



**THE HON. MALCOLM TURNBULL MP  
PRIME MINISTER**

**TRANSCRIPT**

Monday, 25 September 2017

**Press Conference with the Treasurer, the Hon. Scott Morrison MP and the Minister for Energy and the Environment, the Hon. Josh Frydenberg MP  
Sydney, NSW**

*SUBJECTS: Domestic gas supply; Australian space agency.*

E&OE...

**PRIME MINISTER:**

Today, the Government has received and released two important reports on the state of the gas market in eastern Australia from the Australian Energy Market Operator and the Australian Competition and Consumer Commission.

These reports indicate that the shortfall of gas in the east coast domestic market will be considerably higher than that estimated six months ago. At this point, it's estimated there will be a shortfall of around 110 petajoules of gas, more than three times the figure that we were advised would be the shortfall earlier in the year.

Now these reports were commissioned by the Government, as part of our process of ensuring that Australians have affordable and reliable energy, and that Australians are not paying more than they need to for gas. That Australian homes, Australian businesses, employing tens of thousands of Australians, have the gas they need and at prices they can afford.

We've been grappling with a shortage of gas on the east coast which was the creation of the Labor Party when they were in government, when Blackout Bill was a minister in the Gillard Government and they allowed gas exports from Queensland, from the east coast, for the first time and paid absolutely no regard to protecting the interests of domestic customers.

Their failure to do so is one of the great Labor failures in energy policy. There's been more than a few, but this one has had very long-running consequences. They were warned by the Australian Energy Market Operator at the time, they were warned by the Federal Government's own Energy Department, by the officials, that this, allowing exports without any protection for the domestic market would cause tighter supply and higher prices and it's done precisely that.

Now, grappling with this issue from the beginning of the year, as you know we set out a plan where we would impose - if necessary - export controls on gas from the east coast. Again, a very strong step,

almost without precedent. It's an indication of how seriously we take our responsibility of ensuring that Australians will not pay more for gas than they need to; and that they will get a fair deal, and that they will not have to pay higher prices for gas simply because Blackout Bill and his fellow Labor Party ministers back in Gillard's day, bungled the process and let Australian families and businesses down.

Now, what we've received here, or what we know now is that following our announcement earlier in the year of foreshadowing export controls, we know that there has already been more gas brought into the market by the exporters. But it has clearly not been sufficient to date. So, what we need to ensure is that we have, in the words of the ACCC, a "well-functioning gas market." We simply do not have that at the moment.

The recent rises in the cost of gas are the single biggest factor in the current rise in electricity prices. Gas sets the wholesale electricity price and for every dollar increase in gas per gigajoule is \$10 per megawatt hours in the wholesale price of electricity. So, more expensive gas has huge implications for industry, big implications for families struggling to pay the energy bill, but it feeds directly into the electricity market.

So our commitment is to ensure that this shortfall, which we've been advised of today - three times the size of what we were advised of earlier in the year - our commitment is to ensure that shortfall does not happen. We will not let the power bills of Australians rise further and further because of a shortfall of gas on the east coast of Australia.

Now, we have also to bear in mind that there has been a comprehensive failure on the part of state governments to develop their own gas resources. Queensland is an honorable exception, Queensland is producing most of the gas on the east coast of Australia. But both Victoria and New South Wales are not doing enough.

We strongly encourage the New South Wales Government to approve the development of the Narrabri Gas Project, for example, which will add over 58 petajoules of gas per year. The sooner that is brought online the better. That is critical to the energy security of Australia, the energy security of this state New South Wales, which I might say imports about 95 per cent of the gas it uses, so it needs to generate more gas.

Victoria is an even worse example, where the Labor Government under Daniel Andrews has prohibited the development of gas onshore and there are enormous onshore gas resources in Victoria, regardless of whether it's conventional or unconventional. That is extraordinary. To make the extraordinary conduct of the Labor Government in Victoria even more so, they are contemplating having an LNG import terminal in Victoria. So that they would rather have Victorians pay many dollars more for gas to be imported into Victoria - from the Middle East or perhaps the north-west of Australia - than extracting the gas literally under their feet. It's a comprehensive failure of policy.

So I am going to be writing again and speaking again to the Chief Minister of the Northern Territory - who also has gas resources that need to be developed - and to the Premiers, to urge them to do as they have been urged by the industry, by Alan Finkel, by Australians in every line of work, to get on with the development of these gas resources. It is untenable for us to be facing gas shortages here on the east coast of Australia.

Now, I know that the Labor Party has been, is out every day saying that we should 'pull the trigger'. Of course, they're like a parrot, they don't understand the energy market, they don't understand the

mechanism. Their failure to understand the energy market is what got us, got Australia into the mess we are navigating our way out of - cleaning up Labor's mess - created with their failures on energy policy.

The export control mechanism that we announced earlier in the year is designed to ensure there is not a shortage of gas on the east coast in 2018. It is a process of careful consultation. Had we made a determination a week ago, we would have done so on the basis of information which was inaccurate.

So we now have the latest advice from AEMO and the ACCC. We've already been in discussion with the chief executives of the big gas exporting companies and we'll be speaking with them again this week. We expect them to demonstrate to us what they have already indicated in meetings and in writing; that they will ensure that there is not a shortage of gas next year on the east coast. If they are able to do that and to the satisfaction of the ACCC, then the foreshadowed export control mechanism will have done its work.

But we will continue to hold that mechanism ready to go, ready to go and we will ensure that it is entirely fit-for-purpose in light of these changed circumstances of a much bigger shortage than previously advised. So that if we are not able to receive the assurances from the industry to our satisfaction and that of the ACCC, then we will impose those export controls.

I will now ask the Treasurer to say a bit more about the ACCC report and Josh will add further on AEMO and other implications.

**THE HON. SCOTT MORRISON MP - TREASURER:**

Thank you Prime Minister.

Step one of the Prime Minister's plan on energy that was outlined in the budget this year, was to ensure that Australian gas was available for Australian use, by industry, by households, by our electricity sector.

As part of that plan, earlier this year in April, I commissioned the ACCC to undertake an inquiry into Australia's gas market and that's why today I'm pleased to release here at this press conference the interim report of the ACCC inquiry.

We asked for that to be done within the first six months and I want to commend Rod Sims as Chair and the entire team from the ACCC for completing that first task and they will obviously continue in that task in accordance with the terms of reference for that inquiry.

As the Prime Minister has said, it has also identified a shortfall in the same terms that was identified in the AEMO report. Which means we need to solve, for about 110 petajoules next year and that is the task set before industry under the mechanisms that the Prime Minister has already outlined.

That task would obviously be made a lot easier were it not for the gas moratoriums that have been put in place by state governments around the country and in particular, one Territory government that has a very significant decision that they need to make and they need to make now to ensure that that gas in the Northern Territory is freed up for Australian use, in particular.

Now, of that 110 petajoules, that needs to be found out of an international supply of around 1,300 petajoules to support a domestic market demand of around 650. Now the ACCC found the domestic market for energy is not working as it should. It's not functioning properly and that's not good news for the industrial users, household users. Let's not forget, some over more than 40 per cent of the gas that is used in this country is by industrial users. So we're talking about cement manufacturers, copper

refineries, chemical manufacturers, plastics makers, fertiliser manufacturers. There are hundreds of thousands, if not millions of jobs that depend on getting secure access to gas.

Just last week when I was up in northern Queensland, the issue of the Townsville copper refinery depends critically on access to gas which it cannot get beyond the end of this year right now. So getting access to this gas at the right prices is what is necessary for Australian industry.

The ACCC estimates that some 63.4 petajoules will be sold offshore at spot prices next year that is outside of their contractual obligations. That's more than 15 LNG carriers. So it is not a small amount. Those carriers that would otherwise take that gas up to the north, the task is to ensure that that gas can actually play a key role in making up for this shortfall of 110 that we have spoken of.

So the issues that will need to be worked through with industry will include ensuring that we can deal with the swaps both domestically and internationally, as well as ensuring that that market, which is being served on the spot prices is available for domestic use.

The other thing the ACCC found, was that the types of offers that are being put out there are on some very unfair terms. Take or pay contracts, 'take it or leave it', not getting access to the long-term security of supply and not even guaranteeing supply, offers being made and you've got to take it within 24 hours and there are unrealised offers out there that are priced between about \$10 to \$16 per gigajoule.

So it's about the price, it's about the access and it's about the terms.

What the industrial users are saying to the ACCC is if we can't get access on that, then they have to think about what they do about their own production levels, which is jobs.

So, that's why this is so important to solve for, and that's what the task is that has been set before industry by the Prime Minister this morning, with the Energy Minister and the Deputy Prime Minister and where the government needs to act in other areas to facilitate that, then obviously we will look at all of those issues.

It is fixing another Labor mess. That's what this Government has been doing for the last four years. The task is a big one but we are working our way through it.

**THE HON. JOSH FRYDENBERG MP - MINISTER FOR ENERGY AND THE ENVIRONMENT:**

Thank you, Prime Minister, thank you, Treasurer.

Well, it's simply unacceptable that in Australia today a paper product manufacturer employing hundreds of people in regional Australia, has seen its gas bill go from \$15 to \$30 million over the last 12 months.

It is unacceptable that a linen company employing 30 people in regional New South Wales can only get a gas contract for three months at \$16 plus a gigajoule.

It is unacceptable that a tomato processor in Victoria has seen a 50 per cent increase year-on-year in its gas price.

We are now starting to pay the price of the states' mindless moratoriums and bans on gas development. The chickens are coming home to roost.

That is why we are calling upon governments like New South Wales, that as the Prime Minister said, import more than 95 per cent of their gas, to develop their own indigenous reserves.

That's why we are calling on Victoria, who have got dwindling productions from existing gas facilities in the Gippsland Basin and the Otway Basin, to actually step up to the plate and develop their 40 years worth of resources.

And in the Northern Territory, Geoscience Australia has estimated that there could be potentially 200,000 petajoules of gas available. Today we're talking about a shortfall of around 110 petajoules. That puts it in context, how significant the undeveloped capacity of our states and territories are.

So, Prime Minister, we are taking the right steps going forward and obviously, the companies now need to provide some solutions.

**PRIME MINISTER:**

Thank you.

**JOURNALIST:**

Prime Minister, will you ensure that the 107 petajoules will be diverted to the domestic market given the shortfall?

**PRIME MINISTER:**

That is our commitment, to ensure there is not a shortfall in the domestic market in 2018. We were advised of a shortfall in March, as you know on preliminary information. We already seeing signs in the market of the consequences of the shortfall.

Scott commissioned the ACCC to do a thorough investigation - the first time such an investigation has ever been done, I might say - and using the ACCC's compulsory investigation powers. We also received an update at Josh's request from AEMO on the gas situation and as you can see, the shortfall is much, much larger than previously anticipated.

Of course, this is all part of our process. We've got to get to the facts, we have got to identify what the shortfall is. Now the goal is, the objective is, to make sure it doesn't occur. So we've had our discussion with the energy companies, the exporters today. They've indicated that they're committed to ensuring it doesn't occur too. We want to see a plan from them, we want to see a commitment and then we want to be satisfied that it meets the requirements of the ACCC.

That's the next step. This is all part of the process that we set out when we set up the gas security mechanism at the beginning of the year.

**JOURNALIST:**

Will the Deputy PM be responsible for enacting those restrictions?

**PRIME MINISTER:**

Well yes, he is the Minister for Resources. He was at our meeting this morning as we noted, but he has had to go off to another engagement in his electorate this afternoon. He sends his apologies and with us in spirit and absolutely.

**JOURNALIST:**

How quickly will they be enacted if the industry fails to make amends?

**PRIME MINISTER:**

The gas security mechanism is structured so that it comes into effect at the beginning of a calendar year, so 1 January 2018.

The decision as determining the level of the shortfall and the restrictions that apply to each exporter to fill it, needs to be made prior to the 1<sup>st</sup> of November, on or prior to the 1<sup>st</sup> of November.

But, clearly, the objective is for the industry to fix the problem, by agreement. I mean, that's the whole mechanism, that's the whole object of it. That's why there is such a process of consultation and this is why the Labor Party, who have absolutely, they don't know how the gas market works. They also have no idea how the mechanism works. They haven't bothered to get into that sort of detail, you know, too much hard work I suspect.

So the process is going exactly as we planned it to. We now have the most up-to-date facts. They're of great concern. We have seen some gas come back into the domestic market. That's good, but it's not nearly enough so there is more work to be done.

**JOURNALIST:**

How big will the Australian space agency be and when will it be implemented?

**PRIME MINISTER:**

It's being announced today. It's a small agency designed to coordinate and lead, but the space sector of course is one of enormous potential. We already have many Australian companies participating in it and it's an example of, you know, it is part of our innovation economy, our innovation and science economy.

Just going back to energy though, I just want to make a point about Blackout Bill's performance from Korea today. Now, we know we're living with the consequences and sorting them out, of Labor's failure to properly plan for gas. You know, to allow all these exports without any protection for the domestic market.

They're a party of slogans and ideology and idiocy. You see now he's got, he announces his 45 per cent emission reduction target. The one we have committed to, to the Paris Agreement is 26-28 per cent. That is challenging in itself but we can meet it.

He has said Labor will do 45 per cent. He confirmed that today after a bit of hedging and stuttering.

**MINISTER FOR ENERGY AND THE ENVIRONMENT:**

And prodding.

**PRIME MINISTER:**

And prodding, yes. He needed a bit of a 'hurry up' to get on with it, but he did finally. He has no idea what that will cost. He has no idea how to do it. He has given no thought to reliability or affordability. It's the same movie over and over again.

The Labor Party, its approach to energy is not just a product of ideology, you know, left ideology, it is a product of complete idiocy and incompetence.

What were they thinking to allow exports for the first time from the east coast of Australia, which is where our biggest demand for gas is - naturally, because that's where most of the Australian population live - they allowed exports from there and did nothing to protect the domestic market. Did nothing to protect all those workers, probably, many of them in the AWU, in factories and plants that needed gas. Did nothing to protect all of those families, and they were warned!

Never forget, you know, you have Blackout Bill and Brownout Butler - Butler was there, denied that there had been any warnings on the *Insiders* program. Denied it to Barrie Cassidy and then finally had to confess. These problems which are the consequence of sheer incompetence on the part of the Labor Party, because they don't think this stuff through. The only way to approach energy policy is to have a clear idea of what you are seeking to achieve and then be guided by engineering and economics.

It's not susceptible to glib one-liners.

You've got to go through the hard work, you've got to do the detailed analysis and sometimes, as you see today, the advice you have in the past, which was preliminary advice to be fair, turns out to be quite, you know, a lot less in terms of the shortfall than what it's turned out to be.

Thoroughness, engineering, economics; that's the business-like approach we take to securing Australia's energy future.

**JOURNALIST:**

Up in the Hunter Valley, the companies up there have faced a PR nightmare in Gosford and things like that, to get gas production, as an industry to take hold. Do you think the community will wear gas coming back into their communities [inaudible]?

**PRIME MINISTER:**

Look, I know there is a lot of blame to go around with the way a lot of the relations have been handled with landowners and local communities. But the simple fact of the matter is that gas is a vital natural resource. It's absolutely critical to our economy. It sets the price for electricity.

The largest use, you know, category of usage of gas, of course, is commercial and industrial. There are many, many manufacturing operations which simply cannot operate without gas and for which the price of gas is their largest or second-largest overhead.

So you know, we have the means to develop our onshore gas resources safely and we need to do more of it.

In New South Wales and Victoria - which are the biggest consumers of gas - we have in New South Wales, very little gas is produced at all and needs to do a lot more. In Victoria, the gas resources are depleting because they were approved decades ago and you've got a government that would rather pay to import gas from the Middle East than to actually develop the gas that's under the ground on which they're walking.

So, this has been a real failure on the part of these state governments. I know, you know, people don't like politicians blaming each other, but the fact is the development of these onshore gas resources is very much in the hands of the states. They have failed. That is one of the biggest long-term problems.

Having said that, we're focused today, also on the immediate term in 2018. So we're determined to ensure and we will ensure that that shortfall, which we've been advised of today - three times bigger than we thought it would be six months ago - is not going to occur.

Thanks very much.

**[ENDS]**