

14 March 2019

Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Re: GRC0052 – Consultation Paper – National Gas Amendment (NT Emergency Gas Supply Arrangements) Rule 2019

ConocoPhillips Australia (COPA) welcomes the opportunity to provide comment on the Australian Energy Market Commission's *Consultation Paper – National Gas Amendment (NT Emergency Gas Supply Arrangements) Rule 2019*.

COPA is the largest joint venture owner and operator of the Bayu-Undan gas condensate field in the Joint Petroleum Development Area and the world-class Darwin Liquefied Natural Gas (DLNG) project in the Northern Territory which has been operating since 2006. COPA also has interests in other exploration and development projects located offshore Northern Territory and Western Australia, including Athena, Greater Poseidon and Caldita and Barossa discoveries.

COPA supports in full the Rule Change Request initiated by the Northern Territory Government to exempt DLNG from reporting obligations on the Natural Gas Bulletin Board (BB).

The intent of recent reforms to expand the information provided on the BB is to improve the functioning of the domestic gas market. As DLNG is an export focused facility with no firm supply to the domestic market, information on DLNG provides no material benefit to domestic consumers. COPA considers that the costs to DLNG of reporting information on the BB would be disproportionate to the undefined benefit provided to the domestic market.

DLNG's only interaction with the domestic market is a commercial agreement to supply emergency gas to PWC on a best endeavour's basis. This gas from the Bayu-Undan field supplied to the NT domestic market via the emergency supply arrangements does not flow through the DLNG liquefaction facility. Gas composition specifications of Bayu-Undan gas do not always meet the requirements of the NT domestic market and therefore will not always be injected into the Wickham Point Pipeline. Pipeline pressure requirements also limit the availability of emergency gas supply to the domestic market.

In addition to the above, all known remaining Bayu-Undan gas is contracted for export sale and therefore there is no potential to supply the domestic market beyond the as available terms of the emergency gas sales agreement. DLNG is not able to source gas from the domestic market. Gas supply from DLNG is sourced from a single offshore field (Bayu-Undan) for the export market. The Bayu-Undan field will soon revert to being wholly within the jurisdiction of Timor-Leste.

COPA has outlined detailed responses to relevant questions raised in the consultation paper in the AEMC's preferred submission template provided at Attachment 1.

COPA appreciates the opportunity to provide our responses on the consultation paper. Should you wish to discuss this submission further please contact Patrick Hastwell (08) 6363 2375 or patrick.hastwell@conocophillips.com.

Yours sincerely

A handwritten signature in black ink, appearing to be 'KE' followed by a long horizontal line.

Kayleen Ewin
Vice President – Sustainable Development, Communication & External Affairs
Australia Business Unit - West

Enc

ATTACHMENT 1

STAKEHOLDER FEEDBACK TEMPLATE

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 AEMC encourages stakeholders to use this template to assist it to consider 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. Further context for the questions can be found in the consultation paper.

SUBMITTER DETAILS

ORGANISATION: ConocoPhillips Australia

CONTACT NAME: Patrick Hastwell

EMAIL: patrick.hastwell@conocophillips.com

PHONE: (08) 6363 2375

CHAPTER 5 – SECTION 5.1 – COST BENEFIT OF NORTHERN TERRITORY LNG REPORTING ON THE BULLETIN BOARD

<p>1. What bearing does information on the NT LNG projects upstream of the connection point with the lateral pipelines have on the domestic market? What is this information likely to be used for and who will benefit from its provision?</p>	<p>The operations of Darwin LNG (DLNG) upstream of the connection point with the domestic market has no benefit to the domestic market as gas produced for sale is exported. DLNG has an emergency supply agreement in place with PWC and gas is provided to PWC if gas is available. DLNG does not have the ability to source gas from the domestic market. Gas supply used in LNG production at the DLNG facility is sourced entirely from a single offshore field. When the Treaty Between Australia and the Democratic Republic of Timor-Leste Establishing Their Maritime Boundaries in the Timor Sea is ratified, the gas field will be located 100% in Timor-Leste jurisdiction. All known remaining Bayu-Undan gas is contracted for export sale and therefore there is no potential to supply the domestic market beyond the as available terms of the emergency gas sales agreement with PWC.</p>
<p>2. What drawbacks are there to the domestic market of not being provided with information on these upstream activities?</p>	<p>Publishing information on DLNG does not meet the National Gas Objective. DLNG gas is produced for export. There is no foreseeable benefit to the domestic market if information is published on DLNG activities. The domestic market is unable to use the information to gain benefit.</p>
<p>3. Are the additional administrative costs of reporting under Part 18 likely to be significant to the NT LNG operations. Would this data be captured as part of ongoing operations?</p>	<p>There would be additional administrative costs of reporting under Part 18 to DLNG. This information is not captured as part of ongoing operations. The cost of collecting and providing standing data would not be considered significant. However, COPA believes the following data would have a significant cost:</p> <ul style="list-style-type: none"> • Short term pipeline and production capacity outlook • Medium term pipeline and production capacity outlook • Pipeline receipt and delivery nations for day D

	<ul style="list-style-type: none"> Forecast pipeline receipt and delivery nominations for D+1 to D+6 Actual flow data, daily production and storage information, published on D+1. <p>COPA believes the cost to DLNG would be disproportionate to the undefined benefit that would be provided to the domestic market.</p>
4. In what respects are the NT LNG projects likely to suffer commercial disadvantages in the international market as a result of providing the information required under Part 18?	<p>COPA believes having information published on the Bulletin Board may affect the management of Gas Supply Agreements (GSA's) with buyers. DLNG believes this could impact its competitive position in the global LNG market. For example, it is not uncommon for GSA's to include clauses that require sellers to source and provide gas to the buyer from the LNG global market. If the LNG market becomes aware the seller is in a distressed position, they could leverage the information to apply a premium to the spot cargo bought by the seller to meet a buyer's contractual requirements.</p>

CHAPTER 5 – SECTION 5.2 – THE CONSIDERATIONS OF THE NT LNG PROJECTS IN MAINTAINING EMERGENCY SUPPLY ARRANGEMENTS

1. What are the likely direct and indirect costs of the projects reporting under Part 18?	<p>The direct costs for providing information to the domestic market is the costs listed above in Box 1, Question 2.</p> <p>The indirect costs are business risks associated with:</p> <ol style="list-style-type: none"> Management of the GSA's with the Buyers. International competitiveness with other LNG producers and seller.
2. Is the replacement cost of emergency or back-up supply likely to be that much greater than existing agreements?	No response
3. What is the cost of upgrading the NGP to enable flow into the NT gas market?	No response
4. If the NGP is upgraded for bi-directional flow, is this supply less reliable than supply from the LNG projects, if so why?	No response

CHAPTER 5 – SECTION 5.3 - SCOPE TO EXEMPT THE NT LNG PROJECTS FROM PART 18 REPORTING REQUIREMENTS UNDER THE EXISTING RULES

1. Clarification of the location of the natural gas processing facilities within each project and the point at which gas is processed into a form which is suitable for consumption will assist in determining the data	<p>Gas from the Bayu-Undan field supplied to the NT domestic market via the emergency supply arrangements does not flow through the DLNG facility. Gas composition specifications of Bayu-Undan gas do not always meet the requirements of the NT domestic market and therefore will not always be injected into the Whickham Point pipeline. Pipeline pressure requirements also limit the availability of emergency gas supply to the domestic market.</p>
---	--

<p>required to be reported under the existing rules.</p>	<p>Gas from the Bayu-Undan field provided under emergency supply arrangements effectively bypasses DLNG to enter the domestic pipeline network. DLNG adjusts valve positions to direct a portion of the gas from Bayu-Undan into the domestic pipeline rather than into the DLNG facility. A metering station for domestic supply is located adjacent to the DLNG liquification facility.</p> <p>PWC takes the gas produced from the Bayu-Undan field as is. As noted above, PWC only receives gas if the gas specification is acceptable. DLNG is not obligated to meet the Wickham Point Pipeline (WPP) specification or PWC's user specification.</p> <p>The pipeline pressure from the Bayu-Undan gas export pipeline occasionally is not high enough to meet the specification of the WPP resulting in the valve being unable to open and injection of gas into the pipeline does not occur. The most recent example of this was in September 2019.</p> <p>Due to the occasional low pressure resulting in the inability to inject gas into the WPP, COPA believes that fluctuation in specifications/pressure would result in overly burdensome costs to administer frequent changes to BB capacity availability information.</p> <p>The Bayu-Undan gas export pipeline does not have compression. It is not expected that compression facilities will be added in future.</p>
<p>2. Are there any circumstances in which rule 164(2) should not allow for an exemption for any flows of gas from the LNG projects to the connection to the domestic market?</p>	<p>No response</p>

CHAPTER 5 – SECTION 5.4 - SCOPE TO EXEMPT THE NT LNG PROJECTS ON THE BASIS OF A NEW EXEMPTION

<p>1. How might the operation of the emergency supply arrangements be expected to change in the near future?</p>	<p>At the end of life of the Bayu- Undan gas field the current emergency supply gas sales agreement will end.</p>
<p>2. In the event of plans to change the operation of the lateral pipelines connecting the projects with the domestic market, to what degree should the domestic market be informed of these changes in advance?</p>	<p>Counterparties to GSA's will be notified in accordance with contractual obligations.</p>

<p>3. In the event that a new exemption is granted in any rule made, is there any information that would be valuable to the domestic market, beyond what would be reported by PWC and APA on the connecting pipelines, for example planned shutdowns of the upstream facilities?</p>	<p>Advance notice of shut downs and major maintenance events undertaken at DLNG are provided to PWC and to the NT business community and NT government well in advance.</p>
--	---

CHAPTER 5 – SECTION 5.5 - ISSUES ARISING FROM THE OFFSHORE LOCATION OF THE PRODUCTION FACILITIES

<p>1. Are there any issues in relation to the location of the offshore facilities that the project team should be aware of in making a rule?</p>	<p>The Bayu-Undan gas field sits in the Australian and Timor Leste Joint Petroleum Development Area (JPDA). Once the Treaty Between Australia and the Democratic Republic of Timor-Leste Establishing Their Maritime Boundaries in the Timor Sea is ratified, the Bayu-Undan field will be wholly within Timor-Leste's jurisdiction.</p>
--	--

CHAPTER 5 – SECTION 5.6 - THE IMPACT OF ANY RULE MADE ON THE APPLICATION OF THE TRANCHE 2 BULLETIN BOARD REFORMS

<p>1. How might any rule made allow for reporting requirements that would be introduced under the tranche 2 reforms?</p>	<p>COPA requests that any exemption rule change for DLNG should apply to the reporting requirements to be introduced under the tranche 2 reforms.</p>
--	---