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Minister for Industry, Innovation and Science

TRANSCRIPT – 5AA

Interviewer: Leon Byner

9 March 2017

Subjects: Gas, energy policy, One Nation

E&OE

LEON BYNER:

Let's welcome Federal Industry Minister Arthur Sinodinos. Arthur, you will find today, and good morning ...

ARTHUR SINODINOS:

Hello Leon. Good to be with you.

LEON BYNER:

... that as you visit businesses, if you talk to Roger Drake or Frank at Pasta Deli, or any one of dozens of people who use power, John Culshaw, they'll tell you the big kahuna for jobs is got to get their energy costs down, because if they can't, they have to shed jobs.

ARTHUR SINODINOS:

No, no. I totally agree with you, Leon, and that's why it's important to improve the incentives for gas exploration development, remove the moratoria across various states, to increase supply. You're going to have Rod Sims, I think, on your program later on.

LEON BYNER:

Yes.

ARTHUR SINODINOS:

You can ask him about this. He did a study of the east coast gas market, and the ACCC came to the view that the best solution was to get on with increasing supply. My friend, Josh Frydenberg, the Minister for Energy, went to the COAG Energy Council. They've agreed a number of reforms to make the gas market more open, more transparent, more competitive.

I think we have to increase supply. If we say, look, we're going to increase supply, we're going to reserve a certain amount domestically, the first thing will be, at what price are you going to reserve it domestically? Right? This is the first thing, and what incentive will that provide for people to actually explore and develop.

LEON BYNER:

Well, why does Colin Barnett disagree with you when he's got this reservation policy and there is no such [indistinct] investment as a result of this?

ARTHUR SINODINOS:

Well, in Western Australia, I think they've had this policy for a very long time now. But what we're talking about here is the situation where we turn around after contracts have been entered into internationally to provide gas and start supplying gas overseas. Where we're potentially saying we're going to abrogate those contracts?

LEON BYNER:

No. But my question ...

ARTHUR SINODINOS:

[Interrupts] I mean, this is the issue ...

LEON BYNER:

[Interrupts] Senator? Senator?

ARTHUR SINODINOS:

[Interrupts] And what would happen is at what price are we saying you can explore for gas domestically and produce gas? Are we saying we're going to regulate the price of gas domestically?

LEON BYNER:

No. Can I put this to you? We've got to a situation now where we've let the market kind of run itself, and what we've now got is a shortage of a product which could seriously put people out of business. So, what we've allowed to happen is clearly wrong, isn't it?

ARTHUR SINODINOS:

Well, Leon, we haven't allowed the market to work, because governments have been interfering by putting all these moratoria on development and exploration. One of the things Josh Frydenberg has said to the COAG Energy Council, he'll be putting to them, is better land holder agreements. We get an alignment of interests between farmers, gas explorers and producers, so we can encourage people to be more supportive of opening up new areas on and off shore for gas development.

LEON BYNER:

Isn't it strange that AGL have got to import gas and have to set up a terminal, which is I think one of the options they're talking about, because we've allowed it to get to this point?

ARTHUR SINODINOS:

What is strange is if, in the light of that sort of evidence, state governments continue their moratoria. They can help sort this out tomorrow. They can help increase incentives for

supply, but we can't cut off our nose to spite our face because, internationally, people will say, well, what's going on here? Are you willing to potentially abrogate contracts which provide big export dollars for Australia, which then circulate in the Australia economy?

LEON BYNER:

Are you telling us that, the fact that we have to compete with export contracts is just a thing we have to put up with, when we're the only OCED country that does this?

ARTHUR SINODINOS:

No, I don't. What I'm saying is, if we get rid of artificial constraints on exploration and development, if we follow the science to deal with issues around both conventional and unconventional gas sources, we can increase supply.

LEON BYNER:

Alright.

ARTHUR SINODINOS:

We can free the market up to do its job because what you'll find, Leon, is people will increase supply. That will improve availability. This is an issue not just about price, but about availability.

LEON BYNER:

Alright. I want to ask you, our government at the moment, which is Labor, doesn't have a moratorium, but if the Liberals win office they do. Are you telling them they should chuck that out from their policy?

ARTHUR SINODINOS:

What I've been telling everybody – Labor, Liberal, callithumpian – is that, under Malcolm Turnbull, we want a national approach to policy and we want to encourage everybody to maximise incentives for gas exploration and development because that is important in terms of creating a transition fuel as we try and create energy security, energy affordability, while reducing greenhouse gas emissions.

LEON BYNER:

Let me ask you. When you have a talk to businesses today and they say, hey Arthur, here's the deal, here's my energy bill, I can't afford this, I've got to actually lay off staff to be able to pay this, what are you going to say to them?

ARTHUR SINODINOS:

I'm going to say to them, first of all, what Josh Frydenberg has already been doing through the COAG Energy Council to help free up the system so we can get bigger supply, particularly when it comes to gas. And I'm saying to those businesses, put pressure on those state governments, state parties, or whatever, that are getting in the way of increasing the supply that you need.

LEON BYNER:

I was talking to Professor Samantha Hepburn this morning and you heard her comment.

ARTHUR SINODINOS:

Yes.

LEON BYNER:

She assures me that this reservation policy exists in most other OECD countries but not here. Why do we know better?

ARTHUR SINODINOS:

Well, what's happened in the Australian context, particularly on the east coast, is that as these opportunities have occurred because of the increase in supply and the fact that as a country we can maximise our national income through what we export, that's the approach that's tended to be taken over time. There's a related but separate point, which you're getting to, which is how does what we do in the gas space relate to overall national energy policy? Now, Malcolm Turnbull is the first Prime Minister in a long time who has said he's going to come up with a national energy plan which covers this transition, which takes account of the greater presence of renewables in the system, takes account of the way the grid will operate, and the market rules that we need to have around competition on the grid when you have this mix of various sources of energy coming on the system.

LEON BYNER:

Well you see, the question ordinary members of the public, Senator, will ask is: how has it got to the point where we've now got an energy shortage which could cause massive headaches around winter? We've just gone through summer with blackouts and now we've got a gas situation, why has it come to this?

ARTHUR SINODINOS:

Because as I say governments have stood in the way of increasing supply and we need to get on with increasing supply.

LEON BYNER:

So are you going to encourage the Liberals to change their policy if they win the next election?

ARTHUR SINODINOS:

I'm encouraging Liberal, Labor, callithumpians to have a unified approach to energy. And as I said Malcolm Turnbull is leading the charge on the national energy policy.

LEON BYNER:

Do you think that as you talk to local business people today they'll feel better after you've spoken to them?

ARTHUR SINODINOS:

I hope they will understand the action that the Federal Government is taking. The fact that our Energy Committee of Cabinet over the next few weeks and months is formulating a national plan to increase supply, not just of gas, but to provide greater certainty for investment across the system so we can avoid the sort of blackouts we've seen in recent times.

LEON BYNER:

Just one other question. You're very close to the Prime Minister and at the moment he's not polling in terms of two-party-preferred very well. You've been lauding a lot of the policy decisions that you have been able to create since you've been in government, why then do you think is so far behind and why is One Nation pinching votes off you?

ARTHUR SINODINOS:

A couple of things. We have made some tough decisions on the way through including on the budget, including decisions which have affected our own base. Things like reforming superannuation. But Leon, I can't go out there and argue the case for budget repair with other parts of the community if I say that people better off in the community are not going to have to pay their fair share as well. So, we've hardly had the legacy of having to take some tough decisions but as those decisions show that we're getting the budget under control, we're creating new jobs, we're creating new investment to take the place of the mining investment over the last few years. I think people will ultimately judge us on those results and how we manage the economy through that transition.

LEON BYNER:

Alright. Nick Xenophon in the national press today is saying: his focus is not on tax cuts or anything like that, but this energy policy issue which has come up again with gas. Do you guys understand the seriousness and the urgency with which this has to be resolved?

ARTHUR SINODINOS:

Yes we do because I've been going around, I've been with the Prime Minister at businesses in Victoria where we've spoken about the impact of high gas prices on businesses. I'm getting a lot of stories on that coming through. I'm talking to people about that. I had a long meeting with Manufacturing Australia the other night, Paul O'Malley from BlueScope and others to go through short, medium and longer term actions we can take. So we are minded to get on with the job as quickly as we can to resolve this.

LEON BYNER:

Arthur Sinodinos, thank you for joining us today. That's the Federal Industry Minister who's out visiting some businesses today in the purpose of looking at transformation and job creation.

[ENDS]