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**TITLE: The great "gas crisis" swindle**

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***The gas industry and the NSW Government wants us to believe the more gas that is drilled, the lower the local prices. This simply isn't true in a global market, writes Mark Ogge.***

Today, 150 select invited guests from the coal seam gas and LNG industries, politics and finance will gather in Sydney for an "energy security summit" headlined by the new federal Industry Minister Ian Macfarlane and NSW Resources and Energy Minister Chris Hartcher.

The summit is a response to the much vaunted "gas crisis" in New South Wales - a crisis concocted by an industry determined to entrench its interests in the economic fabric of the state.

If you can create a "crisis", offer a snake oil solution, and make a lot of money out of both, then you are onto a good thing. All the better if you can blame someone else for causing it in the first place.

That's exactly what the coal seam gas industry is doing, in partnership with Chris Hartcher. Remember, it was Hartcher's department that, in an Orwellian [briefing note](#) leaked last week, sought to 'disappear' community concern about the encroachment of CSG by re-branding it as "natural gas from coal seams".

The industry backed by Hartcher claims that unless we dramatically increase production of CSG, NSW will have to "import" its gas from other states. This ignores the fact that the whole of eastern Australia is a single gas market, and that there are no import restrictions between states. NSW doesn't make any cars; demand is met by importing from overseas or interstate. Does that mean we also have a "car crisis"?

The real problem here stems from the gas industry's plan to export massive amounts of CSG as LNG from Gladstone in Queensland, starting next year, where some of the world's biggest gas export terminals are currently being built. Once Australia's gas market is linked to the global market, those manufacturing industries which rely heavily on gas will have to pay much higher gas prices, set by the global gas market.

This isn't about Australian companies exporting gas for Australia's benefit. These gas exporters are overwhelmingly foreign-owned and include several huge Asian state-owned companies like Malaysia's Petronas, Korea's Kogas, Petrochina and the China Petroleum Corporation. They will demand local industries compete with Asian customers for Australian gas. Almost all of the gas exported from Australia will go to Asia, where the wholesale gas price is currently around four times that in Australia.

The Australian Industry Group (AIG) [has reported](#) that a handful of industries, including the aluminium and chemical industries, account for about 85 per cent of industrial gas consumption in Australia. A big increase in the gas price will significantly increase their costs and make them less competitive.

In other words, the opening up of the LNG export industry in Queensland will deliver a windfall profit to the gas exporters at the expense of these other industries. Every dollar of additional profit to the gas exporters will be at the expense of Australian manufacturing and consumers. If Australian manufacturers are not prepared to pay these prices, they won't get the gas.

Not surprisingly, the manufacturing industry is up in arms that the gas exporters are demanding they pay billions of dollars more for gas every year.

Having created the "gas crisis", the gas exporters are attempting to deflect blame for the rising prices onto "environmentalists" - largely regional communities working to protect their groundwater, land, health and livelihoods from the rampant expansion of CSG.

And the gas exporters' "cure" for the "crisis": allow them to drill for more gas.

This would be achieved by winding back even the most basic protections, such as the two kilometre exclusion zones that applies to CSG around residential areas in NSW.

This proposed "cure" assumes that the more gas is drilled, the more gas will be available for local consumers and the lower the prices. It ignores the simple fact the gas will still be part of the same gas market that covers all of Eastern Australia, which will be linked to global prices.

In other words, no matter how much gas you drill - even if you could turn tens of thousands of square kilometres of NSW farmland into one huge industrial gas field - local users would still have to compete with international prices for the gas.

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