

# Mandatory code of conduct for the east coast gas market- consultation paper

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## About ACOSS

The Australian Council of Social Service (ACOSS) is a national voice in support of people affected by poverty, disadvantage and inequality and the peak body for the community services and civil society sector.

ACOSS consists of a network of approximately 4000 organisations and individuals across Australia in metro, regional and remote areas.

Our vision is an end to poverty in all its forms; economies that are fair, sustainable and resilient; and communities that are just, peaceful and inclusive.

## Introduce a mandatory code of conduct on gas wholesalers and extend price cap to protect low- income consumers

ACOSS welcomes the opportunity to make a submission to the next phase of consultation on the mandatory code of conduct. A copy of our previous submission where we supported the development and implementation of a mandatory code, can be found [here](#).

This submission will focus on matters relating to the application of the price cap.

In October 2022 ACOSS wrote to the federal Government calling for a range of reforms in the gas market. Reforms proposed included a temporary three-year price cap of \$10/GJ on gas, to prevent Australian gas producers taking advantage of high international prices (\$25 and \$35/GJ<sup>1</sup>) and passing through to domestic customers and diverting their resources to export rather than the domestic market.

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<sup>1</sup> Australian Energy Regulator, Gas market prices. <https://www.aer.gov.au/wholesale-markets/wholesale-statistics/gas-market-prices>

We welcomed the Government's energy market intervention announced on 9<sup>th</sup> December 2022 to put a 12- month cap on domestic gas prices at \$12/GJ and implement a mandatory code of conduct.<sup>2</sup>

While energy prices are projected to rise between 20-30% from 1 July 2023, the AER chair says without the Government's intervention (which also included a cap on electricity prices) price rises could have been as much as 40-50%.<sup>3</sup>

There are over 3 million people, including 761,000 children, living below the poverty line. They are already going without heating or cooling, having fewer showers, cooking less, and going without food and medicines to afford their energy bills.

With the projected energy price rise, people are telling us they do not have anything left in their budgets to cut back on and are at breaking point.<sup>4</sup> The energy relief package delivered in the Federal Budget, while welcome, will barely offset the 20% price rise in 2022 let alone projected price rises in 2023 and beyond. ACOSS is deeply concerned about the increasing risk of hunger, debt, disconnection, or homelessness as gas prices continue to soar. It is, therefore, critical that ongoing measures to curb future gas prices are undertaken urgently.

ACOSS makes the following recommendations.

### Recommendations

- **ACOSS strongly supports a mandatory code of conduct for gas wholesalers**, which will increase necessary regulation of gas companies making profits off Australian public resources.
- **ACOSS supports the proposal to extend the price cap, which is currently set at \$12/GJ, subject to a review commencing 1 July 2025.** A price cap of \$12/GJ on the domestic wholesale price of gas will still deliver very good returns to the gas industry given domestic gas supply is only a fraction of international sales. It will only have a marginal impact on overall profits which are expected to remain at significant levels for years to come. Importantly it will provide some market certainty and relieve pressure on domestic gas and electricity prices helping ease inflation and energy bills.
- **ACOSS does not support providing conditional exemptions to large producers** under the premise this will incentivise producers to supply gas to the domestic market. This will only serve to undermine the price cap and increase prices for consumers.

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<sup>2</sup> Energy Price Relief Plan, Federal Government media release, 9 December 2022. <https://www.pm.gov.au/media/energy-price-relief-plan>

<sup>3</sup> <https://www.theguardian.com/australia-news/2023/mar/15/power-bills-in-three-australian-states-to-rise-by-almost-a-quarter-but-its-not-as-bad-as-it-could-have-been>

<sup>4</sup> Cortis N & Blaxland M 2022, *Helping people in need during a cost-of-living crisis: findings from the Australian Community Sector Survey*, Sydney: ACOSS <https://www.acoss.org.au/helping-people-in-need-during-a-cost-of-living-crisis-findings-from-the-australian-community-sector-survey/>

- **ACOSS recommends the establishment of a domestic gas reserve to guarantee domestic supply**, emulating the successful domestic gas reserve in Western Australia. This is a better way of ensuring domestic gas supply than enabling gas companies to extort higher prices for guaranteeing domestic gas supply. Gas resources extracted in Australia are public resources.
- **ACOSS calls for a 10% royalty on offshore gas production.** The recent reforms to the Petroleum Resource Rent Tax will only raise an additional \$2.4 billion over four years and have been criticized by former ACCC chair Rod Sims as not going far enough.<sup>5</sup> Also applying a 10% royalty on offshore gas production to mirror royalties applying to onshore gas production would ensure tax is paid upfront and not subject to loopholes and manipulation. Oil and Gas companies are making eye-watering profits off public resources while people on the lowest incomes are struggling to afford their energy bills and going into energy debt.

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<sup>5</sup> <https://www.theguardian.com/commentisfree/2023/may/09/labor-could-and-should-have-gone-stronger-on-the-petroleum-resource-rent-tax>