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TITLE: **More coal seam gas means higher, not lower, prices**

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We all agree that gas prices are going to rise. The Australian Petroleum Production and Exploration Association (APPEA) would have you believe that the restrictions on coal seam gas (CSG) in NSW are the cause of the coming price hikes. Ironically, it's not the lack of CSG that is driving up the price but the explosion in CSG production that will see wholesale gas prices double or triple over the next few years.

Gas prices in eastern Australia are low by world standards because at the moment they are not linked to prices in the rest of the world. This will change next year with the completion of the first of three large LNG facilities near Gladstone. After this, gas producers will be able to choose to sell to domestic consumers or liquefy and ship their gas to international buyers. The eastern Australian gas market will be linked to the world market and the world price.

While wholesale gas prices in the eastern market have recently been around $3 or $4 per gigajoule, they are expected to rise in the next year or so to the export parity price of $9 per gigajoule. These massive LNG facilities will dramatically increase demand for gas. When all three are finished they will have a combined capacity that is twice the 2011 domestic demand in the eastern gas market.

The new demand is to be met by expansions of CSG in Queensland. The huge growth in CSG is what has made the LNG facilities viable. Without them the eastern market would simply not produce the gas the LNG facilities need to be export-profitable. The growth in CSG is the driving force behind gas price rises.

But as they say never waste a good crisis and that's just the attitude that APPEA, the gas industry's lobby group has taken. According to APPEA's chief operating officer, the rise in gas prices is because of anti-CSG activists.

"Rising gas prices are something the people of NSW may have to get used to unless the industry can get on with developing NSW gas resources… For this, they have local anti-CSG activists to thank."

This is nothing but industry spin.

We live in a market economy and we accept that businesses will try and increase their profits. Gas producers are looking forward to exporting our gas overseas because the big price rises will mean bigger profits. The only thing that will grow their profits further is if they can expand CSG production in Australia.

This is why they are pushing for more CSG in NSW. It has nothing to do with concern about price rises. It has nothing to do with worries about Australian's securing gas supply. Like many other businesses they are driven by profit.

So what better way to put pressure on government and try and put a dent in the current overwhelming support for anti-CSG activists than to blame them for the coming price rise? It's a brilliant piece of political gaming. The gas industry is clearly getting its money's worth from APPEA.

Normally expanding supply would see a fall in price, but in this case new export facilities will provide greater demand and a higher world price, pushing our prices up. But what about future increases in supply? If we grew CSG production further wouldn't that mean more gas for Australian consumers?

Unfortunately no. There are already plans to further expand the east coast's capacity to export LNG. The LNG facilities currently under construction have capacity to export double the recent domestic demand, but that is small compared to what might be coming. There are plans for LNG facilities with combined capacities of 6,612 petajoules, that's almost 10 times recent domestic demand.

It is now far too profitable to unlink the eastern gas market from the rest of the world. Any expansion in gas production will see an expansion in export facilities, not a fall in price. CSG in Australia is not designed to benefit Australian gas consumers but rather the owners of gas companies. With most of these companies foreign owned, the profits are going the same way the gas is, overseas.

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