



Speech by


Hon. Mark McArdle

MEMBER FOR CALOUNDRA

Hansard Thursday, 21 June 2012

MINISTERIAL STATEMENT

Gas Market Review

 **Hon. MF McARDLE** (Caloundra—LNP) (Minister for Energy and Water Supply) (10.15 am): I am pleased to announce the release for consultation of the draft annual Gas Market Review. The 2012 Gas Market Review has a strong focus aimed at establishing reserves, allocations and development rates, and identifying and quantifying any constraints on reserves that may impact on gas supply availability, gas market development, security of supply, and likely wholesale gas price outcomes in Queensland and in the broader eastern Australian gas market.

The eastern Australian gas market is, in reality, a series of state markets. Queensland, more so than any other eastern Australian state, also has a series of submarkets with different characteristics that are captured in the modelling done for the review. Gas exploration and production in Queensland has a cyclical development pattern, with the state undergoing a lengthy period of incremental development interspersed with periods of major investment, projects and growth. Since 2008, Queensland has experienced incredible growth with the development of the coal seam gas to liquefied natural gas export industry. Queensland has a gas consumption of around 240 petajoules per year, and the eastern Australia gas market consumption is around 718 petajoules per year.

The Queensland gas market advisor, Kay Gardiner, is responsible for leading the Gas Market Review process and advising the government on review outcomes. In this draft review she advises that the Queensland gas market lacks liquidity, with gas in short supply for new domestic market contracts both pre and post 2015. This is adding to a high level of uncertainty in the market, which is also impacted by the uncertainties of domestic and international LNG and future gas prices.

In the 12 months to June 2012, customers seeking new domestic supply contracts for gas post 2015 reported a continued lack of access to basic market information including forward prices, volumes available and potential delivery timeframes needed for forward contracting. No customers seeking domestic supply of gas reported achieving a term sheet, binding or non-binding, for a large volume of gas. A small number of customers report offers of small volumes of gas for short-term supply.

Major industrial customers in the domestic market are effectively unable to resolve future contracting requirements and business plans due to lack of access to future gas supply contracting information—in market terms, the market is unable to ‘clear’. Balance has not been achieved between demand for export supply and demand for domestic gas supply. I hope this debate will be encouraged by the release of the 2012 review for consultation.

The gas market advisor cautions that, if in the next 12 months we do not see the domestic supply situation improve, there could be insufficient time for development, consideration, consultation and implementation of measures that could be implemented by government to address a domestic supply constraint in the period 2015 to 2020. I table a copy of the draft Gas Market Review 2012.

Tabled paper: 2011 Gas Market Review Queensland, Department of Employment, Economic Development and Innovation [374]