Institute for Energy Economics and Financial Analysis

Fact Sheet

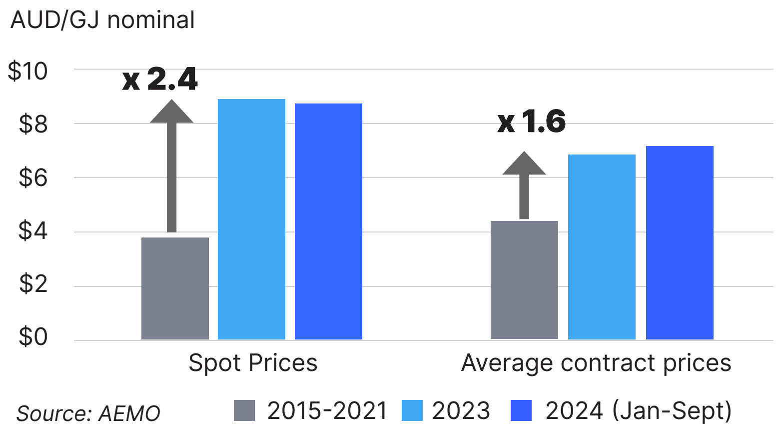
Browse is not the right solution for Western Australia

WA is following in the footsteps of the east coast, with LNG exports leading to fast-increasing gas prices

Browse is likely too costly for WA consumers and could drive industrial demand destruction

Export controls to redirect some spot LNG sales to WA would be more effective

WA domestic gas prices have increased steeply...



Source: AEMO

Gas prices in WA have surged since 2022.

On average, gas contract prices were at AUD7 per gigajoule (GJ) in 2023-2024, 1.6 times more expensive than the average price over the 2015-2021 period.

Spot prices were nearly AUD9/GJ in 2023-2024, 2.4 times higher than the average price over 2015-2021.

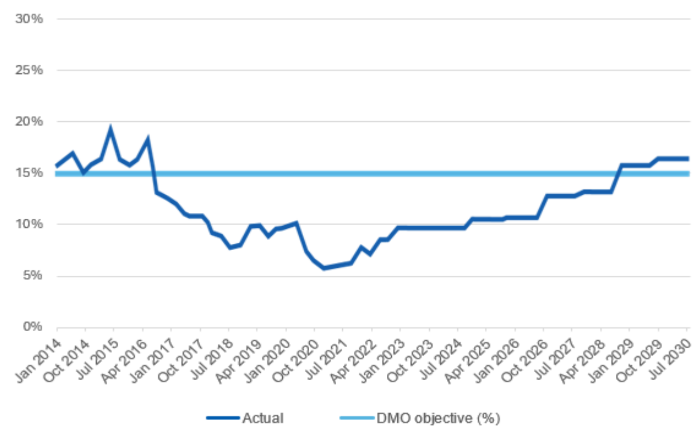
... driven by LNG exports and low domestic contributions

Gas prices are much higher than the estimated cost of production (AUD1.8/GJ in 2024) for WA's onshore gas (excluding exports). Production costs only increased by 2% for WA gas producers between the 2015-2021 period and 2023-2024.

A tighter gas market and increased exposure to international prices are likely drivers for the domestic price increases, especially as the WA government allowed the temporary export of some onshore gas in 2020.

Between 2018 and 2024, WA gas producers have been well below the 15% domestic market obligation (DMO) objective, with contributions ranging from 5-10%.

WA (DMO) objective versus actual, % production



Source: DomGas Alliance (2023)

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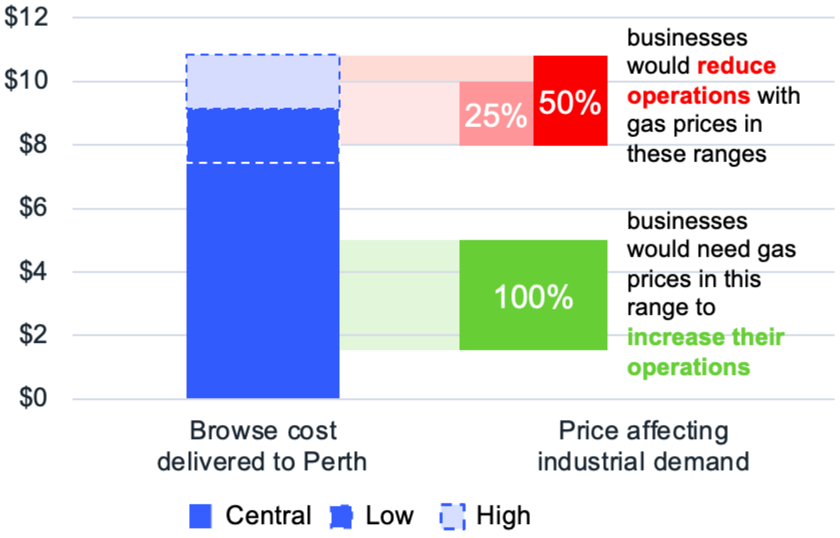
Browse gas: Expensive, emissions-intensive, unnecessary

Australia's gas market isn't working – it needs flexible regulation mechanisms to fix its problems

WA is now forecasting material gas shortages from as early as 2028, representing up to 14% of expected domestic demand. Browse is often presented as a solution to those shortages, but there are better options.

Browse is likely too costly for WA gas consumers

Estimated cost delivered to Perth, AUD/GJ



Source: AEMO, IEEFA

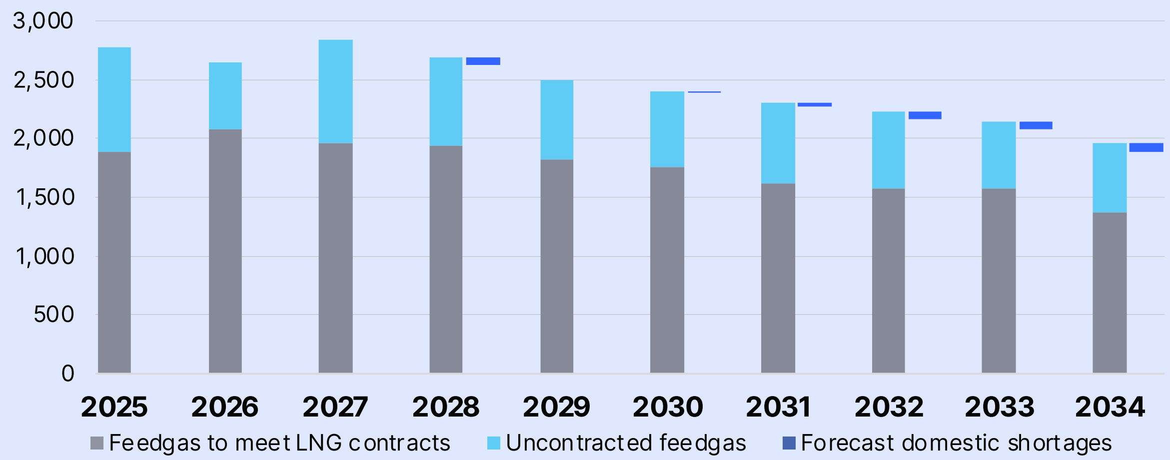
Browse will not supply gas to WA before 2030 and is likely to be expensive. Extrapolating data provided by Woodside, IEEFA calculated Browse feedgas will likely cost about AUD7.8/GJ – four times the cost of existing onshore production. When adding AUD1.37/GJ to transport the gas, this leads to an estimated cost of AUD9.1/GJ in Perth.

The likely price range is dangerously close to levels that would drive industrial demand destruction. A quarter of WA businesses estimate gas prices of AUD8-10/GJ would result in reductions in operations, and half estimate that prices of AUD8-10.75/GJ would. Prices below AUD5/GJ were needed to drive operations expansions.

Instead, cheaper uncontracted LNG feedgas could be diverted

The forecast gas shortages represent less than 4% of gas production from existing fields supplying LNG exports, even accounting for expected decreases in production. Given that a large percentage of LNG exports are currently sold on the spot market and not through fixed long-term contracts, it would be possible to avoid shortages by diverting a small share (less than 12%) of uncontracted feedgas. Existing gas fields have a lower cost of production than the proposed Browse field.

Comparison of forecast domestic shortages with expected volumes of uncontracted gas, PJ



Source: AEMO, IEEFA, ICIS

The federal Gas Market Review presents a great opportunity to implement the same export controls on both coasts

▶ Export licences on long-term contracts would ensure LNG feedgas can be diverted to the domestic market if needed.

▶ An export tax on LNG spot sales would further secure WA's gas market, and guarantee that domestic prices stay below LNG prices.

About IEEFA