Energy Bills to rise 50 per cent

Big gas users warned of soaring price

Exclusive

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Large energy users will be hit with gas price rises of 50 per cent over the next few years as the impact of Queensland's export gas projects begins to flow through to domestic prices.

AGL has begun notifying its commercial and industrial users that gas prices will rise to $9 a gigajoule from 2016, up from $6 in 2014. For 2015, the price will be $7.63 a gigajoule. Also, the cost of supplying the gas will rise 20 per cent over the five years to 2017.

The surge in prices comes as the pressures on gas explorers in parts of eastern Australia is becoming more intense as coal seam gas explorers face rising community opposition and a tougher regulatory regime. Metgasco, which has been exploring in northern NSW, is to halt all work in the area.

AGL is a large gas supplier to the main eastern states, but its long-term supply contracts expire over the next few years, which is leaving it exposed to price rises being pushed by gasfield investors.

Surging energy prices was a key factor in CSR's decision this week to close one of its glass plants, at Ingleburn in Sydney, in favour of sourcing more product from imports and other domestic plants.

"We see significant price hikes for business contract gas rates over the next four years," the chairman of energy sector specialist Energy Action, Ron Watts, said.

"It's hard to imagine increases in supply affecting this trend within four years, even if there was a favourable CSG [coal seam gas] environment."

Garbis Simonian, of Weston Aluminium, a large industrial user, said the the AGL price rise was "ridiculous".

"We can't pass that cost on to our customers – we couldn't even pass on the carbon tax," he said. "We've had to wear that cost rise."

Like many large gas users, Mr Simonian is looking at a round of heavy capital spending to cut energy use by up to 40 per cent.

AGL has been developing its own gasfields at Gloucester, north of Newcastle, and at Camden, south of Sydney, but it has been forced to abandon some of these plans as a result of changes to government regulations, which has left it confronting a potential $250 million asset write-down.

Even so, analysts estimate large gas retailers that are producers, such as AGL and Origin, will benefit from the surge in prices, which they estimate to be worth more than $2 a share for each company.