



## EXPORT RESTRICTIONS TO BE IMPOSED

# PM orders gas giants: Aussies first

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Malcolm Turnbull will impose tough new restrictions on the country's gas producers, introducing sweeping powers to block exports unless there are adequate supplies to meet the needs of Australian businesses and consumers.

Declaring that the domestic shortage had led to consumers paying much more for gas than overseas buyers, the Prime Minister said yesterday the Australia-first policy was needed to ensure prices were lower and "fairly reflect international export prices".

"Australians are entitled to have access to the gas they need at prices they can afford," Mr Turnbull said ahead of an announcement expected in Brisbane today.

"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."

Following warnings in March that gas companies needed a "social licence" to operate, Mr Turnbull hit out at the sector for failing to meet a demand to become net contributors to the Australian market — that is,

producing more for domestic consumption than was exported.

"Gas companies are aware they operate with a social licence from the Australian people," he said. "They cannot expect to maintain that licence if Australians are short-changed because of excessive exports."

Origin and Shell produce more for the domestic market than they export. However, Santos was forced to take Mr Turnbull's request on notice given its GLNG project in Queensland is a joint venture operated with three foreign companies.

Santos chief executive Kevin Gallagher has hit out at the idea of requiring companies to be net contributors as a "fake construct",

with GLNG unable to meet the demand because it is locked into aggressive export targets that underpin the \$24.5 billion investment in the project.

The Santos GLNG project has had to buy gas from other companies in the tight domestic market to fulfil its contracts, and in this year's March quarter 59 per cent of its gas was supplied by

third parties, including from AGL.

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

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needs. Mr Gallagher has argued that, had Santos been able to develop Narrabri as intended in 2010-II, “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 inter-

national 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.