

Gas is Cheaper than Electricity

Historically, gas has been cheaper than electricity in Australia's wholesale and retail energy markets according to Australian Energy Regulator data. As cost-of-living pressures continue to build for Australian households during a period of high inflation and elevated interest rates, most households consider financial relief on their energy bills a key priority. Energy-intensive industries share these concerns and have long advocated for a reduction in energy costs.

Gas is still cheaper than electricity despite recent increases in wholesale energy prices and remains true through the projections of increased retail energy prices seen in the Federal Budget. As electricity prices started out higher than gas prices and are

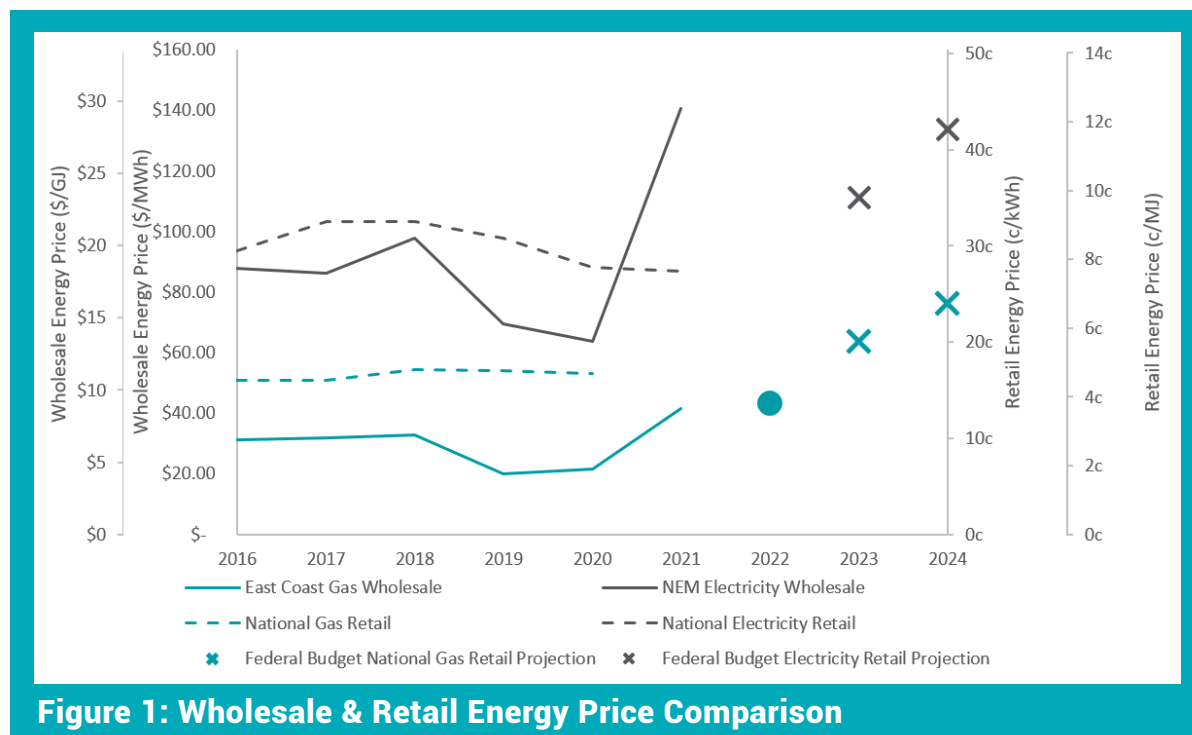
increasing at a greater rate than gas prices, gas is projected to become more affordable relative to electricity over the coming years. This disparity is wider in Western Australia and the Northern Territory where wholesale gas prices are cheaper than in the East Coast Gas Market.

The chart below compares retail and wholesale energy prices in \$/MWh and c/kWh as well as gas units (\$/GJ and c/MJ) to enable a like for like comparison. Comparing different forms of energy in like units is key to helping Australians be fully informed about [Australia's Complex Energy Challenge](#).

The difference in price between wholesale and retail markets is due to the combination of costs for providing energy to household

and small businesses. These costs include energy transport, storage and distribution, retail costs and, in the case of electricity, the cost of environmental policies such as the Renewable Energy Target. [\[3, 4, 5\]](#).

The combined cost of providing retail energy has been historically cheaper for gas than for electricity. This cost differential is partly driven by the lower cost of transporting energy by pipeline rather than powerlines which is further analyzed in [Energy Transport: Pipelines vs Powerlines](#). Gaseous energy is cheaper than electricity at present, and it can continue to be cheaper than renewable electricity in a net-zero energy market, which is key to the least-cost pathway for Australia to achieve its net-zero energy goal.



Note: Years as at start of financial year

Figure 1: Wholesale & Retail Energy Price Comparison

References:

- 1 <https://energyconsumersaustralia.com.au/news/energy-costs-improving-but-still-the-top-cost-of-living-concern-in-covid-19-crisis>
- 2 https://www.bca.com.au/business_wants_lower_electricity_prices
- 3 https://www.energy.gov.au/sites/default/files/gas_price_trends_review_2017.pdf
- 4 [https://www.aemc.gov.au/sites/default/files/2020-12/2020 Residential Electricity Price Trends report - 15122020.pdf](https://www.aemc.gov.au/sites/default/files/2020-12/2020%20Residential%20Electricity%20Price%20Trends%20report%20-%2015122020.pdf)
- 5 <http://www.cleanenergyregulator.gov.au/RET>
- 6 <https://www.aer.gov.au/system/files/AER%20Annual%20Retail%20Markets%20Report%202019-20%20-%20Charts%20and%20Tables.xlsx>
- 7 <https://www.aer.gov.au/system/files/State%20of%20the%20energy%20market%202021%20-%20Full%20report.pdf>

*Note: In 2022 the AER stopped producing the retail energy price index series upon which retail price comparisons were based, preventing comparisons beyond FY2020-21.

Chart Data:

- a) <https://aemo.com.au/en>
- b) <https://opennem.org.au/energy/nem/?range=all&interval=fin-year>
- c) <https://www.aer.gov.au/publications/state-of-the-energy-market-reports/state-of-the-energy-market-2021-data>

Referenced APGA Factsheets:

- I. [Australia's complex energy challenge](#)
- II. [Energy Transport: Pipelines Vs Powerlines](#)

For further information



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