



There is no “gas shortage”, just a shortage of ethics and integrity from gas cartel

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The gaslit recovery policy of the previous government has proven to be a farce, but the joke is now on Australian energy consumers.

AEMO’s Gas Statement of Opportunities, out today, highlights looming supply risks and potential shortages, but ignores its own data that shows gas use in the National Electricity Market (NEM) has declined 20% since 2019, and its own forecast that gas use is expected to decline another 60% by 2025.

Accordingly, the AEMO conclusion that more supply is needed to solve rapidly declining domestic demand is entirely counterintuitive.

For a start, the simple fact is that there is no gas shortage; rather, there is an utter and complete shortage of ethics from the war-profiteering multinational gas cartel. East coast production has trebled in the last decade, as domestic demand has declined. In its pursuit of ever greater profit, the multinational gas export industry has prioritised its export market. Having established massive new export capacity at Gladstone, the industry is now restricting domestic supply to gouge domestic gas consumers and extort higher export parity pricing, even as demand declines.

The LNG exporters continue to draw on independent domestic gas producers for supply to make up for the shortage in their own production for supply to export customers. Therein lies the key problem. Their regulatory approvals a decade ago relied on the proponents’ own assertions of having zero impact on the domestic gas market. They misled the regulator, and need to be held to account for the massive cost this failure has inflicted on all Australians.

The government needs to compel the industry to work with integrity to ensure domestic supply is prioritised. Bringing into effect and enforcing the proposed mandatory code of conduct would be a good start, and long overdue.

Arguments for new supply to deal with imminent purported shortfalls fail. Santos’ Narrabri project, for example, and the associated gas pipeline infrastructure that would need to be built to get the gas to market, will take a minimum 5 years to come online. This will do nothing to solve any short to medium term domestic supply risks. This approach also risks decades of lock-in of an expensive, volatile, polluting fossil fuel just when we can least afford it, in terms of both the climate and energy price crises. Yet AEMO advocates for new gas supply like Narrabri as a solution, rather than evaluating genuine alternative solutions that can be deployed faster and more cost-effectively, and that align with Australia’s climate and energy targets.

While all this extortion is going on, the multinational gas cartel is drowning in their tax-free, record high profits of many tens of billions of dollars in 2022 from extracting Australia’s sovereign public resources, even as we all pay the price. There is no sovereign risk here; they are simply making out like the cartel that they are.

It is undeniable that gas will play a crucial, but small and diminishing role in firming the NEM. Gas peakers operate just 1-2% of the time, but are a vital reliability backup for times of exceptional demand or periods of extended extreme weather. And delays to the Snowy 2.0 pumped hydro project and Kurri Kurri gas peaker plant, which were designed to ensure firming electricity supply as ageing coal power plants exit the grid and the energy transition accelerates, are a major reliability risk and need to be resolved, fast.

The key remains to rapidly deploy new technologies to accelerate decarbonisation.

It should be a major priority for AEMO to provide rule modernisations to incentivise new technologies in rapidly growing rooftop solar (now over 20GW, and forecast by AEMO to treble in the next 27 years), virtual power plants, and demand response management, technology driven tools that can be deployed rapidly to modernise our grid system, rather than bake-in demands for yet more gas, an approach which is antithetical to the climate science. The energy ministers have agreed to prioritise the electrification of everything (induction cookers, heat pumps), improved energy efficiency and measures such as enabling what will be a growing electric vehicle fleet – “batteries-on-wheels” – to send power to the grid. We also need massively upscaled, near-term public and private investment in grid infrastructure, utility scale wind and solar, pumped hydro storage and more big batteries.

On the positive side, Australia is leading the world in the rapid deployment of utility scale batteries (NSW Waratah battery), second only to China. [BNEF](#) forecasts 130GWh of new battery proposals in the investor queue in Australia. These can and are being deployed rapidly, and investors have shown clearly where they want to invest. It is not in more gas peakers.

We know the solution to the energy crisis: decoupling from extortionate, polluting, volatile fossil fuels and accelerating the transition to zero-emissions, low cost firming renewables.

Figure 2 Actual and forecast NEM gas generation annual consumption (PJ/y) and seasonal maximum daily demand (TJ/d), Orchestrated Step Change (1.8°C) scenario, 2019-42

