Crackdown puts gas on backburner

The Albanese government could see a number of lower income plants closed as it transitions towards clean energy.

EXCLUSIVE

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Future gas and LNG projects valued at $32bn are under threat of having investment stalled or pulled under the Albanese government's "hostile attitude to Australia's resources sector" after the Gina Rinehart-backed Senex paused its $1bn Surat Basin expansion project.

Up to 12 gas projects listed in the government's resources and energy major projects investment pipeline report on Monday are considered to be facing "significant uncertainty" following the government's crackdown on gas companies.

Amid industry concerns over the government's one-year $12-a-gigajoule gas price cap, mandatory code of conduct on gas producers and tougher environmental approval regulations, there are rising fears that other companies could suspend projects.

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Major projects exposed to heightened investment risks include gas and LNG projects planned in five states and territories by Arrow Energy, Santos, Beach Energy, GB Energy, Viva Energy, Cooper Energy, Woodside and Energy Australia.

Senex's decision to halt work on its coal seam gas projects is the latest hit to Queensland's resources industry, where coalminers Glencore and BHP have shelved or frozen investment amid a running brawl with the state's Labor government over shock royalty hike announced in its July budget.

Opposition resources spokeswoman Susan McDonald said "more than $15bn in future east coast gas projects are under a cloud of uncertainty due to Labor's hostile attitude towards Australia's energy resources sector".

ants valued at $32 billion and under are at risk of pausing or closing - with the government already identifying 12 facilities with 'significant uncertainty'.

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Nine projects planned to supply east coast domestic gas, and another three LNG projects that could supply gas to the east coast, are valued at $32bn.

Senex, jointly owned by POSCO and Ms Rinehart's Hancock Energy after they sealed a $900m takeover of the ASX-listed company in March, announced the $1bn coal seam expansion project four months ago around the same time the federal government was drafting its plans to combat high domestic gas prices.

The coal seam expansion was aimed at pumping more gas into the domestic market by lifting its Atlas project to 60 petajoules within two years.

Senex has left open the possibility of returning to the $1bn expansion if the federal government rethinks its gas industry plans. However, it has paused recruitment and spending on long lead items "pending the outcome of the Albanese government's mandatory code of conduct consultation process" on February 7.

A spokesman for Resources Minister Madeleine King said the government was "confident Senex will continue to engage constructively with the government as they design and implement the gas code of conduct". He said the government's gas price cap applied only to existing projects and not "new projects like Atlas".

"The government wants to design a measure that does not have a chilling effect on investment, and ensures investment continues to flow to new products," Ms King's spokesman said.

"The gas code of conduct, once it enters into force, is not about stripping profits off producers. It's about ensuring that where gas enters the domestic market, Australian households and businesses are not subject to the exponentially skyrocketing prices that we have seen throughout the course of this year. "That's not on, and the code will prevent those runaway prices that we have seen previously."

Acting Treasurer Katy Gallagher this week authorised the gas price cap to begin from Friday, with the Australian Competition & Consumer Commission tasked with "closely monitoring" the east coast gas market and enforcing the cap.

Senator Gallagher said without capping gas and coal prices, "the average family would be paying $230 more on their electricity bill next year".

Senator McDonald said the government was "joining forces with the Greens to implement unprecedented price controls, hand over more power to unions, - increase environmental red-tape and fund anti-mining lawfare groups".

"Coal and gas alone are forecast to earn Australia $223bn but under Labor's war on conventional energy commodities, 18 coal and gas projects have been reopened for environmental assessment after already receiving approval, and 43 oil and gas projects have been required to redo their consultation," Senator McDonald said.

"Our regional partners, like Japan and Korea, will be very concerned about Australia's approach to providing the energy commodities they need to power their economies. All this sends strong signals to international companies that they are not welcome here, so we can expect them to consider halting their investment."

The mining giant has already said it will not invest in Queensland growth projects while the windfall royalty rates are in place, and set aside $US750m in its annual financial accounts for potential early closure and rehabilitation costs.

Australian Petroleum Production & Exploration Association chief executive Samantha McCulloch said the Senex decision highlighted risks involved with the Albanese government's gas market intervention.

"No new gas supply means no downward pressure on prices and an increased risk of future gas shortages," Ms McCulloch said.

"Without this kind of investment, Australia misses out on crucial new gas supply to ease east coast energy system pressures as well as substantial economic returns including hundreds of jobs and hundreds of millions of dollars of local investment in regional communities."

Opposition treasury spokesman Angus Taylor said market interventions were "adding to red tape and complexity for investors both domestically and abroad".

"The billions of dollars of projects on hold or under question shows that when we are in a global race for capital, more regulation leads to less investment, which means fewer jobs, less work for small businesses and a slower economy," Mr Taylor said.

After the Office of the Chief Economist on Monday revealed that resources and energy export earnings will fall by $68bn in 2023-24, down from a record $459bn this financial year, Mr Taylor said it was imperative for the budget bottom line to avoid future slides.

"This makes it all the more alarming that the government is cutting funding support for our resources sector and making extreme interventions that energy experts are warning will cool investment and decrease supply," he said.

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