ABC

HD **Food manufacturers brace for higher gas prices as Grattan Institute forecasts gas prices will triple**

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The price of gas is expected to send more shock waves through regional Australia.

Already, in the last five years.

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But as the eastern gas market comes online with the international market, natural gas prices will spike too.

Agribusinesses and food processors are big users of natural gas, and they're already being slugged with higher energy bills.

"People don't know whether to go gas or electricity. Gas is no cheaper than electricity now. Before, it used to be cheaper to run gas, but it's no cheaper now," said Lance Lennen a gas appliance fitter from the Perth region.

Mr Lennen says natural gas is **sold** cheaper overseas than it is in Australia.

"I'd describe the price of gas as too high. We pull it out of the ground and sell it in **China** for half a cent a litre, whereas it's $10 a litre for natural gas here," he said.

"People are going away from gas, it's cheaper to run your hotplate on solar than on gas."

The has just released a report warning gas prices are about to spike, by as much $300 a year for the average domestic Victorian users, and $100 a year for Sydney and Adelaide homes.

The Grattan paper says the nuclear disaster in Japan caused a shift to gas, pushing international prices up. As Queensland's Bowen Basin's coal seam gas pipelines to liquefaction plants come online, gas will be exported, exposing Australian gas users to the global price.

While the price for gas has been stable at $3 to $4 per gigajoule of energy, it's set to more than double, to $8 per gigajoule.

One large **dairy** processor, which uses **millions** of dollars in natural gas to dry **milk** into powder, says the gas bill has already arrived, locking it into a two-year contract that is 28 per cent higher than the last.

Vegetable processor Simplot also has a large energy bill.

"We've seen about 70 per cent in the power bills in the last three years, and we're being told the gas bill could treble, you know, 300 per cent," said managing director Terry O'Brien.

He says the **company** spends over about $11 **million** per year on gas.

"We are affected by Kagome at Echuca, and we **buy** all our tomato paste from him, and he's talking about a **million**-dollar impost.

"What a lot of people are missing is when they quote the household increase (of $300 p.a. in Melbourne), they're ignoring the flow-on impact from gas increase costs from industry and what it will do to pricing of goods and services.

"We invested heavily in a co-generation gas plant in Tasmania in order to get power prices and the carbon price down. Now the carbon tax is gone and we're facing the underlying energy price out of that going up, so it makes that investment look strange."

Mr O'Brien says the Federal Government should not be restricting exploration for more gas.

Agribusinesses are heavy users of gas in drying cotton, grain, **dairy** powder, and in poultry sheds.

Many may have switched to gas from electricity to save money but they will now question that investment.

Gas distributor Elgas says prices are set by an international market. And the domestic natural gas price is about to be connected to the global price.

"In the manufacturing sector, you've heard they're having difficulty getting long-term contracts for the natural gas sector, because the Liquid National Gas export market is driving the long-term view on what prices should the producers be pricing their methane at," said Warring Neilsen of Elgas.

"In regional areas, consumers are using less energy than they ever have. They use much more efficient appliances, and people have changed the way they use less energy. They're not wasting energy."

Elgas says it means that, just as there are high network charges for electricity, poles and wires, gas network pipes costs also remain fixed, and they become comparatively high.

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