

**Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
Industry, Innovation and Science Portfolio  
2017 - 2018 Budget Estimates  
31 May – 1 June 2017

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**AGENCY/DEPARTMENT:** DEPARTMENT OF INDUSTRY, INNOVATION AND SCIENCE

**TOPIC:** Gas export control mechanism

**REFERENCE:** Written Question – Senator Ketter

**QUESTION No.:** BI-144

Gas export control mechanism

- a) The Government recently announced a Domestic Gas Security Mechanism. What is the specific purpose of this mechanism?
- b) The Prime Minister has said that this mechanism will halve east coast wholesale gas prices, from around \$20 Gigajoule to below \$10 Gigajoule. Is this the measure of success of this policy?
- c) The Media Release announcing the mechanism stated that “ensuring the domestic market has adequate supplies” meant the mechanism “will ensure gas prices in Australia are lower and fairly reflect international export prices”. What does this specifically mean?
- d) What are current (wholesale) “international export (gas) prices”?
- e) What are current east coast domestic wholesale gas prices? We hear manufacturers are regularly quoted prices upwards of \$20 Gigajoule.
- f) Is the purpose of the Domestic Gas Security Mechanism to ensure Australian users have access to Australian gas at “international export prices”?
- g) What is the trigger for this mechanism to restrict exports and divert gas to the Australian market?
- h) If the trigger is not a domestic vs export price trigger, how can Australian user be assured they will have access to gas at “international export prices”?
- i) Will the Domestic Gas Security Mechanism ~~will~~ deliver access to gas for Australian users at prices no higher than “international export prices”?

**ANSWER**

- a) The purpose of the Australian Domestic Gas Security Mechanism (ADGSM) is to ensure that there is a sufficient supply of gas to meet the needs of Australian consumers, including households and industry, by requiring if necessary, LNG exporters which are drawing gas from the domestic market to limit exports or find offsetting sources of new gas.
- b) The ADGSM is designed to secure supply in the domestic gas market which is expected to put downward pressure on wholesale domestic gas prices in Australia.

- c) It means the ADGSM will provide security to the market. It is expected to put downward pressure on wholesale domestic gas prices, which as a result, should better reflect international prices.
- d) In June 2017 (the latest data available), the average export price for Australian LNG (FOB) was \$8.99 a gigajoule. This average price includes LNG exports from the western, eastern and northern markets (ABS, 2017, catalogue number 5368.0).
- e) Access to price information is limited. The majority of gas contracting between buyers and sellers occurs under gas supply agreements (GSAs), which are confidential. Only a small proportion of Australian gas is sold on domestic wholesale spot markets for which price data is available. In July 2017, domestic wholesale spot prices at the Adelaide, Brisbane and Sydney Short Term Trading Market (STTM) averaged \$8.93, \$6.80 and \$9.77 a gigajoule respectively. Wholesale spot prices averaged \$7.64 a gigajoule at Wallumbilla and \$8.97 a gigajoule at the Victorian Declared Wholesale Gas Market.
- f) See response to question (b).
- g) The ADGSM is triggered when the Minister for Resources issues a notification that it is necessary to consider whether there will be a domestic shortfall.
- h) The ADGSM does not have a price based trigger. The trigger is based on whether there will be sufficient supply of gas for the Australian domestic gas market. The ADGSM is also part of a comprehensive work programme designed to bring on more supply and improve the operation of the gas market.
- i) The objective of the ADGSM, as part of the broader work program referenced in the response to question (h), is to secure supply in the domestic gas market which should put downward pressure on domestic gas prices in Australia. It is expected that these actions will lead to domestic prices better reflecting international prices.