

The way gas is produced, traded and used is changing rapidly. We need competitive, efficient markets to keep the cost of gas supply to consumers as low as possible

### GAS MARKETS ARE EVOLVING



The east coast market is now interconnected and natural gas flows are more dynamic, moving across the entire network in response to demand



Long term contracts between gas producers and their customers are coming up for renewal



Customers today require more options around purchasing flexibility which can include a mix of long-term contracts and gas from spot markets



The domestic market is adjusting to emerging exposure to international gas prices

National Gas Rules made by the Australian Energy Market Commission apply to three natural gas spot markets. The markets are currently managed by the Australian Energy Market Operator with separate price-setting arrangements.

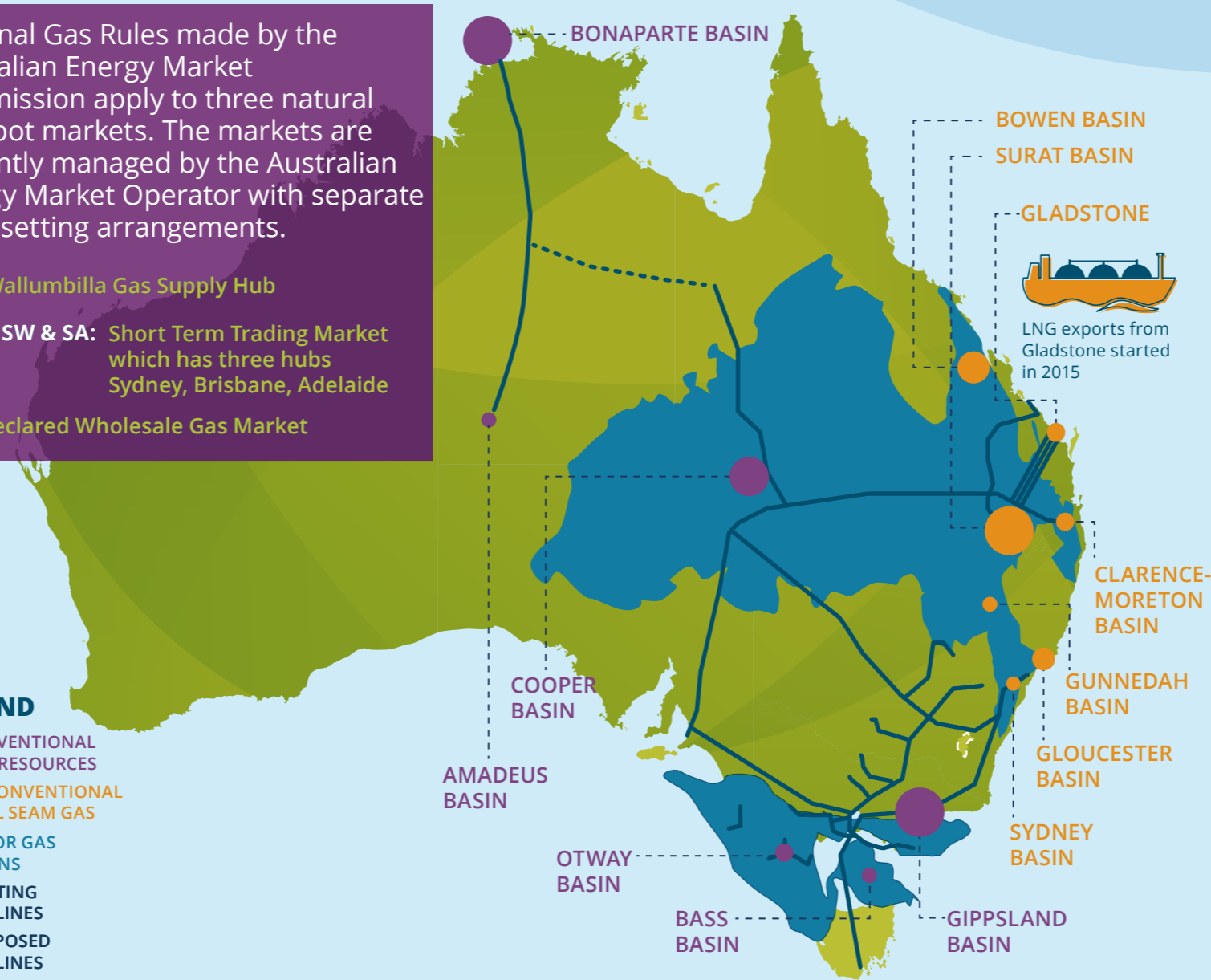
QLD: Wallumbilla Gas Supply Hub

QLD, NSW & SA: Short Term Trading Market which has three hubs Sydney, Brisbane, Adelaide

VIC: Declared Wholesale Gas Market

#### LEGEND

- CONVENTIONAL GAS RESOURCES
- UNCONVENTIONAL COAL SEAM GAS
- MAJOR GAS BASINS
- EXISTING PIPELINES
- - - PROPOSED PIPELINES



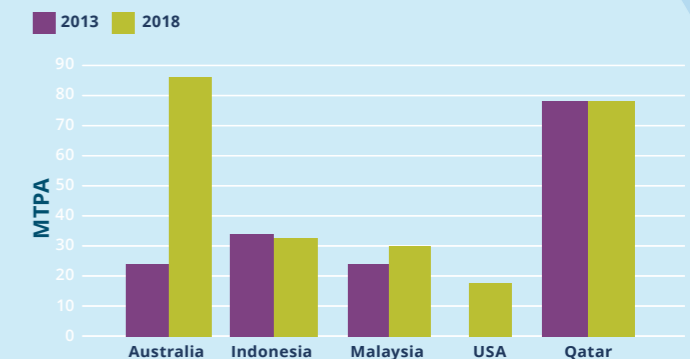
### LNG GLOBAL TRADE

#### A PERIOD OF SUPPLY GROWTH

- Australia is forecast to become the world's largest LNG exporter by 2018
- Gas used for LNG production at Gladstone will be nearly three times higher than east coast domestic demand

#### LIQUEFACTION CAPACITY BY COUNTRY IN 2013 AND 2018

(Existing and under construction projects expected by 2018)



SOURCE: International Gas Union World LNG Report 2014

#### LNG PRICING

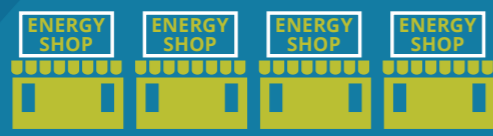
- Australian LNG is exported to Asia, where LNG prices are linked to oil
- Some domestic gas contracts are being linked to oil due to the influence of LNG exports
- These pricing structures will create new challenges for gas users managing risk

### HOW GAS IS BOUGHT AND SOLD



#### PRODUCERS

Sell direct to retailers and big industrial customers



#### RETAILERS AND BIG INDUSTRIAL CUSTOMERS

Once retailers and big industrial customers have sourced their gas they negotiate other contracts with transmission and distribution networks to transport gas to end users



#### TRANSMISSION PIPES

Mostly unregulated with negotiated contracts



#### DISTRIBUTION PIPES

The major distribution pipelines are regulated with reference prices set by the Australian Energy Regulator



#### HOUSEHOLDS AND BUSINESSES

Decisions on whether pipelines should be regulated are made by energy ministers in each jurisdiction depending on the degree of pipeline competition in specific areas and following recommendations from the National Competition Council