Media Release

6 June 2013

Chemicals and plastics industry calls for competitive gas market

Australian manufacturing is the victim of a broken natural gas market, according to the Plastics and Chemicals Industries Association (PACIA).

In a keynote address at the industry’s national conference in Melbourne, PACIA Board Member and Australian Managing Director of chemical company BASF, Ross Pilling today called on state and federal governments to act urgently and establish an effective policy framework to support a sustainable chemicals and plastics industry in Australia.

Demand for supply

“PACIA members are finding it extremely difficult to secure long-term supplies to underpin their existing investments; many are unable to negotiate contracts for supply beyond 2016,” said Mr Pilling.

Natural gas is an essential feedstock for the chemicals and plastics industry. More importantly, it is vital for transformation into high-value chemicals, such as advanced engineering plastics, ingredients for detergents or crop protection chemicals, pharmaceuticals or advanced textiles.

“According to a recent study by the National Institute of Economic and Industry Research (NIEIR) on the impact of the structure of the Australian gas industry on the national interest, for every petajoule of natural gas that is shifted away from industrial use to export, $255 million in industrial output is given up for a $12 million gain in export output. That is, for every dollar gained $21 is lost.

“By any measure, this is just plain wrong – Australia loses out on jobs and diversified, high-end manufacturing,” said Margaret Donnan, Chief Executive of PACIA.

Reform not reservation

Importantly, PACIA does not propose a ‘reservation’ of gas supply for the local market. Rather, the industry urges governments, both state and federal, to take sensible measures to boost production and to establish a transparent, robust and competitive domestic gas market.

“Australia is in the middle of a gas boom and LNG has become a major export. This is great for our nation; as an industry, we have no issue with the export of natural gas.

“We have vast reserves of natural gas and there is more than enough to both support a vibrant and sustainable chemicals and plastics industry and meet export demand,” said Mr Pilling.

Sustainable future for Australian manufacturing

Australian chemicals and plastics manufacturers directly employ 60,000 people with a turnover of approximately $40 billion per annum, contributing $11.6 billion to Australia’s GDP.

The industry makes up 11.5% of Australian manufacturing and supplies essential inputs to 109 of the 111 industries in Australia.

…/2
“A sustainable future for Australian manufacture of plastics and chemicals is achievable. But if governments and industry do not take care of a competitive domestic gas supply, ours will continue to be an industry in serious decline.

“Accepting a strategy of ‘business as usual’ will have negative impacts on many of our 60,000 employees, the entire economy and ultimately society. We need action for the good of our Australian economy,” Ms Donnan said.

Meaningful regulatory reform

Another high priority for the future of the industry was urgent reform of the regulatory environment.

COAG and the industry have been calling for meaningful reform of the Australian regulatory regime for many years, even identifying chemicals and plastics as a ‘hotspot’ in the national reform in 2006.

“Although COAG agreed to implement regulation and competition reforms suggested by the Productivity Commission in 2008, five years later, many of those reforms are yet to be delivered and the process has stalled,” Mr Pilling said.

Ms Donnan added: “The area of greatest regulatory concern to the industry is the National Industrial Chemicals Notification and Assessment Scheme (NICNAS).

“We urgently need to streamline the introduction and regulation of newer, better, safer chemicals, products and technologies by leveraging off the investments made in regulation and testing by respected overseas regulators, including those in the EU, Canada and the US.”

Roadmap: advocating a sustainable, competitive chemicals and plastics industry

PACIA’s Roadmap flags the importance to the national economy of:

- making Australia more attractive to capital investments
- aligning the industry’s R&D capacity to emerging megatrends (as identified by CSIRO)
- building the industry’s customer base through market research and government supported trade delegations.

Mr Pilling added: “Too few understand or appreciate the central role the plastics and chemicals industry plays in everyday life. We need to reach out to the communities we operate in, increase the understanding of our industry and improve the recognition of its strategic value to the Australian economy generally and manufacturing specifically.”

The Roadmap is an evidence-based, industry strategy, which is heavily informed by two CSIRO reports. This includes “Strategic Directions: towards sustained growth of the Australian chemicals and plastics industry” – also released at the PACIA conference – and its earlier report of March 2013 identifying the current profile and future trends of the chemicals and plastics industry in Australia – “Elements in Everything”.

“This Strategic Roadmap for the chemicals and plastics industry will help us achieve our vision of a vibrant and sustainable industry in Australia, providing the building blocks of a modern economy and central to the country’s economic, environmental and social wellbeing,” said Ms Donnan.

Media contact: Rachel Black, Marketing and Communications Manager, 0428 496 207.
For more information and to view the Roadmap visit: www.pacia.org.au.

About PACIA

PACIA is the pre-eminent national body representing Australia’s $40bn chemistry industry, whose businesses directly employ 60,000 people and contribute approximately 11.5% of total Australian manufacturing production. PACIA members comprise a broad range of companies positioned across the entire value chain. Members include chemicals manufacturers, importers and distributors, logistics and supply chain partners, raw material suppliers, plastics fabricators and compounders, chemicals and plastics recyclers and service providers to the industry. These businesses range from small family-owned companies and innovative medium-sized enterprises, to leading national and multinational enterprises.