Energy producers hit back on gas pricing

PERRY WILLIAMS

Beach Energy chief executive Matt Kay says gas producers should not be subsidising their customers.

TWO of the nation's big energy producers have dismissed a plan by top domestic gas users to use a high-level "code of conduct" meeting to push for a change in the benchmark method for east coast prices, arguing the market is already working as intended.

Some of the largest gas users, including industrial manufacturer Orica, have called for changes to the national competition regulator's LNG pricing formula that informs the gas price domestic users must be offered.

Beach Energy chief executive Matt Kay, who sits on the committee that is developing the code of conduct, said the Adelaide-based company and its partners were spending $1bn on new gas projects to supply the east coast industry at competitive costs.

“I don’t expect it’s the role of the upstream gas industry to subsidise companies downstream,” Mr Kay told The Advertiser after reporting its interim results yesterday.

“So, we want a fully fair and functioning market and we’re investing to do that. But I don’t expect us to substitute the downstream.”

Manufacturers say they can’t find gas on a contracted basis for less than $8-$10 a gigajoule – more than double historic levels. Their frustration over gas prices has grown after a deal between Prime Minister Scott Morrison and big LNG exporters last month avoided formal price controls, which some big manufacturers had pushed for but which were strenuously resisted by the LNG industry.

Cooper Energy, the Adelaide-based developer of the Sole gas project off the Victorian coast, said specifying a price mechanism was the wrong signal.

“The market price should be freely negotiated between willing buyers and willing sellers, and therefore to mandate a price in the code is not allowing the market to work,” Cooper Energy chief executive David Maxwell said.

“I clearly believe the market should set the price and constructive behaviour will see the right prices for everybody in the market overall.”

Cooper Energy is involved in the talks but questioned whether a code was even necessary.

“If the right people are behaving in the right way, I don’t think there is a need for a code of conduct,” Mr Maxwell said.

Beach Energy saw its firsthalf profit tumble by half on lower oil prices, and cut its annual production guidance amid higher decline rates at its Western Flank oilfields.

Underlying net profit after tax fell 52 per cent to $128m, falling short of the $143m consensus after revenue declined by nearly a quarter to $726m as its realised oil price fell by 40 per cent over the six-month period.

It narrowed its production guidance for the 2021 financial year to a 25.5m-26.5m barrels of oil equivalent range from 26m-28.5m BOE previously.

Beach will pay an interim dividend of 1c a share.

Cooper's underlying earnings fell 40 per cent to $9.7m due to delays connected with bringing its Orbost gas plant online. Beach shares fell 4.6 per cent to $1.68 yesterday, while Cooper dropped 3.2 per cent to 30c.

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