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Study shows gas market delivering for all Australians

The Australian Government's latest review of the gas market, the *Domestic Gas Market Study*, released today, shows the market is indeed working to supply natural gas for both domestic and export use.

It also highlights that the continuation of the market's capacity to deliver depends on industry's ability to continue to explore for and develop Australia's vast gas resources. It is not a lack of natural gas but onerous regulatory restrictions in some jurisdictions (notably NSW and Victoria) that is impeding gas supply.

APPEA Chief Executive, David Byers, said: "The study follows a long line of previous reviews and reports, including the comprehensive Australian Government 2012 *Energy White Paper* (itself five years in gestation), that show Australia has more than enough gas to supply both domestic and export markets for decades to come.

"It highlights the duplicative and multiple layers of red and green tape that projects must navigate to unlock the economic benefits from our nation's resources.

"Australia needs more gas production, not more regulation. With that in mind, APPEA welcomes the study's emphasis on existing gas supply impediments in NSW and Victoria. APPEA looks forward to working further with SCER to allow a more efficient and science-based regime to be developed and implemented in those jurisdictions.

"The study also puts to rest any calls for interventions such as protectionist domestic gas reservation policies, unnecessary national interest tests or similar policies. The study rightly highlights the inefficient and unnecessary nature of such interventions.

"In relation to the recommendation for an industry-led initiative to provide more 'information' to the market, APPEA notes the gas market already has abundant information available to it. The range of gas supply agreements that have been struck over the last 12 months suggests that there is enough information available to allow supply contracts to be concluded between willing buyers and sellers. Recent examples include:

1. Origin Energy Limited (Origin) on 20 December 2012 announced the signing of a long-term gas sales agreement with the MMG Group (MMG). Under the terms of the agreement, Origin will supply MMG with a total volume of up to 22 petajoules (PJ) of gas over a seven year period, commencing in 2013;
2. Beach Energy Limited, through its wholly owned subsidiary Delhi Petroleum Pty Ltd, announced on 10 April 2013 it had signed a gas sales agreement with Origin Energy Retail Limited for the sale of up to about 139PJ of sales gas for a term of eight years. Origin has an option to extend the term of the agreement by two years, which would result in the sale of up to approximately 173PJ of sales gas;



3. Strike Energy Limited on 16 July 2013 announced it had entered into a binding term sheet with Orica Australia Pty Ltd, a subsidiary of Orica Limited, for the supply of up to 150PJ of gas over a 20-year period;
4. Origin on 19 September 2013 announced it had signed a binding gas supply agreement with Esso Australia Resources Pty Ltd and BHP Billiton Petroleum (Bass Strait) Pty Ltd to purchase up to 432PJ of natural gas. Under the terms of the agreement, gas supply to Origin will start in 2014. Annual contract volumes will increase over a nine-year period;
5. ExxonMobil Australia on 11 November 2013 announced that its subsidiary, Esso Australia Resources Pty Ltd, along with BHP Billiton Petroleum (Bass Strait) Pty Ltd, has executed a long-term agreement for the sale of gas to Orica Limited. The agreement will supply up to 42PJ of gas over a three-year period starting in 2017;
6. Origin on 28 November 2013 announced the signing of a gas sales agreement with QGC Pty Limited (QGC). Under the terms of the agreement, Origin will supply QGC with up to a total of 30PJ of gas in calendar year 2014 and 2015;
7. Santos Ltd on 4 December 2013 announced that it had recently signed five domestic gas contracts for a total of 30PJ of gas over generally five-year periods;
8. Santos Ltd on 19 December 2013 announced that the GLNG project participants have executed an agreement with Origin Energy for the purchase of 100-PJ of gas for supply to the GLNG project. The gas will be supplied over a period of five years starting from January 2016. Under the terms of the agreement, Origin can supply additional volumes of up to 94-PJ of gas during the same five-year period;
9. Incitec Pivot Limited on 19 December 2013 announced the execution of a 23-month gas supply agreement for the Phosphate Hill manufacturing plant in North West Queensland, effective from 1 February 2015. The terms of the agreement are confidential.

“Nevertheless, APPEA will carefully consider this recommendation and look forward to further discussion with the government on how this might work in practice.

“APPEA cautions against recommendations that will add further to the profusion of reviews to which the gas market been subject in recent years. In particular, recommendations for a further review of the competitive nature of the gas market are unnecessary and will lead to further market uncertainty.

“APPEA calls on all parties to recognise the benefits associated with removing impediments to further gas supply, rejecting protectionist and unnecessary interventions, and acknowledging the need for an efficient regulatory regime in all Australian jurisdictions.

“A freely operating and competitive market is the best way to allow gas resources to be developed for the benefit of the owners of that resource – the Australian people.

“The industry will carefully examine all of the recommendations contained in the study, and will seek to engage with the new government on the development of its *East Coast Gas Strategy to 2020* and new *Energy White Paper*.”

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