



7 February 2014

Our Reference: APLNG – COR - 0003425

Energy White Paper Taskforce
Department of Industry
GPO Box 1564
Canberra
ACT 2601

Submitted by email: EWP@industry.gov.au

Dear Sir/Madam,

Energy White Paper – Issues Paper

Australia Pacific LNG (APLNG) welcomes the opportunity to provide comment on the Energy White Paper, Issues Paper.

APLNG is an incorporated joint venture between Origin Energy, ConocoPhillips and Sinopec, currently supplying gas to the domestic market and is developing a CSG-LNG project to export LNG to customers in Asia. APLNG is the second largest producer of gas in Eastern Australia, and the largest reserve holder in the eastern market. As such, APLNG is supportive of the need for an energy policy to encourage continued investment in exploration, production, distribution and end use systems to meet demand and support Australia's economic growth.

APLNG is in agreement that reforms in the areas of flexible and informed trading environment, appropriate levels of transparency, streamlined environmental approvals, improving impediments to tenement approval and the establishment of a one-stop-shop approach will provide a platform for a liquid and stable gas market.

It has been well documented that the east coast gas market is currently undergoing a period of transition with a threefold increase in demand expected by 2017, and LNG exports set to commence by the end of the year. This is unprecedented, and has led to an increased level of scrutiny of both market operations and the current policy settings.

Historically, domestic gas prices have been well below those observed internationally. However in the short term, it is unlikely that these historical lows will be maintained. As conventional reserves dwindle supply is now largely dependent on less accessible and more costly unconventional resources. We would also expect some initial tightening in the market as demand ramps up, which is likely to be reflected in prices.

APLNG notes the Paper's request for comment on possible measures to promote greater price transparency, and herein reiterates its comments made in the Eastern Australia Domestic Gas Market Study (the Study) submission. With respect to improving access to information by the market and regulators on pricing and utilisation of infrastructure, APLNG supports principles of market transparency where it delivers a clear benefit to the market. The provision of any gas market information should be accurate and useful for market participants. The cost of providing the information should be proportionate to its considered value and its provision should not erode a market participant's commercial position. As such, any proposed changes to information provision, and the role of the Australian Energy Regulator (AER) regarding this information, require careful consideration in consultation with industry before being progressed.

commercial-in-confidence

Moving forward, there will be some linkage between the east coast and international markets. Often lost in these discussions is the symbiotic nature of this relationship. Despite being blessed with vast reserves, the relatively small size of the domestic market means that the large scale development of resources such as coal seam gas (CSG) would be uneconomic. Such development is only made possible by accessing the requisite volumes (and prices) available through international markets. This in turn makes gas available for the domestic market, which is crucial as conventional resources decline. CSG now accounts for 85 percent of all reserves on the east coast and provides 90 percent of Queensland's gas needs and powers 15 percent of its electricity generation.

Despite the changes described above it is clear that there are sufficient gas reserves for both domestic users and exports, as supported by the Eastern Australian Domestic Gas Market Study. A number of recent publicly announced deals also demonstrate the willingness of gas producers to supply the domestic market, and that commercial negotiations can still drive positive outcomes for both gas suppliers and users.

Governments and policy makers must therefore look to avoid policy interventions such as the adoption of a domestic reservations policy – which could implicitly lock in prices below market equilibrium. Such a policy would only serve to distort the market and dissuade future gas exploration and production, to the detriment of gas users.

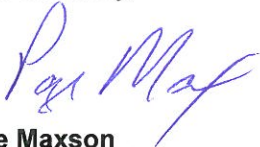
In our view the required policy response is continued work on incremental reforms that will ensure the efficient development of the market over time. From this perspective we welcome the development of the Government's Gas Supply Strategy to 2020 as an opportunity for policy makers and industry to work collaboratively to help guide the market through this transitional period.

APLNG is supportive of measures that could enhance transparency of the market, such as the implementation of the Wallumbilla hub. APLNG will be relying on these measures to balance its portfolio, and would support the continued development of short term trading hubs. These will enhance access to information and transparency around transportation, price, supply and demand.

Consideration should also be given to reducing red/green tape to allow for increased and speedier gas exploration and production. We note, and fully support the Government's one stop shop initiative for environmental approvals, that seeks to reduce duplication and regulatory overlap. State Governments too, have a crucial role in ensuring that state-based legislations are outcomes based, and well-targeted.

APLNG looks forward to engaging with the Government in the next stages of this work stream. Should you have any questions or would like to discuss this submission further, please contact Wendy King on (07) 3021 3350.

Yours sincerely,



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