Institute for Energy Economics and Financial Analysis

Fact Sheet

New fossil fuel developments: A net economic benefit or cost for Australia?

Global LNG markets face a massive supply glut

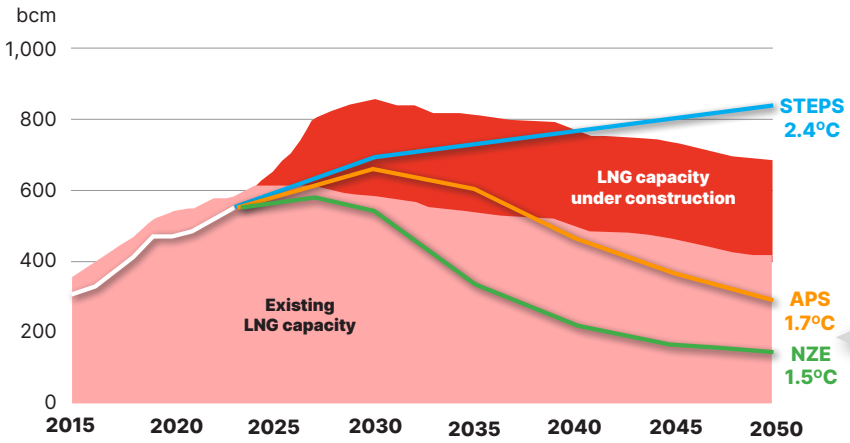
Australia does not need new gas supply for its domestic use

There are more coalmines already approved than needed

New fossil fuel developments are hurting Australia's economy

The world doesn't need more liquefied natural gas (LNG)

LNG trade by scenario relative to existing and under construction export capacity to 2050



Source: IEA

The International Energy Agency (IEA) expects that if all the surplus LNG capacity is absorbed:

1. Prices could drop to about half the cost of production for new projects.

2. LNG could displace renewables and energy efficiency, **slowing the transition beyond a 2.4°C outcome.**

- **Japan does not need more Australian LNG for its energy security**. Japanese LNG demand has been in strong decline for 10 years. For the fourth year in a row, Japanese companies have resold more LNG overseas than they import from Australia. Australian LNG is the largest source of onsold gas, as Japanese companies resell half as much Australian LNG as they import for their own use.
- **Australia does not need new gas supply for its domestic use.** While Australia faces gas shortages on both sides of the country, increasing gas supply is unlikely to be the best way to address those shortages. Eighty percent of the gas produced in Australia goes to LNG exports; diverting a small portion of discretionary "spot sales", combined with cost-effective interventions to reduce gas demand through electrification and energy efficiency, would be a more effective approach.

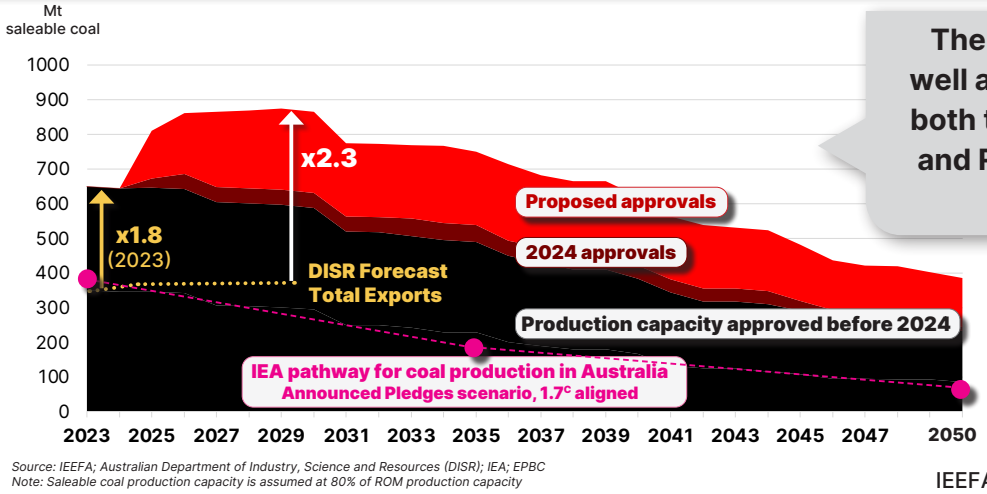
READ MORE

Risks mount as World Energy Outlook confirms LNG supply glut looms

Australian gas users pay price as LNG exporters prioritise spot market windfalls

Australia's coal production limits far exceed actual output, so why approve new mine developments?

Australia has already approved far more coalmines than needed



Source: IEEFA; Australian Department of Industry, Science and Resources (DISR); IEA; EPBC
Note: Saleable coal production capacity is assumed at 80% of ROM production capacity

IEEFA

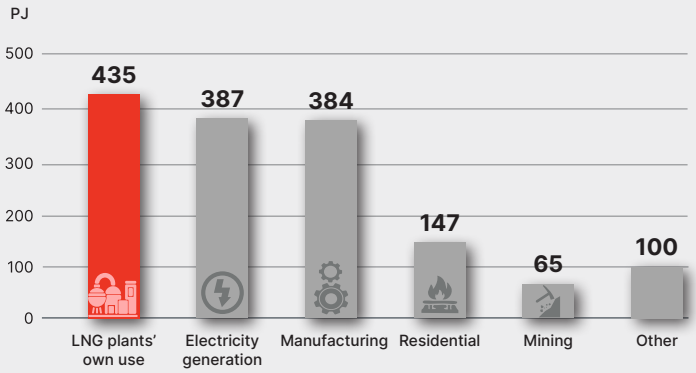
The capacity of approved coalmines is well above expected demand levels, from both the Department of Industry, Science and Resources' (DISR) forecasts and the IEA's Paris-aligned scenarios.

DISR has consistently overestimated Australia's metallurgical coal exports over the past six years, needing almost constant downward revisions.

New fossil fuel developments come at a significant economic cost

Energy hungry

LNG plants are now the largest user of gas in Australia



Hurting domestic gas users

Since LNG exports from Queensland began 10 years ago, Eastern Australia has seen:

Gas prices	**x 3**
Domestic demand	**-32%**

> **We are seeing the hollowing out of manufacturing capability in Australia**
>
> *Industry association on gas market failures*

A large source of emissions

- Coal and gas extraction are responsible for **~20% of our greenhouse gas emissions**
- It is suspected fugitive methane emissions are grossly underreported, which would increase it to **~25% of emissions**
- Those emissions are **expected to stay high**, with little action taken to reduce them despite technologies being available to reduce most of them

Super-sized water user

- Coalmining is the **second-largest water user** behind agriculture
- ~80% of water used in coalmining is **freshwater**
- Mining often occurs in **fully allocated water catchments** where competition between different users is high
- Responsible for most **discharges** into the environment, and can impact other users

About IEEFA

The Institute for Energy Economics and Financial Analysis (IEEFA) examines issues related to energy markets, trends and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy.

www.ieefa.org