

MEDIA RELEASE

FOR IMMEDIATE RELEASE
26 July 2010



Labor and Coalition urged to act on gas price hikes

Western Australia's peak energy user group has urged major parties in the 2010 Federal Election to commit to action on the State's soaring gas prices.

DomGas Alliance Executive Director, Gavin Goh, said wholesale gas prices have risen 300 per cent in WA, to be up to three times the price of gas in Victoria. This was putting enormous pressure on business and household budgets.

"Gas producers are keeping their foot on the hose and dribbling out small volumes of gas at very high prices," Mr Goh said.

"Energy security has slipped off the radar with the focus instead on how much gas we can ship to Japan and China."

Gas producers were warehousing gas reserves while at the same time combining together to hike prices for WA consumers. Retention leases and joint selling were however areas where public policy has gone backwards in recent years.

A 2007 Commonwealth-States report recommended that offshore retention leases be stringently enforced to ensure more gas is supplied to the local market. Government now appears to be giving LNG exports priority over domestic supply in managing retention leases.

The ACCC has also repeatedly intervened to protect the world's biggest oil and gas companies from competition by authorising producer joint selling arrangements.

The Alliance urged Labor and the Coalition to exempt domestic gas production from any proposal to extend the Petroleum Resource Rent Tax (PRRT) to all offshore and onshore projects. An exemption would provide a significant incentive to develop further domestic gas supply.

"Gas producers would enjoy a tax incentive, while business and households would benefit from more domestic supply."

"An exemption would support recent efforts by the State Government, such as the State's decision to grant royalty relief to tight gas projects."

An exemption could have only a modest effect on Commonwealth revenues as domestic gas production accounts for a small proportion of Australia's petroleum production. Any revenues foregone would be more than offset by taxes from existing downstream industries, as well as new projects dependent on domestic gas supply.

The Alliance also urged major parties to commit to Commonwealth support for Western Australia's 15 per cent domestic gas reservation policy. The policy has been endorsed by successive State Labor and Liberal/National Governments.

"This would send a strong message to gas producers that domestic supply is part of their licence to operate," Mr Goh said.

A recent report by Economics Consulting Services identified over 40 new resource projects in Western Australia potentially needing gas supply. Together, these projects could deliver \$25 billion a year in economic output, employ 19,000 people and generate billions in new tax revenues.

**Media contact:
Gavin Goh 0403 310 897**

The DomGas Alliance

The DomGas Alliance is Western Australia's peak energy user group and represents natural gas users, infrastructure investors and prospective domestic gas producers. The Alliance promotes security and affordability of gas supply.

Members include: Alcoa of Australia, Alinta, Burrup Fertilisers, DBP, ERM Power / NewGen Power, Fortescue Metals Group, Horizon Power, Murphy Oil, Newmont Australia, Synergy and Verve Energy.

Alliance members represent around 80 percent of Western Australia's domestic gas consumption and transmission capacity, and supply gas and electricity to 200,000 small businesses and 2 million West Australians.



C/- DBP, Level 6, 12-14 The Esplanade, Perth WA 6000
Postal Address - PO Box Z5267 St Georges Terrace Perth WA 6831
Telephone: +61 8 9223 4354 Facsimile: +61 8 9223 4301
Web: www.domgas.com.au