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Australian Energy Market Commission  
GPO Box 2603  
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To Whom It May Concern

### **Submission on Review of the Gas Supply Guarantee**

Australia Pacific LNG (APLNG) welcomes the opportunity to make a submission to the Australian Energy Market Commission (AEMC) in relation to the Review of the Gas Supply Guarantee (GSG) consultation paper issued in March 2021 (Consultation Paper).

APLNG, based in Queensland, is one of Australia's leading natural gas producers, supplying a significant proportion of east coast Australia's domestic gas needs. In FY20, APLNG provided approximately 30 per cent of gas supply (~186 petajoules) to the east coast gas market and has gas supply contracts with local industries and businesses out to 2030 and beyond.

In 2017, APLNG participated in the consultation process relating to the implementation of the GSG under the associated guidelines. At the time, APLNG recognised the importance of the mechanism and supported implementation of the guidelines to ensure a workable process with adequate clarity. In March 2020, APLNG also supported amending the expiry date set out in the guidelines to 31 March 2023 to ensure sufficient time for thorough consideration in the review of the GSG mechanism.

In principle, APLNG supports a streamlined regulatory framework for the gas market that provides an efficient gas system and competitive market, removes inefficiencies and regulatory complexity, as well as encourages investment and market-led solutions.

In response to the AEMC's request for stakeholder views on the issues raised, particularly the problem definition and impacts questions set out in the Consultation Paper, APLNG's views are described below.

The regulatory environment associated with east coast gas production and supply continues to undergo considerable actual and proposed changes which contribute to uncertainty and discourages investment. Examples include the continuation and periodic review of the mechanics of the Australian Domestic Gas Security Mechanism (ADGSM), revisions and continuation of the Heads of Agreement (HOA), potential additional domestic gas reservation at the Commonwealth level, drilling moratoria, transparency measures with significant reporting burden via Gas Bulletin Board, Gas Statement of Opportunities and Australian Energy Regulator, continued pipeline regulatory reforms, ongoing and significantly expanded Australian Competition and Consumer Commission Inquiries, increased and amended royalty regimes, and the ongoing Code of Conduct currently being contemplated.

As stated in the GSG guidelines, the GSG is not expected to be used as the sole mechanism to source gas to meet peak requirements of gas generators. APLNG considers the focus should rather be on supporting competitive market-led initiatives across industry participants, both greenfield and brownfield, to further improve the resilience of Australia's east coast domestic gas system as highlighted in the recently published 2021 Gas Statement of Opportunities (GSOO).

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The GSOO acknowledges the various initiatives underway at both federal and state government, including the Australian Government's Gas Fired Recovery and National Gas Infrastructure plans that seek to increase competition, liquidity and transparency in Australia's gas markets, unlock gas supply and improve transportation efficiency. The GSOO also notes the changes in consumption patterns forecast, alternate supply sources being actively developed and predicts the annual demand for gas from gas powered generation is likely to materially reduce as more variable renewable energy connects and operates in the National Energy Market.

In APLNG's view, the numerous regulatory reforms, federal and state government initiatives and changing market dynamics have sufficiently addressed the issues the GSG was initially introduced to resolve. On this basis, given:

- the GSOO's improved outlook for near-term gas supply adequacy;
- the commitment by LNG exporters on the east coast to the domestic market under the amended 2021 HOA with the Australian Government;
- numerous other regulatory interventions and changing market dynamics in the electricity and gas markets since 2017, including those current arrangements and changes outlined in sections 2.3 and 3 of the Consultation Paper;
- the GSG would not appear to resolve any issue identified regarding gas generators that is not already contemplated under the National Electricity Rules and the National Gas Emergency Response Advisory Committee; and
- there has been no requirement to activate the GSG since its inception in 2017,

APLNG remains confident market-led solutions will ensure supply flows to where it is required and the GSG is not necessary.

Thank you for this opportunity to make a submission. If you have any questions, or would like to discuss this submission further, please contact Nathan Watterston on (07) 3021 3398.

Yours sincerely



**Nick McKenna**  
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