people."

Really? Does Santos have so much market power that it can pass on any unexpected costs to its consumers? Does it really believe that the main reason gas prices will rise relates to protesters rather than their new export plans? And if they think the protesters drive up the cost of gas maybe they should let the public know how much the clot of lobbying and PR has driven up their gas bills.

While it works hard to shift the blame for its pursuit of profits, in reality Santos has long been flagging the future gas price rises that will accompany the opening of the new gas export hub being built in Gladstone, Queensland. Maybe they knew the protests would occur and had factored in the price increase?

The fact that prices will rise has nothing to do with protesters and everything to do with the world market for gas.

The Australian gas industry is in the middle of an enormous push to export gas from the east coast to the world market for the first time. Three huge gas liquification plants are under construction in Queensland which, when complete, will allow gas to be converted

into LNG and sold overseas rather than sold exclusively to Australian users, as is currently the case.

Australians were paying a wholesale price of between \$3 and \$4 a gigajoule, a price that allows Santos and others to make a tidy profit. The world price of gas is near \$9 a gigajoule. So once the Gladstone export facility is up and running, Santos and others will be able to sell their gas at the \$9 world price. Australian consumers and businesses will also be expected to pay the new higher price.

DASH FOR CASH

The higher prices will ensure Santos's profits will soar but that's just the start of the dash for cash. If Santos and others can dig thousands of new coal seam gas wells across Australia's farm lands and remaining forests, then they will have even more gas to sell at the new higher price.

It is new gas wells that will really deliver record profits and that's the real reason why Baulderstone is so unimpressed by efforts to prevent drilling in the Pilliga.

The idea that the gas industry has consumer interests at heart and that protesters are to blame for rising gas prices is as audacious as it is ridiculous. If the gas industry wanted to help consumers it would continue to sell gas to Australian customers for the current price.

Of course not all of the gas industry players are as dishonest as Santos. AGL applied this week to raise wholesale gas prices by more than 20 per cent from July, noting that the Queensland export terminals were driving up prices.

Santos has a track record of simply making things up when it enters public debate. Indeed, it once released economic modelling that claimed to show that if its gas projects in regional NSW got the go ahead, it would create hundreds of new public sector jobs.

The gas industry peak body, APPEA, hasn't been shy about throwing nonsense into the public debate. They ran a multimillion-dollar campaign that claimed their members had created 100,000 jobs in 2012 while the ABS suggested the total amount of jobs created in the combined oil and gas industry was only 9732. One of them is clearly way out.

The propaganda handbook assures practitioners that if you're going to tell a lie, tell a big one. No doubt such advice was ringing in the ears of the Santos spin doctor who cleared the "blame the protesters" strategy. Blaming protesters for impending gas price rises is a new low in the quality of debate, but I have no doubt that in the coming years Santos will do its very best to dig deeper still.

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