

29 May 2015

Our Reference: APLNG – COR - 0009349

Mr John Pierce
Chairman
Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney 2000

Re: East Coast Wholesale Gas Market and Pipeline Frameworks Review – Stage 1 Draft Report In support of the COAG Energy Council’s Vision for Australia’s Future Gas Market

Dear Sir,

Australia Pacific LNG Pty Limited (APLNG) is pleased to be able to provide this submission regarding the AEMC East Coast Gas Market and Pipeline Review Stage 1 Draft Report of 7 May 2015 (the “Draft Report”).

Background

APLNG is a coal seam gas (CSG) to liquefied natural gas (LNG) incorporated joint venture among ConocoPhillips, Origin Energy and Sinopec.

APLNG is a large supplier of gas into the Queensland domestic market, currently supplying 40% of Queensland’s needs. The business will see an increase in its gas production to supply both its ongoing domestic gas business and an export market through its LNG facility on Curtis Island, near Gladstone, which will receive and process natural gas. The LNG facility has a capacity of 9 million tonnes per year and will export the LNG to customers in Japan and China. The commencement of gas exports in 2015 will not impact the existing domestic contracts in place and the business has sufficient reserves to meet LNG and domestic demand.

Like COAG, APLNG supports regulatory changes that will assist in the development of a competitive and transparent east coast gas market. In our 30 March 2015 submission, we outlined three areas of focus affecting APLNG being:

- 1) Increased sharing of information
- 2) Further development of voluntary gas market hubs, and
- 3) Elimination of barriers to increase access to transportation capacity.

The Report

In this submission, we again address the areas of focus mentioned above in the context of the Report.

1. Increased Sharing of Information

APLNG is supportive of the proposed initiatives outlined in the Draft Report relating to increased sharing of information detailed in Chapter 8 and specifically in Section 8.3.1 of the *Draft Report* and through other initiatives such as the Gas Transmission Pipeline Capacity Trading: Enhanced Information. APLNG believes that establishing the Bulletin Board as a “one-stop-shop” for gas market data will benefit market participants and is the required platform to assist a competitive and liquid gas market.

2. Further development of Gas Supply Hubs

APLNG recognises the important work underway by AEMO to further develop the Wallumbilla Gas Supply Hub concerning a sole trading location and increasing Hub services, both of which should assist with liquidity. These findings and recommendations are outlined in Chapter 7 of the Draft Report and specifically in Box 7.1. We are very supportive of this effort as an ongoing customer of the Hub and its services and believe that AEMO's current path strikes the correct balance between benefits produced, ease of implementation and cost of implementation.

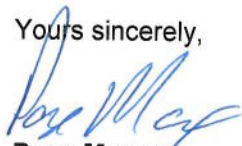
3. Elimination of Barriers to Increase Access to Transportation Capacity

APLNG believes a major hindrance toward a liquid and competitive east coast gas market is the ability to access transportation. We therefore agree with the Draft Report's conclusions in Chapter 4 that a major element of the Stage 2 work should focus on measures to facilitate pipeline capacity trading. The Gas Transmission Pipeline Capacity Trading: Enhanced Information rule changes mentioned throughout the Report will assist in this effort, and APLNG hopes that the Stage 2 report would address and progress the following issues related to capacity trading:

- Bare transfer versus Novation – Because the use of transport rights, even short term, should be confidential between the shipper and the pipeline, we believe that capacity rights should only be done through novation. The original capacity holder should not be involved in the new transport arrangement.
- Flexible receipts and deliveries – Ease of transfer of transportation rights is critical. Without allowances for more flexible receipts and delivery point "areas", trading will not be robust.
- Transparency of trades – APLNG would like to see all completed capacity trades posted on the Bulletin Board including the capacity amount, receipt & delivery points, term and price. Unless this information is made public, it will not be possible to clearly assess whether or not the gas is able to access the highest valued market.
- Solution to the 'Failure to Release' issue – Whether it's done on a voluntary or mandated basis, history would indicate that existing capacity holders will need to be incentivised to increase the capacity utilisation of critical sections of infrastructure.

Thank you for the opportunity to make this submission on the Draft Report and share our views on the future gas market. If you require further information relating to our submission, please contact Deidre McEntee on (07) 3021 3303.

Yours sincerely,



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Chief Executive Officer
Australia Pacific LNG Pty Limited