

Gas market fiery over claims of not meeting miner demand



Standing strong.

Barry Fitzgerald
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GAS producers have rejected claims that rising prices and tight supplies point to market failure in the high-growth Western Australian industry.

Responding to recent attacks from WA's industrial consumers, the gas producers argue that the gas market was merely in a state of transition, with WA's mining-led economic boom outpacing their short-term ability to meet the increased demand for gas.

The producers fear that the attacks by their industrial customers — most of which are enjoying a boom in mineral processing — could lead to government intervention, most notably introducing a compulsory domestic gas reservation in any export gas projects.

A handful of industrial customers account for 95 per cent of the state's gas consumption. Producers argue that the days of cheap gas are gone as the gas that is left will be more expensive to produce, even if WA's reserves are huge.

Woodside is WA's main domestic gas supplier. Its director of enterprise capability, Keith Spence, told an Australian Institute of Energy lunch in Perth that while a lot of blame had been laid at the feet of gas suppliers, it had to be remembered that until recently, gas supply capacity had always exceeded demand by a healthy margin. "Then around 2001-

02, our state's economy took off, underpinned by global demand for commodities," he said. "The impetus from the boom has fed through to all sectors of the state's economy and demand for gas has grown rapidly. Almost all available supply capacity has been taken and there is further unsatisfied medium-term demand, causing an imbalance between supply and demand.

"We are experiencing short-term disequilibrium. The consequences of disequilibrium such as price increases where supply needs to catch up with demand do not imply market failure. It is a market in transformation."

Australian Petroleum Production and Exploration Association chief executive Belinda Robinson said the Apache and Santos announcement this week to start engineering design work on their Reindeer gas discovery was evidence the industry was responding to the tight market by fast-tracking new developments.

"The WA and Australian governments are to be commended for resisting calls for market interventions that would do little to ease the short-term pressure but which would certainly paralyse gas supply in WA for the long term," she said.