

NSW retailers push for 20 per cent hike in gas prices

Transcript

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CHRIS UHLMANN: The chill winds of winter will likely carry an extra bite this year. Two of the biggest gas retailers in south-eastern Australia have applied to raise their retail prices for gas in New South Wales and the ACT by around 20 per cent from mid year.

The Australian Industry Group says this is a wake-up call for Government, and the country needs to ramp up gas production for domestic use, or households and businesses will be driven to the wall. It wants a national interest test to apply to all new gas fields projects, and a 'use it or lose it' clause to speed development.

But an energy analyst says the era of cheap gas is over.

Sarah Dingle reports.

SARAH DINGLE: There's considerable uncertainty ahead for the Australian gas market, despite some major LNG (liquefied natural gas) projects on Queensland's Curtis Island.

Total gas production in the eastern states is expected to triple by 2016. But in the meantime, the demands of Queensland LNG development is squeezing gas supply in the south, according to retailers.

AGL is proposing a 20 per cent price hike for customers in the greater Sydney region and inland New South Wales. Origin Energy is proposing a similar rise for south-west of the state.

The Australian Industry Group's (Ai Group) CEO Innes Willox says this is a wakeup call for policy makers.

INNES WILLOX: The sad part is with prices like that increasing, we are going to see businesses driven to the wall, we're going to see households less able to pay for basic supplies.

SARAH DINGLE: The gas production boom in Queensland is mostly for export, which according to Ai Group means domestic consumers of gas will still have to contend with a tight market, particularly in New South Wales.

Mr Willox says Australia has enough gas in the ground to satisfy both domestic and export needs, and he's calling for a national interest test for new gas field projects.

INNES WILLOX: When a field is developed the current information and future projections around supply and demand are put together and then that would end up with the Treasury putting forward a recommendation to the Treasurer for the field to go ahead and where that gas should be sold, if any should be sold into the domestic market because there was a need.

SARAH DINGLE: The Australian Industry Group says there should also be a 'use it or lose it' clause for developing gas fields.

INNES WILLOX: There are examples of companies that have held onto their entitlements for a very long time without utilising them.

SARAH DINGLE: Lucy Carter is the Energy Fellow at the Grattan Institute.

LUCY CARTER: If it's not commercial for one party to develop it, it's questionable why at that point in time it will be commercial for another party to come in and pick up that gas field and develop it.

SARAH DINGLE: She says somewhat higher prices for gas may be here to stay.

LUCY CARTER: We've had cheap gas for a long period of time because that gas has been relatively accessible. Over the longer term we'll expect the gas prices are probably not going to return to that \$3 to \$4 level.

SARAH DINGLE: The New South Wales pricing tribunal will accept public comment on the proposed price hikes before any changes come in in July.

CHRIS UHLMANN: Sarah Dingle reporting.