

Election pressure should force states rethink on gas: Malcolm Turnbull



Mr Turnbull said next area for reform "is obviously with pipelines".

AFR, [Laura Tingle](#), [Phillip Coorey](#), 7-8 Oct 2017

Malcolm Turnbull believes political pressure driven by [a thirst for lower energy prices](#) and looming state elections will force Victoria and NSW to rethink their bans on onshore gas development.

In an exclusive interview with AFR Weekend, the Prime Minister, who also faces an election in about a year, said: "It's got to be a very big political issue. "And I think it will become a political issue because, as people understand that the consequence of those policies is that they're paying more, paying more for gas and for electricity, that's going to become a more potent political issue".

In the wake of having to intervene in recent weeks to secure gas from exporters in order to shore up domestic supply in the short term, Mr Turnbull has indicated the gloves are now off when it comes to pressuring the states to guarantee longer-term supply and price relief along the east coast.

"The consequence of the Victorian government locking up onshore gas in Victoria is that Victorians will pay more for gas," - Turnbull said. AAP "As far as the state gas policies - moratoriums - are concerned, I think it's critically important that we and others make sure that Australians understand, that

Victorians understand, for example, that the consequence of the Victorian government locking up onshore gas in Victoria is that Victorians will pay more for gas", he said.

"It almost beggars belief but it's true: Daniel Andrews is actively involved in encouraging an LNG import facility to be built in Victoria because he would rather have Victorians pay the additional cost of shipping gas to Victoria - by ship from the Middle East or from Louisiana, or perhaps from North Queensland or from North Western Australia - rather than developing the resources they have under their feet."

Victorians go to the polls in November next year and NSW in March of 2019. A federal election is also due sometime between late next year and early 2019.

Another option is for the government to [adopt a change in the GST formula](#) to effectively dock the states revenue for declining to develop their reserves. Mr Turnbull played down that prospect, saying no decision had been made. "It's certainly been canvassed by the (Commonwealth) Grants Commission. These are all matters that we look forward to discussing", he said, "but I don't want to sort of be a front runner on that at this stage".

As part of the campaign to free up gas development, [Mr Turnbull has also called out radio shock jock Alan Jones](#) who used his influence to browbeat the NSW government away from developing its reserves. After Mr Turnbull took a swipe at Mr Jones on Thursday, the broadcaster returned fire Friday. "We are in trouble so Mr Turnbull and his bed wetters are now blaming me for the energy price and talking about my hypocrisy," he said.

"And this is because of my opposition to ripping up prime agricultural land for coal seam gas. This only confirms the desperation of these people."

More of a chance with NSW

Mr Turnbull said while Mr Andrews showed no sign of budging, even on conventional gas, he was more optimistic about NSW Premier [Gladys Berejiklian moving on the Narrabri gas fields](#). Asked whether the energy market failures of recent years suggested governments had to rethink the possibility of re-entering the markets as owners, operators and major investors, Mr Turnbull noted that the big opportunities for pumped hydro now being investigated were in the realm of governments.

The [Snowy Hydro is owned by the federal and state governments](#) and the proposed Snowy Hydro 2 project has been put forward as a federal government project. Similarly, "the other big opportunity is in Tasmania which of course belongs to the state government". The federal government's renewable energy agency ARENA is currently preparing a report on the viability of pumped hydro in Tasmania, which is due out within the next two months. Pumped hydro in Tasmania, along with major wind farm development, means that one policy option to secure east coast electricity supplies based on clean energy would be to build a second interconnector between Tasmania and the mainland.

Mr Turnbull has signalled the federal government would be prepared to fund this, though as usual, only if the private sector does not step up. "Government would be able to do that," he confirmed. "But if the private sector is able to do it, then there's no reason why it should."

Next target is pipelines

Mr Turnbull defended the government's policies to solve the energy crisis, starting with its moves to improve the transparency of retailers and including its actions to force gas producers to provide more gas to the domestic market. There had been an immediate impact on wholesale gas prices when the government put regulations in place to control exports, he said. "Obviously the agreement from the [big gas exporters that was signed yesterday](#) is very important. That means that the shortfall that have been identified by the ACCC and AEMO won't occur because they've given a commitment to provide the gas that the market needs."

"However, one of the things that is obvious is ...there's been very little transparency in the gas market. And you can see good evidence for that is the fact that what we thought the shortfall was at the beginning of the year was in fact much less than what it turned out to be. "And the reason the numbers that we got two weeks ago from the ACCC were so much more reliable is because the Treasurer gave the ACCC the responsibility to investigate the gas industry and the whole supply chain. "The fact that they've got compulsory investigative powers means they are in a position to actually find out."

Mr Turnbull said the new powers would initially be in place for three years but he said the government would consider making them permanent. The prime

minister said the gas players "really welcome the transparency". "They're very supportive of it", he said because the exporters sell to commercial and industrial customers and to electricity generators. "That's basically their market. They're not selling to small manufacturers or even medium sized manufacturers. Yet they've noticed that the retailers - you know AGL for example and the retail arm of Origin for another example - have been offering really very high prices for gas.

"So from their point of view they like the idea of transparency because then it means that they can say to the public 'this is what we're selling the gas for'" and consumers therefore know what margin retailers are taking on top of this."

Mr Turnbull said next area for reform "is obviously with pipelines" and ensuring "there is more accessibility to pipeline capacity because that's critical". "We need a lot more sunlight all the way through the supply chain."

Mr Turnbull was more cautious than his resources minister about locking in behind a [proposal from the Grants Commission to penalise states](#) that do not open up gas reserves.