



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

**MEDIA RELEASE**

Thursday, 27 April 2017

**DELIVERING AFFORDABLE GAS FOR ALL AUSTRALIANS**

The Turnbull Government will secure domestic gas supply with the introduction of export restrictions to ensure the Australian market has adequate supplies before exports are permitted.

The shortage of domestic gas supplies has resulted in dramatically higher prices in Australia - higher than prices paid in the markets to which Australian gas is being exported.

By ending the shortage, and ensuring the domestic market has adequate supplies, we will ensure gas prices in Australia are lower and fairly reflect international export prices as they should.

Australians are entitled to have access to the gas they need at prices they can afford.

Thousands of jobs depend on secure, reliable and affordable gas.

The Turnbull government sought commitments from the gas industry, at meetings on 15 March and 19 April, that each east coast LNG exporter would be a net contributor to the market.

While good progress has been made, these requirements have not been met. It is unacceptable for Australia to become the world's largest exporter of liquefied natural gas, but not have enough domestic supply for Australian households and businesses.

That is why the Turnbull Government is introducing the Australian Domestic Gas Security Mechanism which will give the government the power to impose export controls on companies when there is a shortfall of gas supply in the domestic market.

Gas companies are aware they operate with a social licence from the Australian people. They cannot expect to maintain that licence if Australians are shortchanged because of excessive exports.

The Australian Domestic Gas Security Mechanism will ensure gas supply in Australia always meets the forecast needs of the local market.

The Minister for Resources, in consultation with relevant ministers, will impose export controls based on advice from the market operator and regulator.

If an exporter is not a net contributor to the domestic market, that is, they draw more from the market than they put in, they will be required to outline how they will fill the shortfall of domestic gas as part of their overall production and exports.

The Government will not prescribe how the exporter must respond, giving companies considerable flexibility in finding commercial solutions – such as swapping cargoes out of portfolios or on the spot market.

LNG exporters who are drawing from the domestic market will be ordered to limit exports to ensure local supply.

Those exporters which do not draw more from the domestic market overall, will be licensed to export according to their forecasts.

Securing supply in the domestic gas market will put downward pressure on retail prices in Australia.

The government remains committed to LNG exports but not at the expense of Australian interests.

This action is expected to apply only to east coast exporters and will comply with our international obligations.

The government expects the decision to be a targeted temporary measure of repair to restore certainty to the market during this time of transition.

The long term goal remains boosting the supply of gas by removing state restrictions on exploration and development.

This is the third part of the Turnbull Government's strong and concerted action to deal with the gas crisis. We are delivering the outcomes Australians expect.

Together with the Australian Competition and Consumer Commission's forensic monitoring of the entire gas supply chain, and the reforms to the pipeline and gas markets, the gas security mechanism will secure adequate and affordable gas and give confidence to continue investing in our LNG sector.

Full consultation with industry will now take place with regulations to be in place by 1 July, 2017.

The Turnbull government has been putting pressure on states and territories to lift moratoriums on gas exploration and fracking, saying they remain the greatest impediment to increasing supplies. The Victorian government introduced a bill last year to ban fracking and coal-seam gas exploration. Tasmania introduced a five-year ban in 2015, and the Northern Territory instituted a fracking moratorium in October.

The NSW government is assessing the \$3.6bn Narrabri coal-seam gas project, which has faced fierce community opposition but which has the potential to supply half of the state's gas needs. Mr Gallagher has argued that, had Santos been able to develop Narrabri as intended in 2010-11, "there would be no gas shortage on the east coast today".

Unlike the two other Gladstone exporters — Shell's Queensland Curtis LNG plant and the Australia-Pacific LNG plant run by Origin Energy and ConocoPhillips — Santos approved the GLNG plant knowing it would need to secure substantial gas from other domestic suppliers.

Amid the stoush between energy companies and the federal government, manufacturers have been warning of job losses and a collapse in investment across the country as a result of the gas price squeeze, amid expectations that demand will exceed supply from existing reserves next year.

Mr Turnbull said that while progress had been made since the March meeting, the new Australian Domestic Gas Security Mechanism, to come into force on July 1, was needed because the requirement for operators to meet Australian demand had not been met.

"By ending the shortage ... we will ensure gas prices in Australia are lower and fairly reflect international export prices as they should," Mr Turnbull said. "Thousands of jobs depend on secure, reliable and affordable gas."

Under the new rules — to be introduced to parliament as a disallowable regulation — Resources Minister Matt Canavan will be able to impose export controls based on advice from the market operator and regulator about the demand forecasts of the local market. Senator Canavan will consult with Energy Minister Josh Frydenberg and Industry Minister Arthur Sinodinos before making the rulings that will only affect the east-coast market.

Mr Turnbull said that if an exporter was not a net contributor to the domestic market, "they will be required to outline how they will fill the shortfall of domestic gas as part of their overall production and exports". Companies would be given flexibility in what "commercial solution" they came up with to respond to the government's request.

Mr Turnbull insisted the government remained committed to LNG exports, "but not at the expense of Australian interests".

He said the new regulations would comply with Australia's international obligations.