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Australia's oil and gas industry continues commitment to domestic market under new Heads of Agreement

Australia's major east coast natural gas producers have reaffirmed their commitment to delivering secure, competitively-priced gas to domestic customers.

In late December 2020, representatives of three east coast LNG projects signed an extended Heads of Agreement (HoA) with the Commonwealth.

The new HoA extends the existing commitment that uncontracted gas (spot cargoes) will not be offered to the international market unless equivalent volumes of gas have first been offered with reasonable notice on competitive market terms to the Australian domestic gas market.

The ACCC has found on eight consecutive occasions that there was no shortfall in the domestic market.

APPEA Chief Executive Andrew McConville said, as confirmed by both the ACCC and International Gas Union, Australian domestic gas prices are lower than prices paid by Asian customers for Australian gas.

"Individual prices offered to domestic gas users will continue to be internationally competitive and have regard to the producer's cost of supply and factors that may be relevant to users' individual circumstances, including the terms and conditions of their gas supply agreement and any applicable transportation or retailer charges," Mr McConville said.

Mr McConville said the industry appreciated the common-sense approach of the government in working with industry to finalise the HoA through to 1 January 2023.

"The approach taken to recognise the realities of the gas market on the east coast will deliver competitive gas supply outcomes for customers and continue to encourage more investment in new supply by producers," Mr McConville said.

"This is the best way to ensure the lowest possible prices for customers. This is evidenced by the fact that the Queensland LNG industry – an investment of around \$70 billion made possible only by the scale of international contracts – also delivered more supply and competition in the domestic market.

"The east domestic market, including the southern states, has benefited from these developments with the gas flowing from these developments providing us with the benefit of export income as well as domestic gas supply.

"The Heads of Agreement reflects our sector's ongoing commitment to the domestic market but importantly recognises the investment scale afforded by international contracts.

"The answer to ensuring competitive gas prices in Australia on an ongoing basis is more supply and more suppliers – and developing gas resources closest to local markets.

"The industry is committed to working with the Commonwealth and State governments to achieve this."

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