# Concerns raised over Coalition's gas market proposal ahead of federal election



Energy experts have voiced concerns over the Coalition's proposal to mandate that gas producers sell a greater volume of gas to the domestic market, arguing that this strategy may not effectively reduce prices or alleviate supply pressures, and could inadvertently increase greenhouse gas emissions. This announcement comes ahead of the federal election scheduled for 3 May, as Coalition leader Peter Dutton set forth his energy strategy during a budget-reply speech.

Dutton's plan involves the creation of an "east coast gas reservation," which he claims would redirect “between 50-100 petajoules” of gas, typically destined for export, to the domestic market. He asserted that this shift could lower gas prices from the current rate of $14 per gigajoule to approximately $10, potentially within the year. Nevertheless, he was met with scepticism regarding the practical implementation of such a significant intervention.

Stephanie Bashir, CEO of energy analysts Nexa Advisory, remarked, “What was announced by the Coalition is not policy – it’s lines in a speech.” She emphasised the longstanding need for a "well-considered and permanent gas reservation policy." The Australian Energy Market Operator has highlighted potential seasonal shortfalls in gas supplies for southern states by 2028, with consistent annual supply gaps anticipated from 2029 onwards.

The Australian Energy Producers, representing the gas industry, criticized Dutton's approach, labelling it as a potentially "damaging market intervention" that could deter investment and exacerbate long-term supply issues. Energy program director at the Grattan Institute, Tony Wood, stated that the lack of details on how the Coalition would achieve both domestic supply increases and price reductions was concerning. He cautioned that excessive reliance on gas could hinder the transition to renewable energy, potentially resulting in an uptick in emissions.

The Guardian reached out to the Coalition for further clarification regarding the specifics of their gas diversion plan and any intentions to restrict liquefied natural gas (LNG) exports but did not receive a response prior to publication. Currently, LNG producers have the flexibility to sell gas on spot markets, either domestically or internationally, that is not bound by long-term contracts.

Dutton's proposal seeks to bolster the domestic gas market while allowing coal plants to operate longer as the government plans to invest in nuclear energy funded by taxpayers. Despite gas being recognised for its role as a stabiliser during periods of low renewable energy generation, it is also among the costliest electricity sources available.

Tristan Edis, director at Green Energy Markets, posed that even if gas prices were to decrease to $10 per gigajoule, electricity costs might still rise if reliance on gas increases. He noted that the operational costs of gas plants exceed those of coal, therefore, the transition to gas could lead to elevated power prices. He indicated that a new gas-fired power plant would require around $170 per megawatt-hour to cover its costs at the stated gas price, which starkly contrasts with the lower generation costs of wind and solar energy, estimated by CSIRO to be between $40 to $80 per megawatt-hour.

Joshua Runciman, a lead analyst for Australian gas at the Institute for Energy Economics and Financial Analysis, acknowledged that diverting LNG exports could quickly enhance domestic supply, yet warned that such actions might prompt exporters to scale back their production investments, limiting available gas. The Coalition's inclination to increase coal and gas usage while progressing towards taxpayer-funded nuclear initiatives is likely to impede renewable energy sources from entering the grid, potentially leading to escalated electricity costs.

Moreover, Dutton announced that a future Coalition government would eliminate the $20 billion Rewiring the Nation fund, which is intended to finance upgrades to the electricity grid and major transmission projects. Bashir noted that scrapping this fund without an alternative could stall the transition from fossil fuels to renewable sources. She cited Nexa’s modelling, which indicated that delays in constructing necessary transmission infrastructure would likely raise power prices and compel increased reliance on pricier gas for electricity generation.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.news.com.au/finance/economy/federal-budget/peter-dutton-announces-national-gas-plan-promises-to-divert-gas-from-offshore-sales/news-story/2d801f36d0b646523201bbf96dcb2a87> - This article supports Peter Dutton's announcement of diverting gas from offshore sales to lower energy bills on the east coast, as part of a broader National Gas Plan.
* <https://ieefa.org/resources/oppositions-gas-supply-pledges-unlikely-deliver-cost-living-relief> - This resource critiques the Coalition's gas supply pledges, suggesting they may not deliver cost-of-living relief due to their potential impact on gas prices and supply.
* <https://www.reuters.com/business/energy-oil-gas/australia-mulls-domestic-gas-reservation-policy-2023-08-16/> - Reuters discusses Australia's consideration of a domestic gas reservation policy, similar to what Dutton proposed, highlighting concerns about its feasibility and impact on energy markets.
* <https://www.theguardian.com/environment/2024/mar/27/australia-east-coast-gas-shortage-projected-by-2029> - The Guardian reports on the anticipated gas supply shortages in Australia, aligning with concerns about long-term gas availability and the need for a well-planned gas reservation policy.
* <https://www.csiro.au/en/research/energy/renewable-energy> - CSIRO's page on renewable energy highlights the cost benefits of wind and solar energy compared to gas, supporting arguments that increased reliance on gas could elevate power prices.