

18 April 2017

Gas crisis risks felling forestry industry manufacturing

Gas contract swaps must be facilitated and implemented urgently to prevent the national gas crisis from causing widespread collapses across manufacturing, the peak industry group for the country's forestry industries said today.

Australian Forest Products Association (AFPA) CEO Mr Ross Hampton today called on the Federal government to fully explore the proposal from the Australian Industry Group, which would see Australian gas exporters' commitments to overseas customers being met with gas from outside eastern Australia. This would effectively free up local gas to be sold into the domestic market, bringing some balance back to supply and halting the skyrocketing costs for Australian manufacturers.

'Gas affordability and the inability to obtain competitive contracts is threatening major industries in the forestry sector and therefore jeopardising tens of thousands of regional jobs,' Mr Hampton said. 'A solution needs to be implemented very quickly if we are to avoid a tsunami of regional job losses.'

- **One timber processor employing more than 330 people in regional Victoria has seen its gas prices rocket from \$5.60/Gj to \$16/Gj (a 180% increase) over the past year, adding millions to its operating costs;**
- **An international manufacturer of paper and packaging products with a world-scale plant in NSW faces a 100% increase in gas purchase costs, with a 50% increase in its electricity costs, which will result in millions of dollars in increased manufacturing expenses; and**
- **Another paper manufacturer based in Victoria has also seen a major increase in gas (and electricity) prices that will result in millions of dollars in increased costs, threatening some 6,000 jobs.**

Mr Hampton said 'Price increases of this magnitude cannot be absorbed by businesses. All Australians need to be aware that this is not a bump in the road. Unless we find solutions, our manufacturing base will dramatically decline. The regional jobs which will go can't be replaced by growth in the tourism or services sector - these manufacturers are often the major employers in the area.'

Mr Hampton said that Shadow Minister for Climate Change and Energy, Mark Butler, rightly highlighted the risks when he said:

AFPA represents forest growers, harvesters, and manufacturers of timber and paper products.

Media Contact: Bernadette Cording
AFPA Communications Manager
(m) 0409 962 250 (e) bernadette.cording@ausfpa.com.au

'If it's not fixed the only alternative is that you will see very widespread closures of manufacturing and the loss of thousands and thousands of jobs... If we can't get a gas swap done, then all regulatory options need to be on the table.'

(Radio National Breakfast Programme, 18 April, 2017)

Mr Hampton also welcomed indications from the Government that the gas swap plan would be considered, with Resources Minister Senator Matt Canavan commenting that it was 'realistic' that the government could help private companies arrange swaps:

"I've had detailed discussions with gas producing companies about those types of options,"

(Radio National Drive Programme, 17 April, 2017)

Mr Hampton said, 'This is a major crisis facing manufacturers in Australia and we need a solution now. Expanding future gas exploration is vital but will do nothing to impact contracts that are being signed today.'