

30 September 2019

Ms Lesley Dowling
Gas & Governance Branch
Energy Division
Department of the Environment and Energy
GPO Box 787
Canberra ACT 2601

(via e-mail to: gas@environment.gov.au)

Dear Ms Dowling

RE: COAG ENERGY COUNCIL REGULATION IMPACT STATEMENT FOR CONSULTATION ON THE MEASURES TO IMPROVE TRANSPARENCY IN THE GAS MARKET

The Australian Petroleum Production & Exploration Association (APPEA) is the peak national body representing upstream oil and gas explorers and producers active in Australia. APPEA's member companies account for more than 90 per cent of Australia's petroleum production. Further information about APPEA can be found on our website, at www.appea.com.au.

The Australian oil and gas industry has invested over \$350 billion in natural gas production¹, transport, liquefaction and export facilities over the last decade. This investment will deliver returns for Australia for decades to come, through increased gas supply for Australian customers, export revenue, jobs, royalties and taxes.

According to the Department of Industry, Innovation and Science liquefied natural gas (LNG) is now Australia's second largest export commodity after iron ore, with export revenue of \$50 billion in 2018-19, and has more than doubled over the last two years (from \$22.3 billion in 2016-17).² The oil and gas industry supports 80,000 jobs directly and indirectly in Australia and hundreds of thousands more in the manufacturing industry.

APPEA welcomes the opportunity to comment on the *COAG Regulation Impact Statement for Consultation on the Measures to Improve Transparency in the Gas Market* (the Consultation RIS). APPEA's comments should be read in conjunction with comments from our member companies.

While APPEA appreciates the recent extension to the time provided for submissions, it remains the case that the timeframe for comments on this paper, which raises a series of complex technical, commercial and legal questions is relatively brief. This particularly the case now that the *Australian Competition & Consumer Commission (ACCC) Gas Inquiry 2017-2020* has been extended to 2025.

In the brief period available for comments, APPEA's submission addresses specific aspects of the RIS, focussing on those areas that are particularly important for the upstream oil and gas industry. APPEA's comments are focused on the questions set out in the provided Response Template.

¹ Data derived from Department of Industry, Innovation and Science, [Resources and Energy Major Projects List](#) publication series and [APPEA Financial Survey](#).

² Department of Industry, Innovation and Science, [Resources and Energy Quarterly September 2019](#).

APPEA's response assumes that once the consultation on these measures is complete and the measures are implemented the ACCC Gas Inquiry would utilise these transparency measures and associated reporting frameworks and not seek duplicative reporting of this very detailed information.

GENERAL COMMENTS

As APPEA has noted in response to numerous reviews and inquiries since at least 2014,³ APPEA members and other gas producers have been reporting significant amounts of natural gas market information including reserve and resource estimates (including, in many cases, 3P + 2C resources), project operational status and operational activities to the Australian Securities Exchange and to various national and State/Territory regulatory and geoscience agencies for decades and these estimates are available publicly. Additionally, there is information provided to AEMO for publication on forecast supply for gas and associated issues.

These reporting and publication arrangements are longstanding and underpinned by years of regulatory and reporting experience.

Reserve and resource estimates and gas market information are also produced on a regular basis by consultants, such as Core Energy, EnergyQuest and Energy Edge.

Rather than add a new and duplicative reporting arrangement, APPEA again recommends the ACCC, GMRG and regulatory agencies work through the COAG Energy Council to put in place an appropriate data sharing arrangement to utilise the information that is already reported.

To the extent this information is fragmented and inconsistent, responsibility for that outcome rests not with the industry but with the lack of coordination between relevant agencies. Making a serious effort to streamline reporting arrangements and to enhance coordination would be an appropriate first step to improving reporting arrangements and information provision and to reduce costs and improve efficiency. In many cases, it is the publication and availability of reported data that is fragmented and lacking coordination, rather than the reporting itself.

Once this work is completed, the resulting improved information could then be placed on the Gas Bulletin Board to provide a streamlined, coordinated and readily available 'one-stop shop' for those interested in natural gas market information.

Following this, the industry would be happy to work with the COAG Energy Council on additional reporting that may serve to useful supplement the data that is already reported.

In this way, the availability of information to the market and to interested gas market participants and observers could be enhanced, meeting the aims articulated in the RIS, while reducing the compliance, regulatory and reporting burden facing gas producers.

As they stand, the measures proposed in the RIS will add to compliance and reporting and will in many cases directly and unnecessarily duplicate reporting arrangements and associated costs while

³ In submissions to the Australian Government in 2014, to the Australian Energy Market Commission in 2015 and to the ACCC in 2015 and 2019.



proposing little additional information or in some cases inconsistent and confusing information to the market.

Focussing solely on incremental costs is inappropriately narrow and inconsistent with good regulatory practice. The aim of this process should be to enhance information for relevant parties while reducing total costs for those providing the information.

APPEA also notes that the consultation and all proposed measures seem to only be regarding the natural gas producers and exporters of LNG. There is no emphasis placed on domestic consumers of natural gas. Transparency and reporting of information from all market participants is vital to the efficient operation of markets, including the east coast domestic gas market and we would therefore expect that such reporting arrangements apply consistently across the entire industry.

APPEA's comments on each of the relevant questions posted in the Consultation RIS are set out in Attachment 1.

We would welcome the opportunity to discuss these comments with you. Please feel free to contact Mr Damian Dwyer, Director – Economics on (02) 6247 0960 or at ddwyer@appea.com.au if you have any queries.

Yours sincerely

Andrew McConville
Chief Executive

Copy to: Andrew Pankowski

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in this paper and any other issues that they would like to provide feedback on. The SCO strongly encourages stakeholders to use this template, so that it can have due regard to the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern.

Should stakeholders choose to provide additional feedback outside the template, they should reference the relevant question they are responding to.

1. Bulletin Board

Number	Questions	Feedback
1	<p>Box 2.3 describes the purpose of the Bulletin Board. If the transparency measures outlined in this Consultation RIS are implemented, do you think that the purpose of the Bulletin Board should be further clarified (e.g. to capture both domestic and export-oriented activities)? If yes/no please explain.</p>	<p>APPEA does not believe there is any additional benefit in export-oriented activities reporting to the domestic market. Export reporting will create confusion in the market if the terms and conditions supporting contracts for example, are not well understood and the information is taken out of context. APPEA believes the Bulletin Board is largely serving its purpose in providing information to support a competitive domestic market and should remained focused on domestic market information.</p> <p>APPEA would like to emphasise that all additional reporting involves costs for gas market participants. These costs need to be weighed against any benefits that may flow (or be perceived to flow) from additional reporting.</p> <p>APPEA understands that the objective of the proposed Gas Market Transparency measures and the subsequent information to be shared via the Bulletin Board is to improve information symmetry in the market to enhance the efficiency of the market, leading to better outcomes for all stakeholders. To that effect, APPEA suggests that a serious effort be made to streamline reporting arrangements and to enhance coordination to improving reporting arrangements and information provision and to reduce costs and improve efficiency In many cases, it is the publication and availability of reported data that is fragmented and lacking coordination, rather than the reporting itself.</p>

2. ACCC recommendations on reserves and resources reporting framework

Number	Questions	Feedback
2	<p>As noted in Table 3.3, the ACCC has recommended that annual movements in 2P reserves be reported. Do you think:</p> <p>(a) an additional category of ‘pricing’ should be included to capture reserve adjustments due to changes in gas price assumptions?</p> <p>(b) reserves upgrades and downgrades should be combined into a single category?</p>	<p>As APPEA has previously noted in our comments (APPEA submission) to the <i>ACCC Framework for the consistent reporting of natural gas reserves and resources</i> consultation paper and to numerous other reviews and inquiries in recent years, APPEA members and other gas producers have been reporting reserve/resource estimates (including in many cases 3P + 2C resources) to the Australian Securities Exchange and to various national and State/Territory regulatory and geoscience agencies for decades and these estimates are available publicly.</p> <p>These reporting and publication arrangements are longstanding and underpinned by years of regulatory and reporting experience. Reserve and Resource estimates are also produced on a regular basis by consultants such as Core Energy and EnergyQuest.</p> <p>Rather than add a new and duplicative reporting arrangement, APPEA recommends the COAG Energy Council and the gas market regulatory agencies facilitate appropriate data sharing arrangements for this data to be compiled and published at a single source, like the Gas Bulletin Board.</p> <p>Following this, the industry would be happy to work with the COAG Energy Council on any additional reporting that may serve to usefully supplement the data that is already reported. It is the most efficient way of collecting this information for market participants.</p> <p>APPEA does not believe there is any need for an additional category of ‘pricing’ to be included to capture reserve adjustments. Producers should be responsible for determining their own forecasted prices for estimating uncontracted reserves and disclosing the assumptions. Because of differences in development costs, field location, and contractual terms, only producers should be able to determine their forecasted gas prices assumed when estimating uncontracted reserves.</p> <p>However, they should not be forced to disclose the discrete price forecast relating to their price assumptions. Having to disclose their discrete forecasted prices for uncontracted reserves would also not necessarily provide clarity to other market participants because of the historic volatility in gas prices in the short-term. Regardless of the price assumptions utilised, producers would still be</p>

2 cont		<p>subject to price volatility for uncontracted future production and the resulting reserve adjustments</p> <p>If producers were to use a common reference price, each producer would have to keep a separate reserve reports for the ACCC and have the additional justification of reconciling them to the other reserve reports which will only add to market confusion and producer's costs. This common price may not reflect that producers investment criteria for development costs, or contractual options. Thus, these reserves will become contingent resources leading to very different reserve numbers not compliant to reporting required by other regulator agencies/jurisdictions. Contingent resources from this price set would drop out of the development plan and thus would not be considered reserves.</p>
3	<p>As noted in Table 3.3, the ACCC has recommended that reserves and resources be reported on a field level. How do you think the term 'field' should be defined for this purpose? For example, do you think it should be defined by reference to a permit, or is greater guidance on how tenures are to be grouped into a field assist? Alternatively, do you think there should be a standard or requirement for naming fields? Please explain your response to this question</p>	<p>As noted above, there is significant reserves and resources reporting already in place with well established rules, that have been in place for years.</p> <p>APPEA does not see additional benefit in reporting by field of reserves and resources.</p> <p>If the objective of this reporting is to provide a signal to the market on supply demand balance and or demand in the future years and reserves balance, then that can be entirely achieved by reporting by companies on a state/territory basis.</p> <p>The additional reporting on a field basis has little additional benefit but involves significant costs for industry that may result in higher prices. Significant amounts of this information is already publicly reported by operating companies and is published by Geoscience Australia and by relevant state and territory geoscience agencies and regulatory authorities as well as private consultancies like Core Energy and EnergyQuest.</p> <p>Reporting this information at the field level will add extra red tape and reporting obligations on the industry, which is trying to reduce costs at the same time in order to provide consumers with competitively priced products domestically and competing with lower cost jurisdictions for the global export market. This additional reporting will increase the cost burden make it difficult for the Australian oil and gas industry to compete globally.</p>

3. Gas, LNG and infrastructure prices

Number	Questions	Feedback
4	<p>Do you agree with the information deficiencies that have been identified in Table 4.1? If you don't agree please explain why. Are there other pricing related information deficiencies that you think are adversely affecting the gas markets in eastern and northern Australia?</p>	<p>The spot price of gas is published continuously by AEMO already for all the major city hubs on the east coast.</p> <p>The spot price of LNG is published continuously by various global agencies and even by many media agencies publicly.</p> <p>APPEA does not, therefore observe, major price related information deficiencies that are adversely affecting the gas markets in eastern and northern Australia.</p> <p>It is also very important that any data collected by any regulatory agency in Australia needs to be protected for commercial reasons and any publication needs to be aggregated to protect individual reporters. The greater granularity of data that is required to be reported under measures proposed will collect significant amounts of information that is commercially sensitive and publication could impede competitiveness of the natural gas producers. The cost impost on producers to report such detailed information about short-term trades could potentially increase costs for participants and reduce market activity in short-term trades.</p>
5	<p>How significant an effect, do you think the information deficiencies identified in Table 4.1, are having on the gas markets in eastern and northern Australia and the broader economy?</p>	<p>No deficiencies and thus no effect.</p>

6	<p>Do you agree that the information deficiencies for gas, LNG export and infrastructure prices could be viewed as a market failure that will warrant government intervention? If not, please explain why.</p>	<p>APPEA does not agree that the information deficiencies can be viewed as a market failure and warrant any intervention from the government. As noted above the spot price of natural gas on the east coast and LNG prices are already reported publicly on a continuous basis. Thus, there does not appear to be a market failure in providing information to the market that would necessitate government intervention.</p> <p>The price in the market for both domestic and global LNG is reflective of market conditions. The global LNG market has seen significant additions to global supply from Australia and other LNG exporting nations over the last few years. This, in addition to the relatively low oil price and mild winters in the Northern Hemisphere, has resulted in lower than expected LNG prices.</p> <p>The east coast domestic market on the other hand has tightened largely as a result of the unscientific and unnecessary restrictions placed on natural gas development in southern states Victoria and NSW. For example, NSW is now importing around 96 per cent of its gas from other states. As the ACCC has pointed repeatedly through its <i>Gas Inquiry 2017 - 2020</i>, the shipping of gas south from Queensland can add up to \$2/GJ to the cost. This can in many cases be around 25 per cent of the cost to consumer. The price in the domestic market is reflective of the tightness in the market and the long distances the gas is being required to be shipped to deliver to consumers. It is these arbitrary restrictions and that are causing market tightness and issues of price for the domestic market rather than any lack of transparency around pricing.</p> <p>The ACCC has also repeatedly pointed out that the best solution to ensure competitively priced natural gas is available to Australian households and businesses is to develop it close to where the demand is.</p> <p>APPEA recommends COAG Energy Council focus its efforts on ensuring the removal of restrictions on natural gas development in Victoria and NSW.</p>
7	<p>To what extent have you been using the existing information on the Bulletin Board and information published in the ACCC Gas Inquiry?</p>	<p>APPEA makes extensive use of the information on the Bulletin Board and the ACCC inquiry reports to advocate for good policy development.</p>

8	<p>Do you agree with the ACCC-GMRG's recommendations on how to address these information deficiencies, which would require the publication of the following (see section 3.3 for more detail)?</p> <ul style="list-style-type: none"> o production cost estimates; o short-term GSA prices; o long-term GSA prices; o LNG netback prices; o LNG export prices; and o the standing prices and actual prices paid for compression and storage facilities. <p>(a) If so, please explain how you would use this information and the net benefit it would provide.</p> <p>(b) If not, please explain why.</p>	<p>APPEA supports the objective of more transparency in the east coast gas market and recommends that COAG Energy Council implement <i>Option 2: Subset of the ACCC-GMRG Proposed Transparency Measures</i> identified in Section 4.3.</p> <p>APPEA supports AEMO publication of production cost estimates as part of GSOO, particularly as the RIS identifies that the incremental cost of reporting related to this measure is zero. It would be prudent that AEMO seek advice from a reputable consultancy and build around the report enough contextual literature to explain the variances in cost of production. The data would have to be at an aggregated level to ensure the Australian gas industry remains competitive and commerciality of operators is not compromised. For completeness, this work should also include an explanation of additional cost involved in delivering the natural gas to customers, including but not limited to transportation, processing, retail etc.</p> <p>APPEA notes the recommendation on reporting of short-term GSA's in <i>Option 3: ACCC-GMRG transparency measures</i>. There are limitations to the usefulness of the information that would be provided through such a measure given the bespoke nature of many GSA's (length of agreement and the nature of the terms of conditions attached to each agreement mean it is difficult to aggregate the information provided through short-term GSA's in any meaningful way).</p> <p>In addition, given the demand scale of the east coast market and liquidity issues identified by the RIS, it seems onerous to require reporting and publication of this data on a continuous basis. APPEA also holds significant concern relating to commercial in confidence information required under this reporting measure. APPEA recommends that an intermediate measure of reporting by proponents either annually or 6 monthly be the basis of this measure and the data collected be aggregated and published only on an annual basis in the GSOO as is done in the ACCC Gas Inquiry reports. This would ensure that industry practice developed under the remit of the ACCC Gas Inquiry over the past few years continues to underpin the reporting regime. It should be noted that this reporting has resulted in increased costs on market participants and is a significant impost, particularly on the smaller players. Regarding the Option 3 measures as currently proposed, APPEA would like to point out that the RIS notes on page 56 that the reporting obligations would result in cost impost on trading parties, AEMO and the AER. The costs on industry are likely to result in higher costs for consumers. APPEA sees this as inefficient and unnecessary.</p> <p>APPEA supports the publication of prices for long-term GSA's as proposed in the <i>Option 3 Long-Term GSA's</i> measure. However, APPEA recommends that the publication be done on</p>
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8 cont.	<p>an annual basis by AER and not “<i>at least twice a year</i>” as currently proposed (RIS, page 57). This would allow appropriate protection of commercial in-confidence industry information and likely lead to lesser cost impost.</p> <p>APPEA recommends that the measure regarding LNG Netback price publication in <i>Option 2: Subset of the ACCC-GMRG Proposed Transparency Measures</i> be implemented.</p> <p>APPEA does NOT support the measure regarding LNG Export prices as proposed in <i>Option 3: ACCC-GMRG transparency measures</i>. This measure would lead to no additional benefit accruing to the domestic market as the conditions associated with long-term LNG contracts are significantly different to any domestic market contract. The scale, volume, timelines, terms around delivery etc. are all significant factors that affect LNG export contract prices. This measure will potentially only lead to more confusion around prices and misinformation in the domestic market.</p> <p>This measure would also significantly impact the ability of the Australian LNG industry to compete globally. The price published will reveal in-confidence commercial information regarding Australian LNG industry contracts to other LNG producers who can use this information against Australian producers. This risks undermining the Australian LNG industry’s international competitiveness.</p> <p>Significant amounts of information around LNG spot prices and LNG futures is already publicly available, while the Netback price published by ACCC since October 2018 provides the information required for future LNG prices. The industry sees little additional benefit to this reporting measure and significant risks to the competitiveness of the Australian LNG industry which operates in a very competitive global market. This measure is counterproductive to the development of a significant industry that underpins thousands of jobs and contributes to the Australian economy growth through exports revenue, taxes and royalties.</p> <p>It also remains the cases that the focus of this Consultation RIS appears to be exclusively on natural gas producers and exporters of LNG. There appears to be no emphasis placed on domestic consumers of natural gas. Transparency and reporting of information from all market participants is vital to the efficient operation of markets, including the east coast domestic gas market and we would therefore expect that such reporting arrangements apply consistently across the entire industry.</p>
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9	<p>Do you agree with the options that have been identified in section 4.3, or are there other options that could be considered? If you think there are other options that could be considered, please explain what they are, what they would involve and what the advantages, disadvantages, costs, benefits and risks are with these additional options.</p>	<p>APPEA strongly opposes the measures proposed in <i>Option 4: ACCC-GMRG measures plus additional measures (superset)</i>.</p> <p>These measures are extremely onerous and will result in significant costs being imposed on natural gas producers, regulatory agencies and other participants. APPEA does not see additional benefit to the domestic market from these measures given the scale of the east coast domestic market.</p> <p>The industry holds significant concerns around publication of very sensitive commercial in-confidence information required in these measures and sees them as a threat to the competitiveness of the Australian LNG industry.</p> <p>Requiring natural gas producers to report on actual cost of production is confusing, onerous, involves significant costs and affects Australia’s competitiveness in the global LNG markets, particularly, for integrated facilities that produce multiple outputs including natural gas and/or process third party natural gas. The allocation of costs in those facilities will be extremely difficult to establish and lead to potentially misleading data. This will be become even more complex, as the industry moves to more collaboration and shared usage of existing infrastructure.</p> <p>Reporting of this data by field is likely to result in data that provides no useful information to the market. Most gas producers do not contract sales gas by field. Instead gas available for sale may be based on overall system capacity considering individual field reserves and deliverability, shared offshore infrastructure constraints, onshore processing constraints such as CO2 / other impurity processing.</p> <p>By-field data may be of limited utility to gas buyers. APPEA is not aware of any other jurisdiction that requires reporting of actual cost of production on a field basis. It is also noteworthy, that the ACCC-GMRG also noted, <i>“that the publication of this disaggregated information could, have a deleterious effect on competition between producers and LNG importers by facilitating co-ordinated conduct.”</i> (RIS, Page 59).</p>
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<p>10</p>	<p>In relation to the options set out in section 4.3:</p> <p>(a) What do you think the advantages, disadvantages, costs, benefits and risks are with each option?</p> <p>(b) What incremental benefits do you think are associated with options 2-4?</p> <p>(c) What incremental costs do market participants expect to incur under options 2-4?</p> <p>(d) Are there any refinements that could be made to these options to reduce compliance and reporting costs, whilst also ensuring any obligations are fit for purpose and achieve the NGO and the Energy Council’s Vision as set out in Box 1.1?</p> <p>(e) Do you agree with the proposed reporting frameworks for short-term GSAs, swaps and/or secondary trades of storage capacity? If not, please explain what you think should change and why.</p>	<p>As noted above, there is very little if any incremental benefit associated with measures proposed in 2-4 of section 4.3 and this comes at a significant reporting cost burden on industry. It risks significantly reducing Australian LNG industry competitiveness as compared to global competitors. APPEA is not aware of any other jurisdiction that requires companies to report this level of information and it will impede future Australian LNG investment.</p> <p>In relation to the measure for reporting gas swaps information, APPEA remains concerned around confidentiality of this data as well as potentially providing misleading information to the market. The onerous requirements of this reporting measure will likely lead to very limited participation by producers and reduce liquidity in the market.</p> <p>In relation to the measure regarding historic invoiced-based producer and retailer gas price series (RIS, page 60), APPEA would like to highlight that the ACCC is not publishing this information anymore. In the ACCC Gas inquiry report 2017–2020 Interim report July 2019, the ACCC notes on page 60,</p> <p><i>“Throughout the inquiry, the ACCC has presented an invoiced time series, which showed average prices paid at a particular point in time under all applicable GSAs. In this report, we present a time series of average GSA prices agreed at a particular point in time. This time series better demonstrates the evolution of the market prices, because in an invoiced price series the average of prices is a lagging indicator of market prices due to the influence of prices paid under legacy GSAs.”</i></p> <p>APPEA does not support this measure. It is a significant cost to reporters and ACCC action indicates it does not find this information valuable for market participants.</p>
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11	If you think the transparency measures set out in section 4.3 should be implemented through alternative means, please explain how you envisage this would work.	APPEA supports many of the recommendations of the RIS and the overall intent to increase transparency in the gas market. However, it needs to be done carefully to not put significant additional costs on the industry for no additional benefit. Care also needs to be given to the in-confidence information that is being requested, publication of which will likely lead to reduced competitiveness for the Australian LNG industry in global markets. This information, particularly if presented without the supporting terms and condition of contracts will only lead to increased uncertainty and confusion around prices in the domestic market. This is contradictory to the outcome the industry supports.
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4. Supply and availability of gas

Number	Questions	Feedback
12	Do you agree with the information deficiencies that have been identified in Table 5.1? If you don't agree with the information deficiencies that have been identified, please explain why. Are there other gas supply and availability related information deficiencies that you think are adversely affecting the gas markets in eastern and northern Australia?	<p>APPEA does not agree with the deficiency identified regarding reserves and resources information. As the RIS notes on page 66, there is information already reported to state agencies and/or NOPTA for reserves, resources and drilling activities. The most efficient way of making this data accessible is to collect it from those agencies and report it in an aggregated manner. The COAG process should enable state regulators to use their processes to share this information with either AEMO or AER for publication at a suitable level of aggregation ensuring no commercial in-confidence information is identifiable for any operator.</p> <p>APPEA recommends the COAG Energy Council and the gas market regulatory agencies facilitate appropriate data sharing arrangements for this data with state agencies and NOPTA, to be compiled and published at a single source, like the Gas Bulletin Board or the AER. If consistency is the identified issue with data already reported, then APPEA recommends the state regulators and gas market regulatory agencies work together to ensure that this data is reported on a consistent basis.</p> <p>APPEA does not agree with a deficiency in information already available on contracted reserves. The AEMC pointed out in its work the measuring of uncontracted reserves is extremely complex and problematic.</p>

12 cont.		If the aim of this recommendation of ACCC-GMRG is to ensure consistent information is available for all market participants regarding supply outlook in the future, then the GSOO already publishes long term supply outlook. The industry has, since its membership of the Gas Market Leaders Group (GMLG) in 2005-06 – which gave rise to the GSOO, GBB, STTMs and to AEMO, the AER and the AEMC –worked cooperatively with AEMO to establish and improve this reporting mechanism.
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13	How significant an effect do you think the information deficiencies identified in Table 5.1 are having on the gas markets in eastern and northern Australia and the broader economy?	APPEA believes that the deficiencies identified in the table are very complex issues that need to be coordinated with state agencies that already collect significant amounts of data. Any additional new and duplicative reporting mechanism for the same data is a very inefficient way of reporting this information. Moreover, this information is subjective and open to interpretation. It can potentially add confusion in the market and lead to misinformed decisions.
14	Do you agree that the information deficiencies regarding the supply and availability of gas could be viewed as a market failure that will warrant government intervention? If not, please explain why.	APPEA does not see an information deficiency regarding the supply and availability of gas, thus no market failure.

Number	Questions	Feedback
15	To what extent have you been using the existing information on the Bulletin Board and information published in the ACCC Gas Inquiry?	APPEA is a frequent user of the information published on the Bulletin Board and in the ACCC Gas Inquiry reports.

<p>16</p>	<p>Do you agree with the AEMC's and ACCC-GMRG's recommendations on how to address these information deficiencies, which would require the publication of the following (see sections 3.1 and 3.3 for more detail)?</p> <ul style="list-style-type: none"> o 1P, 2P, 3P reserves, 1C and 2C contingent resources; o Links to public information on exploration activities; o Drilling activities; o Volume of gas contracted under existing GSAs; and o LNG import volume and operational information. <p>(a) If so, please explain how you would use this information and the net benefit it would provide.</p> <p>(b) If not, please explain why.</p>	<p>As has been noted in feedback to Question Number 2 (above), APPEA members and other gas producers have been reporting reserve/resource estimates (including in many cases 3P + 2C resources) to the Australian Securities Exchange and to various national and State/Territory regulatory and geoscience agencies for decades and these estimates are available publicly.</p> <p>These reporting and publication arrangements are longstanding and underpinned by years of regulatory and reporting experience. Reserve and Resource estimates are also produced on a regular basis by consultants such as Core Energy and EnergyQuest.</p> <p>Rather than add a new and duplicative reporting arrangement, APPEA recommends the COAG Energy Council and the gas market regulatory agencies facilitate appropriate data sharing arrangements for this data to be compiled and published at a single source, like the Gas Bulletin Board.</p> <p>2C resources are a best estimate and this data is very interpretive based in knowledge and subject matter expertise. It potentially can lead to conclusions that may not be borne in reality if misinterpreted. These estimates can differ greatly from year-to-year based on underlying gas price estimates. This may result in confusion about market participants about future supply.</p> <p>The industry also holds significant concerns with requirement to report by field. The industry does not see any additional benefit by reporting at that level of disaggregation and is concerned about the significant risks that relate to commercial in-confidence information being published inadvertently. The reporting of any reserves and resources should be done at the state level to avoid likely issues around data protection.</p> <p>Importantly, all these reporting measures have significant costs burden associated with them particularly for smaller companies. These costs will likely lead to higher price for consumers which is an unwanted consequence.</p> <p>The industry also has significant concerns relating to the uncontracted reserves reporting measure. This reporting has many assumptions built in it that will require significant auditing and verification costs. The industry fails to see any benefit to this reporting. Reserves reporting should be more than sufficient for industry participants to be able to make a judgement about future supply, particularly given the GSOO publishes long term supply and demand forecasts annually.</p>
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16 cont.	<p>This information can lead to market confusion and will place an onerous burden on industry. Annually changing uncontracted reserves due to price assumption prevailing at the time can also lead to market participants drawing misleading conclusions about future prices.</p> <p>Industry forecasts on future prices used for reporting uncontracted reserves may also potentially not match the future price forecast provided by various consultancies and indeed the netback price published by the ACCC. This could lead to significantly different conclusions by market participants and cause confusion in the market for no additional gain.</p> <p>Greater sharing of publicly available information on exploration activities, drilling activities should be facilitated between state and federal regulatory agencies, rather than introducing new duplicative reporting regimes. In APPEA's view this is the least cost solution to the information deficiencies identified in sections 3.1 and 3.3 of the RIS.</p>
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17	<p>Do you agree with the options that have been identified in section 5.3, or are there other options that could be considered? If you think there are other options that could be considered, please explain what the options are, what they would involve and what the advantages, disadvantages, costs, benefits and risks are with these additional options.</p>	<p>APPEA supports the measures identified in <i>Option 2: AEMC proposed transparency measures (sub-set)</i> and many of the measures identified in <i>Option 3: ACCC-GMRG proposed transparency measures</i> in section 5.3. In the measures relating to the reporting of reserves, APPEA members hold significant concerns around reporting by field requirement. The industry sees very little benefit to the market participants of this very onerous reporting requirement. On the contrary, this level of reporting has significant risks of commercial information being inadvertently disclosed and individual reporters identified. APPEA sees very little additional benefit of reporting “by-field” as opposed to “by state”.</p> <p>APPEA does NOT support the measure relating to drilling activities, including the expenditure on these activities. This is commercial in confidence information that can significantly impede the ability of the Australian natural gas industry to compete with international competitors in global LNG markets. There is no additional benefit to the domestic market participants from this information. The drilling expenditure is already included in cost of production measures.</p> <p>The Australian Bureau of Statistics (ABS) has for many years collected drilling expenditure and associated activities information for the petroleum industry and publishes it at an appropriate level of aggregation in Catalogue number 8412.0 – <i>Mineral and Petroleum Exploration, Australia</i> on a quarterly basis.</p> <p>AEMO should facilitate data sharing with ABS for this information, rather than imposing a duplicative reporting burden on natural gas producers. There are consultants like Core Energy, Platts etc. who estimate these costs for industry and should be commissioned by government should it wish to.</p>
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18	<p>In relation to the options set out in section 5.3:</p> <p>(a) What do you think the advantages, disadvantages, costs, benefits and risks are with each option?</p> <p>(b) What incremental benefits do you think are associated with options 2-4?</p> <p>(c) What incremental costs do holders of gas reserves and resources, LNG import and LNG export facilities expect to incur under options 2-4?</p> <p>(d) Are there any refinements that could be made to these options to reduce compliance and reporting costs, whilst also ensuring any obligations are fit for purpose and achieve the NGO and the Energy Council's Vision as set out in Box 1.1?</p>	<p>The measures proposed in section 5.3 will add significant cost burden associated with reporting and auditing the information required. It will likely be reflected in the price of natural gas paid by consumers. Many of these measures are of little additional benefit to the market and are in direct contradiction to the COAG Energy Council's vision which seeks to set an efficient price for natural gas in the market.</p> <p>Significant amounts of information is already reported to state and federal regulatory agencies, and COAG should seek to facilitate greater data sharing between these agencies as opposed to adding duplicative costly reporting regimes on industry.</p> <p>APPEA recommends that the demand supply balance information required to be reported in Options 2-4 of section 5.3 be limited to only short- and medium-term outlook. It is fanciful to think that any LNG project can provide with any degree of confidence the supply and demand outlook for the life of the LNG project which can be upwards of 25 years in many cases, particularly the demand under domestic GSAs.</p> <p>Such disclosure if forced by regulation can leave LNG projects liable for wrongful disclosure in the future. This measure can significantly increase risk for LNG industry in Australia and impede future investment.</p>
19	<p>If you think the transparency measures set out in section 5.3 should be implemented through alternative means, please explain how you envisage this would work.</p>	<p>Information required in some of the measures in section 5.3 should be obtained by greater data sharing between state and federal regulatory agencies. Such data sharing is more efficient to implement than increasing duplicative reporting burden on natural gas producers.</p>

5. Demand for gas

Number	Questions	Feedback
20	Do you agree with the reporting information inconsistencies that have been identified in section 6.1? If you do not agree, please explain why. Are there other demand related information deficiencies that are adversely affecting the gas markets in eastern and northern Australia?	<p>APPEA does not agree with information inconsistencies that have been identified in section 6.1. The information that is reported to state and federal regulatory agencies and to ports is in most cases publicly available. Where it is not made publicly available, it is entirely for commerciality reasons as noted in table 6.1 of the RIS.</p> <p>Additionally, this information is reported for specific purposes to each of those regulatory bodies in accordance with requirements under contracts and/or guidelines of reporting set for those specific purposes.</p> <p>Rather than add a new and duplicative reporting arrangement, APPEA recommends the COAG Energy Council and the gas market regulatory agencies facilitate appropriate data sharing arrangements for this data to be compiled and published in a consistent manner. This is the most efficient way of achieving the intended outcome from the proposed measures.</p> <p>Following this, the industry would be happy to work with the COAG Energy Council on any additional reporting that may serve to usefully supplement the data that is already reported.</p>
21	How significant an effect do you think the demand related information deficiencies are having on the gas markets in eastern and northern Australia and the broader economy?	There is a significant amount of this information already available through the Bulletin Board, including pipeline transmission flows.

Number	Questions	Feedback
24	<p>Do you agree with the AEMC's and ACCC-GMRG's recommendations on how to address these information deficiencies, which would require the publication of the following (see sections 3.1 and 3.3 for more detail)?</p> <ul style="list-style-type: none"> ○ Large users' information on nameplate capacity and daily actual gas consumption; ○ LNG export facility operational information; and ○ LNG export facility shipment information. <p>(a) If so, please explain how you would use this information and the net benefit it would provide.</p> <p>(b) If not, please explain why.</p>	<p>The industry supports transparency in the gas market, but these measures appear to provide little additional benefit to market participants. The measures that require reporting daily actual gas consumption are of no benefit to domestic consumers and/or investors. APPEA does NOT support this measure.</p> <p>The LNG shipment information is already published on a regular basis by port authorities. If it is not published, it is due to commercial considerations. Those issues remain under these proposed measures.</p> <p>Where it can be published, COAG Energy Council should require regulatory agencies to facilitate data sharing and publishing arrangements at a single source.</p>
25	<p>Do you agree that requiring large users, LNG facility operators and LNG export facilities to report the information set out in section 6.3 will benefit market participants?</p> <p>(a) If so, please explain how you would use this information and the benefit it would provide.</p> <p>(b) If not, please explain why.</p>	<p>No. The changes flagged in the measures are in many cases commercial in-confidence information. Caution needs to be given to any proposals to report such information.</p>

Number	Questions	Feedback
27	Do you think that Northern Territory LNG facilities should be included or exempt from reporting the proposed operational and shipment information? Please explain your view.	<p>The Northern Territory LNG facilities should be exempt from reporting the proposed operation and shipment requirement because they have no role to play in supplying the NT domestic market and take no gas from the NT domestic market. APPEA does not believe there is any benefit to the east coast market by obtaining pricing, operational and shipping information from NT LNG facilities (and associated infrastructure upstream of the connection to the domestic market) that do not actively participate in the NT gas market. Reporting such information will create unnecessary burden for the NT LNG projects. This was recognised in the recent NT Government initiated Rule Change request that led to an exemption from Part 18 of the National Gas Rules (NGR) for NT LNG facilities.</p>
28	Do you have any suggestions for alternative/additional information that would improve demand side information on the Bulletin Board? If so, please explain your suggestions.	<p>APPEA believes that for the natural gas market to function well and efficiently, transparency in information reported from both the natural gas producers <u>as well as consumers</u> is necessary. This will allow symmetry of information to both sides and facilitate timely and informed investment decisions. The RIS is heavily focused on natural gas producers with very little focus on where the demand is coming from in the domestic market. APPEA believes this is inconsistent with good policy development. Information that will enhance the functioning of the market, if reported by domestic consumer participants includes but is not limited to:</p> <ul style="list-style-type: none"> • Actual consumption, • Short-, medium- and long-term demand forecast, • Price sensitivity to gas, etc.

29	<p>In relation to the LNG export information:</p> <p>(a) Are there any reasons why LNG exporters should not be required to report on exports to AEMO for publication on the Bulletin Board? If so, please explain why.</p> <p>(b) Are there any constraints on the ability of LNG exporters to report this information to AEMO? If so, please explain what the constraints are.</p> <p>(c) Do you agree the 20 business day lag is required to address potential concerns about the publication of LNG export information and if so, is this measure effective? If not, what would address those concerns?</p>	<p>The information requested in these measures is often not known within the 20 business days. In many instances, the final prices for LNG cargoes are not known up to 60 days post shipping.</p> <p>That being said, APPEA does not believe this measure has any additional value to domestic consumers. Moreover, this information will leave Australian LNG industry at a disadvantage when competing in the global LNG markets. This information is not the norm for our major competitors and will likely lead to reduced competitiveness for Australian LNG industry. Also, no other export industry or business within Australia is subject to this level of information reporting due to loss of competitiveness reasons.</p>
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Number	Questions	Feedback
31	<p>In relation to the options set out in section 6.3:</p> <p>(a) What do you think the advantages, disadvantages, costs, benefits and risks are with each option?</p> <p>(b) What incremental benefits do you think are associated with options 2-4?</p> <p>(c) What incremental costs do LNG exporters, LNG facility operators and large users expect to incur under options 2-4 in section 6.3?</p> <p>(d) Are there any refinements that could be made to these options to reduce compliance and reporting costs, whilst also ensuring any obligations are fit for purpose and achieve the NGO and the Energy Council's Vision as set out in Box 1.1?</p>	<p>Requiring reporting daily is unlikely to achieve the aims set out for this measure in the RIS. It does not provide useful information to market participants, nor does it does provide a signal for investment or alter the demand-supply balance in the market.</p>

6. Infrastructure used to supply gas to end-markets

Number	Questions	Feedback
33	Do you agree with the information deficiencies that have been identified in section 7.1? If you don't agree with the information deficiencies that have been identified, please explain why? Are there other infrastructure related information deficiencies that you think are adversely affecting the gas markets in eastern and northern Australia?	<p>APPEA agrees with some of the deficiencies identified in section 7.1 and Table 7.1. APPEA also supports some of the recommendations in section 7.3.</p> <p>However, APPEA recommends that there be consideration given to making already reported information more consistent, rather than adding a duplicative costly reporting measure.</p> <p>As the RIS notes, on page 86 there is already a range of information on infrastructure facilities available on the Bulletin Board, albeit in an inconsistent manner. Ensuring consistency of that information is a more efficient solution to the problem(s) identified in Section 7.2 as opposed to adding more duplicative reporting that increases costs of operation for industry participants.</p>

Number	Questions	Feedback
34	How significant an effect do you think the infrastructure related information deficiencies are having on the gas markets in eastern and northern Australia and the broader economy?	The project approval process goes through public inquiry and consultation at multiple stages. Additionally, investment intentions are reported by many listed companies to stock exchanges. This means it is unlikely that there are significant information deficiencies.

<p>36</p>	<p>Do you agree with the AEMC's and ACCC-GMRG's recommendations on how to address these information deficiencies, which would require the publication of the following (see sections 3.1 and 3.3 for more detail)?</p> <ul style="list-style-type: none"> o Proposed and committed infrastructure developments; o 36-month uncontracted capacity outlook for storage and stand-alone compression facilities, and production facilities providing third party access; o Stand-alone compression facilities to report operational information; and o A list of users with contracted capacity under storage and stand-alone compression facilities. <p>(a) If so, please explain how you would use this information and the net benefit it would provide.</p> <p>(b) If not, please explain why.</p>	<p>APPEA disagrees that there is a deficiency around upstream natural gas development information available publicly. The Department of Industry, Innovation and Science reports annually on the Major Projects in the oil and gas industry including infrastructure through its Major Projects publication as a part of the Resources and Energy Quarterly. It includes all new development in upstream natural gas and expansion projects with Status split into Committed, Publicly Announced and Feasibility stage. It maintains the project pipeline with a consistent data base and provides related project information like capacity, expenditure etc. It also reports on projects that have been completed in the 12 months prior to publication. This information is comprehensive and easily accessible.</p> <p>As many participants are publicly listed there is also significant amounts of information also reported to the ASX and to other state regulatory agencies regarding natural gas production projects.</p> <p>There is no need for duplicative reporting arrangements around proposed and committed upstream natural gas projects. Should the COAG Energy Council want to make this information more easily accessible, it should facilitate better data sharing between state and federal regulatory agencies and publish the data at a single source like the Gas Bulletin Board or as a part of the GSOO publication annually.</p> <p>APPEA does not support the measure requiring reporting of availability of processing capacity by production facilities providing third party access. Information on gas processing plant nameplate capacity, near-term projected capacity and actual daily capacity utilised is available on the Gas Bulletin Board and the 'supply input' data files published in conjunction with GSOO report. Additionally, given the limited number of gas processing facilities and the typical desire of gas extracting companies to use proximate processing facilities, APPEA sees no current structural impediments to producer/processor commercial discussions relating to processing capacity.</p>
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7. Gas Statement of Opportunities (GSOO)

Number	Questions	Feedback
49	Do you agree that the GSOO should be expanded to include the Northern Territory now it is connected to the eastern and northern Australian gas markets? If not, please explain why.	APPEA does not believe there is any benefit to the east coast market by obtaining pricing, operational and shipping information from NT LNG facilities (and associated infrastructure upstream of the connection to the domestic market) that do not actively participate in the NT gas market as sellers or take gas from the NT domestic market. Reporting such information will create unnecessary burden for the NT LNG projects for the very limited interaction with the NT market and by extension the east coast market. This was recognised in the recent NT Government initiated Rule Change request that led to an exemption from Part 18 of the National Gas Rules (NGR) for NT LNG facilities.

50	Do you agree that the current voluntary requirement for market participants to provide information to AEMO results in a poor quality of information in the GSOO? If not, please explain why.	<p>APPEA strongly disagrees with the statement that the current voluntary requirement for market participants to provide information to AEMO results in poor quality of information in the GSOO.</p> <p>APPEA has engaged with AEMO over many years with regards to upstream oil and gas companies input into the GSOO. AEMO has always noted the extremely high rate, almost always 100 per cent reporting by the natural gas producers and has never indicated to APPEA any issues with the data reported. Most recently, in 2018 the GSOO was published multiple times and the data collection from east coast LNG projects was conducted multiple times too. The industry has worked cooperatively with AEMO over many years to ensure the data collected has been timely and of high quality.</p> <p>Moreover, under National Gas Law (Section 91F - Information Gathering Powers) AEMO already has GSOO- and VGPR-related information gathering powers (box below).</p> <div style="border: 1px solid black; padding: 5px;"> <p>Subdivision 1—Market information orders and market information notices</p> <p>91F—Information gathering powers</p> <p>(1) If AEMO considers it reasonably necessary to do so for the exercise of a relevant function, it may—</p> <ul style="list-style-type: none"> (a) make a general market information order requiring information from persons of a class specified in the order; or (b) serve a market information notice requiring information from the person to whom the notice is addressed. <p>(2) A <i>relevant function</i> is—</p> <ul style="list-style-type: none"> (a) the preparation, review, revision or publication of the gas statement of opportunities; or (b) a declared system function; or (c) any other statutory function for which this Law authorises AEMO to gather information by means of a market information instrument. </div>
51	Do you agree that compelling market participants to provide information required for GSOO preparation will benefit the quality of information in the GSOO? If not, please explain why.	<p>Please see above. APPEA does not see any issues with voluntary reporting. Moreover, AEMO has never indicated to APPEA that it faced issues in obtaining data from natural gas producers.</p> <p>In APPEA’s view, the justification for proposed powers needs to be versus existing powers, not a situation of no powers.</p>

8. Risk analysis

Number	Questions	Feedback
55	Do you agree with the identified risks and treatments associated with maintaining the status quo, as set out in Tables A.1 and A.2? If not, please explain why. If you think there are other risks and treatments that could be included in Tables A.1 and A.2, please elaborate.	The industry supports many of the measures proposed in the RIS. However, we urge more optimal utilisation of data already reported to state and federal regulatory agencies as well as more efficient data sharing between them. This is the most efficient way of making data accessible for market participants. Additional duplicative reporting on industry participants is both costly and burdensome.
56	Do you agree with the identified risks and treatments associated with implementing recommendations described in options 2, 3, and 4, as set out in Tables A.3 and A.4? If not, please explain why. If you think there are other risks and treatments that could be included in Tables A.3 and A.4, please elaborate.	<p>APPEA does not agree with assigned Risk rating to the identified risks. The industry holds significant concerns around increasing reporting burden and challenges the notion that it has minor consequence. Increasing costs will likely lead to higher prices paid by consumers which seems to have been ignored and the risk deemed acceptable.</p> <p>APPEA strongly disagrees with the risk rating assigned to Confidentiality Concerns Risk. Reduced competitiveness in the global markets is a significant risk to the industry that will impede future investment and result in economic loss for Australia.</p>

9. Cost Benefit Analysis

Number	Questions	Feedback
58	Do you agree with the identified costs and benefit categories set out in Table 9.2? If not, please explain why? If you think there are other costs and benefit categories that could be considered in the CBA, please explain those cost categories and how best to capture them in the CBA.	APPEA does not agree with the identified benefit of 3. Potential for reduced investment or participation as a result of obligations to reveal commercially sensitive information. If this leads to reduced investment and therefore supply of gas in the market, then the consequences are far more severe than the associated benefit. Also, it does not account for commercial information publication leading to reduced competitiveness of the Australian LNG industry in the global market.

60	Do you agree with the proposed discount rate and appraisal period input variables to be used for the central case and sensitivity testing? If not, please explain why.	The proposed discount rate and appraisal period input variables are not consistent with those that reflect the risk inherent in oil and gas development projects. They are too low, particularly, for onshore developments that have higher risk associated with them.
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10. Commonwealth Regulatory Burden Measure Analysis

Number	Questions	Feedback
62	Do you have any information on the regulatory burden costs related to existing reporting requirements? If so, please elaborate on the components and quantum of the costs.	<p>The industry supports increased transparency in the east coast domestic gas market to support the efficient and effective operation of the market, to the benefit of all market participants.</p> <p>However, the cost impost related to reporting measures proposed in the RIS are significant and will likely lead to higher prices for consumers. Increased costs for producer pressure on prices is not an outcome the industry wishes to see from this process. The small and medium scale companies are particularly limited in their ability to absorb these costs.</p>

11. Competition Effects Analysis

Number	Questions	Feedback
66	Do you have any information on potential competition effects arising from each of the policy options summarised in Table 9.1 ? If so, please elaborate.	<p>The cost impost of proposed measures in the RIS can impede future investment in natural gas supply in Australia. Many of the small and medium scale businesses are less able to absorb an increasing cost burden and will be significantly affected.</p> <p>These measures also require reporting of significant information that is commercially sensitive. If that information is made available to LNG competitors, it will limit the ability of the Australian LNG industry to compete for global market share.</p>