Gas price may force job cuts, says Qenos

EXCLUSIVE
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12:06PM JULY 16, 2020

Australia's largest plastics producer, Qenos, has warned manufacturers may be forced into job cuts due to high cost gas rendering heavy industry uncompetitive with its international rivals.

Qenos, along with Australia's largest commercial gas user — fertiliser and explosives maker Incitec Pivot — have been critical that while Australia had become the largest LNG exporter in the world, it had failed in offering competitively priced gas for big consumers on the nation's east coast.

"Without competitively priced gas, Australian industries are likely to falter. Jobs will certainly disappear. Since 2016, the price of east coast gas has more than doubled. That hasn't happened anywhere else in the world. Our competition hasn't seen those increases. As a nation, we've had our competitive advantage crushed," Qenos chief executive Stephen Bell writes in The Australian on Thursday. "This is where smart wealth creation needs to be enabled by smart policy and addressing the dysfunction in the east coast gas market."

The National Covid Coordination Commission in a draft report recommended the federal government take immediate action to create an Australian energy market that can replicate the US with gas available at just $4 a gigajoule, more than half current levels.

It called for possible intervention by the government to underwrite parts of the industry, ease regulatory hurdles and take stakes in pipelines in a bid to boost manufacturing.

Qenos — owned by chemical giant ChemChina — has been a vocal critic of government policies, which it argues have left insufficient supplies of gas available for heavy industry to invest in its long-term plans.

Qenos relies on sourcing large supplies of competitively priced gas and ethane for its Botany operation in NSW and Altona plant in Victoria.

"I understand that exporting gas is valuable to Australia. But when we pay too much for what is left at home then, clearly, we've got the balance wrong," Mr Bell said. "We don't need to disrupt the entire gas exploration, extraction and export market either. According to the NCCC, redirecting just three per cent of the gas produced for exports is enough to change the domestic market, enabling manufacturing to access gas at competitive prices."

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Perry Williams joined The Australian in 2018. Previously he was Asia energy reporter for Bloomberg News and prior to that held senior roles at the Australian Financial Review including resources editor and dep... Read more