

East coast gas fears as forecasts revealed

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Worries about gas shortages on the east coast could resurface this week as producers publish forecasts for the volume of uncommitted gas they have available over the next two years, with expectations they will expose a potential scarcity of supply.

Shell, Santos and other big suppliers must – under the Albanese government's new code of conduct for gas producers in the eastern states – provide information on available gas in a requirement intended to increase transparency in the troubled market.

While the raw data is expected to take time for the market to digest, gas industry sources suggest that the figures may cause renewed uneasiness as it becomes clearer how vulnerable the market is to a shortfall, especially as a looming decline in production from the Bass Strait takes hold and LNG import projects are delayed.

The Australian Energy Market Operator warned in March of a potential shortfall in the southern states as early as this past winter amid a slowdown in investment in new fields and declining supplies from fields off Victoria.

While that did not eventuate, the outlook remains tight, especially as several planned projects are still stalled due to the government's introduction of a \$12 a gigajoule price cap and ongoing price controls.

Gas use within the east coast contracted in the June quarter by 15 per cent year-on-year, following a 10 per cent quarter-on-quarter drop in the January-March period, according to EnergyQuest.

Production from the east coast's biggest domestic gas supplier, the Gippsland Basin joint venture between ExxonMobil and Woodside Energy, slumped 34 per cent from 12 months earlier, to 55.6 petajoules.

Despite the decline, east coast spot prices were 50 per cent lower than a year earlier when that part of Australia's energy system was slammed by a winter crisis, at \$14.55/GJ.

"East coast has always been about how fast Gippsland gas declines and ultimately when a regas [LNG import] facility will come online and be viable," one gas industry source said.

"If declines are as forecast, the market is getting pretty critical in terms of getting a terminal online," they said, adding that could make 2024 "quite tight".

The data from producers is intended to shine a light on market conditions and arm gas buyers with more information to strengthen their hand in negotiations on contracts. The deadline for the data to be published on producers' websites is today, the day after the two-month transition period for the code of conduct ends.

The resurgence of worries about east coast gas comes as Western Australia is struggling with a separate crisis, as strike action began at Chevron's huge Gorgon and Wheatstone LNG plants on Friday afternoon, sending European gas prices surging.

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Gas industry source

WA's domestic gas market is also increasingly under pressure amid a shortfall in domestic gas supplies from LNG exporters and concerns about sufficient supplies for the local market. WA spot gas prices, which used to be among the lowest in the developed world, have surged by almost 66 per cent from a year earlier, according to EnergyQuest, citing the June quarter average of \$9.18/GJ.

While the concern about domestic supply in WA has triggered government restrictions on the export of gas from onshore fields, local producer Strike Energy is among those arguing the policy is reducing the timely delivery of gas into the domestic market and creating investment hurdles for new projects.

Meanwhile, research by ACIL Allen to be released today highlights the huge economic contribution natural gas makes to the economy, with an estimate that the economic contribution of the fuel last year surged 42 per cent to \$12.17 billion.