

Labor to propose new measures to put downward pressure on gas prices

Written by Michelle Grattan, Professorial Fellow, University of Canberra

Bill Shorten will turn the energy spotlight onto gas on Monday, proposing measures Labor says will put downward pressure on prices for manufacturers and power generators and so benefit jobs and households.

A Labor government would introduce a permanent gas export control trigger that could be pulled when prices were too high, not just when a shortfall is forecast. The government's trigger is due to expire in 2023.

Shorten, making the announcement, will say the present trigger is too weak because it doesn't have to be activated when prices are high. He says this disadvantages local manufacturers and jobs.

"We don't want local jobs to go overseas with our gas," he says in his statement.

Under Labor's plan, "if prices are too high – based on a benchmark set by the Australian Competition and Consumer Commission – then the trigger can be pulled to enact export controls. This can include putting third party gas supplies back into the domestic market to drive down prices, rather than allowing them to flow overseas".

In other measures an ALP government would:

... boost supply for domestic use with a "national interest test" applying to all new LNG export facilities or significant expansions of existing ones. This would make domestic use a consideration in the approval of such projects.

"The 'use or lose it' provisions will also be strengthened, encouraging companies to develop gas reserves rather than just sitting on them with the contracts rolling over," Shorten says in his announcement.

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... the ACCC would be given new powers to monitor prices and act against anti-competitive behaviour, and to bring more transparency and competition into the market.

Labor would appoint a panel of experts, the Domestic Gas Review Board, to oversee the national interest test and the permanent gas export control trigger.

“We will work with manufacturers and industry on the implementation of Labor’s plan to build a sustainable gas industry, including an export industry, that operates in our national interest and puts Australian jobs and gas users first, ” Shorten says.

He says the government has preferred “ineffectual and unenforceable handshake agreements” with gas exporters over real action.

“Last year the Liberals set up a weak temporary trigger to control gas exports and didn’t even pull it despite Australian manufacturers still paying more for gas than the ACCC says they should be paying,” he says.

He says the ACCC’s Gas Inquiry Interim Report of last December set a benchmark price of between \$6.55 a gigajoule and \$9.93 a gigajoule, but Manufacturing Australia says its members are being quoted prices of between \$10 and \$12 a gigajoule.

Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond their academic appointment.

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