



6 May 2016

Mr John Pierce
Chair
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235
Sent via AEMC online lodgement facility: aemc@gov.au

RE: Project number GPR0003 (East Coast Wholesale Gas Market and Pipeline Frameworks Review Stage 2 Draft Reports)

Dear Mr Pierce,

Esso Australia Resources Pty Ltd (EARPL), an affiliate of ExxonMobil Australia Pty Ltd, would like to provide a supplementary submission to its submission of 12 February 2016 on the Australian Energy Market Commission's (AEMC) Stage 2 Draft Report. In our earlier submission, we indicated we did not support the publication of Proved and Probable reserves by field. In this supplementary letter, we would like to provide further detail on reasons for not supporting public disclosure of reserves at a field level.

Reserves (proved and/or probable) are determined by integrating geologic and engineering data to understand a range of possible outcomes. High confidence can be assigned to Proved reserves, meaning we are reasonably certain (~90% confident) that proved volumes will eventually become produced volumes. Probable reserves by definition have ~50% confidence level meaning half of the time the actual volume produced will be larger, and half of the time the actual volume produced will be smaller than the estimate.

While geologic and engineering data are assessed at a reservoir and field level, aggregation of reserves data by Basin or larger level reduces the range of uncertainty around the estimated reserves volumes. Normal fluctuations up and down for field level reserves are statistically muted by aggregation and will show a better picture of the overall reserves available.

With this in mind EARPL would like to draw the attention of AEMC to four areas of concern with respect to publication of field level Proved (P90) and Probable (P50) reserves:

1. *Inherent uncertainty in field-level estimates:* As noted above, Probable reserves are probabilistic estimates and by their nature are equally likely to increase or decrease over the life of a development. A wider range of variance is expected with increasing granularity (or decreasing degree of aggregation).
2. *Potential for misuse:* As result of item 1, increasingly granular public disclosure provides potential to misuse or misrepresent investment opportunities or other commercial activities.

3. *Competitive issues:* Field level data may limit individual equity owner's competitive advantage (such as first mover advantage), may unnecessarily expose them to future liability, and may reduce opportunity for future trade/sale, or other commercial negotiation by establishing a publicly posted value as an anchor point. Further, individual investors may be misled by not understanding the nature of a P50 value as described previously. When considering sales or purchases or unitization agreements, it could be advantageous for some companies to take a more optimistic or pessimistic position within the SPE PRMS guidelines to further their negotiation position, again undermining AEMC's purpose for publishing this data.
4. *Additional regulatory burden:* In some cases companies may not estimate Probable reserves by field on the basis that it is not necessary for internal reporting requirements. Any requirement to now publish Probable reserves data by field could therefore create an additional regulatory burden on companies, and in the case of smaller entities which do not have the internal expertise, may also impose significant additional specialist consultancy costs.

EARPL notes that multiple government agencies, including the National Offshore Petroleum Titles Authority, are already engaged in the collection of data on reserves. EARPL also notes that Geoscience Australia has historically collected and published reserves data, aggregated by geographic area. EARPL recommends that the AEMC works with Commonwealth and State governments to determine a sustainable and timely mechanism to allow reserves data to be aggregated by basin and shared with market participants.

If AEMC sees significant additional value to the market in more detailed reserves information beyond basin aggregations, EARPL would not take exception to reporting Proved and Probable reserves on a "project" basis, rather than field-by-field. Reporting on a project basis would address most of the concerns outlined above. If this approach is taken, we recommend that the Petroleum Resource Rent Tax Project definitions would be appropriate as the basis for producer reporting; these project areas are approved by the Federal Resources Minister.

EARPL looks forward to continuing to participate in AEMC's East Coast Wholesale Market and Pipeline Frameworks Review. Please contact Mr Andrew Murphy on (03) 9270 3537 if you require clarification or any more information about this response.

Yours sincerely,



Stuart Jeffries
Director – Gas & Power Marketing