

MEDIA RELEASE

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ACCC decision means higher gas prices for consumers

Western Australia's peak energy user group has expressed dismay and disappointment at the ACCC's proposal to allow Shell, Chevron and ExxonMobil to combine together to sell Gorgon gas to Australian consumers, including in setting terms, conditions and prices.

DomGas Alliance Chairman, Tony Petersen, said the ACCC's draft determination was taken in the face of overwhelming opposition by consumers.

"It is disappointing that the ACCC has not stood up to the world's biggest oil companies to ensure a fair deal for Australian consumers."

"Every business and household can now look forward to even higher gas and electricity prices as a result of the ACCC's announcement," Mr Petersen said.

The ACCC's own commissioned report had warned that joint selling by the Gorgon participants would lead to higher gas prices for Australian consumers.

The report, by Allen Consulting Group, also dismissed as "misleading" the Gorgon participants' claims that joint selling was necessary to manage risk or to underpin Gorgon Project investment.

Shell, Chevron and ExxonMobil are happy to compete with each other in separately selling 95 per cent of Gorgon gas to international customers, but when it comes to the domestic market claim to need the "protection" of joint selling.

Recent deals include: ExxonMobil's reported deal to supply PetroChina up to \$50 billion of gas; ExxonMobil's reported deal to supply Petronet India up to \$19 billion of gas; and Chevron's reported deals to supply Japan and South Korea up to \$70 billion of gas.

"For the Gorgon producers to claim that they need to join together when selling 5 per cent of Gorgon gas to domestic Australian customers is illogical," Mr Petersen said.

"The ACCC's decision means that the biggest companies in China and India will enjoy the benefits of competition, while this is denied to Australian consumers."

The Alliance rejects the ACCC's assessment that the WA gas market is too small and too immature to support separate selling.

"The WA gas market has been operating for over 25 years. It is a billion dollar a year market with more than 30 individual customers buying directly from two main producer groups," Mr Petersen said.

"Separate selling is already happening in Western Australia and should be required for every domestic gas project in WA including the Gorgon project."

Separate selling is a feature of the New Zealand gas market – a market significantly smaller than WA. Gas companies had also previously claimed the New Zealand market was too small and too immature for separate selling.

Mr Petersen pointed to public comments by major producers that WA consumers are now paying a premium price for WA gas.

"Producers are openly saying that: 'For price, it's the domestic market, for quantity it's the LNG market.'"

"Because there are only two supplier groups, Western Australia already has one of the most uncompetitive gas markets in the country which has resulted in WA gas prices being around three times the gas price in Victoria."

"The ACCC had the opportunity to ensure there were three new sellers in the market but instead we have one. This decision will not encourage competitive pricing of domgas."

"I urge every business and household concerned about rising prices to make their views known to the ACCC."

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