

## Transcript

**Ai Group Chief Executive, Innes Willox**  
**ABC TV News with Joe O'Brien**  
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**O'Brien:** The Australian Industry Group is calling on the Government to act immediately to address the gas crisis warning of an emergency for manufacturers. A new report predicts the gas shortage will be three times worse than first thought contributing to power price rises in eastern Australia. The Prime Minister will discuss the report with energy companies this week and remind them if the shortage is not addressed then exports will be restricted. Joining me now from Melbourne is Innes Willox, Chief Executive of the Australian Industry Group. Good morning. How concerned are you about potential impacts on industry over the coming months?

**Willox:** Well, we are very concerned. Deeply concerned. Because there is now mounting evidence that there will be a gas shortfall across the eastern states of Australia and that's already having an impact. We are already seeing that through spiking prices for local industry, local manufacturers, local agricultural business, miners, paying much more for gas than they need to - when they can get a contract. The energy market operator has said that we are facing a summer which has many days of potential blackouts, 70 days over the next two years and an energy shortfall. We are at the point now where the Government has gone through its process, accumulated the evidence and the data that it needs, found that we have a shortfall of between 15% and 20% for our domestic gas market and now needs to get on top of the blocks at the swimming pool and ready to race if need be.

It is a two-step process. They have to first accumulate the evidence and then give themselves the power to intervene should they need to, come 1 January. And if they need to intervene next year, do so.

**O'Brien:** You are warning of an emergency for manufacturers. What has the Government got to do to address this emergency right now?

**Willox:** We are really on the cusp of a national economic security emergency. What Government simply has to do is to find ways to get more gas into the domestic market. We have spoken to gas suppliers. Some of them are doing their best to get gas into the local market and there have been some moves in response to Government pressure, and we should acknowledge that, but we have had some suppliers say they have tried to put gas into the market, they have tracked it and it has found its way into the export market, not for domestic use.

The Government needs to be vigilant about getting more gas into the market and the way to do that is to invoke its powers. The gas companies can fulfil their international contracts by sourcing gas from elsewhere to make up the shortfall. It is between 50 to 100 petajoules in a 600 to 700 mark 0 market. – 700 market. That is the shortfall that we are looking at.

**O'Brien:** What do you make of the Prime Minister's proposed course of action as outlined yesterday. Is he acting quickly enough on this?

**Wilcox:** When the Government introduced this earlier this year they put a 1 January time frame in place and gave themselves six months to accumulate the evidence. We have now got to that point of the process. The Government indicated it would make a decision over the coming weeks. We really think there is only one decision to be made, and that is for the Government to give itself the powers to act. If it doesn't, from all the evidence we have seen, from the ACCC from AEMO, from Ai Group members, from others who are facing the reality of this situation, as well as households, if they don't act they will leave Australia open to potential catastrophic gas shortages, electricity price spikes through next year.

That is the situation nobody wants to be in. We are already seeing massive distortions in the market. We are seeing companies make decisions around further investments, around potential job cuts, around off-shoring, all off the back of spiking energy prices. It is a ridiculous situation that we have got ourselves into.

**O'Brien:** The Prime Minister says Labor is out saying pull the trigger and he says they are saying that like a parrot and they don't understand the market or the mechanism but is there something the Prime Minister can do before January?

**Wilcox:** He is meeting with gas providers today or tomorrow and over the coming days and having conversations with them around what they are doing to try to meet the shortfall and then we will have to make the assessment around whether that shortfall has been met. I think it is pretty clear from the evidence of the ACCC at the very least that we have a real and present danger for Australian business.

Manufacturing, miners, agriculture, all are impacted by this and what the Government now needs to do is to weigh up the evidence and make what we think is a very clear decision to give itself the power, not to invoke it at the moment, not to say, "Yes, you have to divert resources, but just to give itself the power to make that call as time goes on through next year.

We are talking about 12 months away where we will probably still be in a situation of gas shortages, rising electricity prices. Electricity futures are continuing to go up off the back of gas shortages and gas prices. So we need to act.

**O'Brien:** I just want to be clear on that, you are not suggesting the Government can do anything before then to limit the exports before January 1?

**Wilcox:** Only if the Government wanted to take some extraordinary measures and they haven't set themselves up for that. We have a process to work through. We are all aware of what the process is. The evidence has been gathered by Government reviews from AEMO, the energy market operator, and the ACCC. It is very clear we face significant shortages in gas in Australia. 15% to 20% of our local energy supply is said to be short and we need to take steps to fill that gap, and if we don't take steps then the situation is only going to get worse and get more difficult. When you have business leaders and CEOs saying to us, as recently as yesterday, that they were terrified now to open their energy bills you know we are in a very serious situation.

**O'Brien:** You say this - we are on the cusp of an emergency now but aren't you concerned about the reputation of Australia as a place to do business if the Government does take this action?

**Wilcox:** Well flip the coin the other way, if the Government doesn't take action then you will see large-scale investment disappear from Australia across sectors such as manufacturing, potentially mining and potentially agriculture off the back of these price rises. We haven't suggested this action or the idea of gas swaps lightly but we have - Australia has now got itself in a dire predicament where extraordinary measures are needed to be taken because there has been clear market failure in Australia.

**O'Brien:** Finally, the Federal Government continues to put pressure on the States to open up gas developments, what do you make of the States' approach to this?

**Wilcox:** Victoria, New South Wales and the Northern Territory need to hang their heads in shame over how they've allowed us to get to this situation. To put a ban on gas exploration, not just fracking but conventional gas - has led us down this path where we have a two-prong situation. We have an export market twice the size of the domestic market and no real way to fill it and that has meant that gas that would normally go into the domestic market has been dragged away for export and we now face the situation where we're at least two bidders or two tenderers are in place to put in - gas import terminals into Australia to import gas from elsewhere, from the United States or Asia to fulfil our gas needs while we have an absolute abundance of gas beneath the ground in Victoria and New South Wales.

So we need to look at things like the royalty systems for farmers, give farmers the veto if they don't want gas to be explored on their land but we have to give farmers the opportunity to make that positive decision as well.

**O'Brien:** Thanks so much for taking the time to talk to us this morning.