



ConocoPhillips Australia Operations Pty Ltd
ABN 28 141 253 787

Level 1, 33 Park Road
Milton, QLD, 4064
PO Box 1243
Milton, Qld, 4064
Phone [REDACTED]

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The Australian Competition and Consumer Commission

gas.inquiry@acc.gov.au

RE: ACCC Review of upstream competition and timeliness of supply: Issues Paper

Thank you for the opportunity to make a submission to the 2021 ACCC review of upstream competition and timeliness of supply: Issues paper (**Issues Paper**).

For over twenty years ConocoPhillips Australia has demonstrated its commitment to developing energy resources in Australia by investing over AU\$20 billion in operated and joint venture (JV) projects. ConocoPhillips Australia is a 37.5 percent JV participant and downstream operator of Australia Pacific LNG (**APLNG**) and has an 80 percent interest in and operatorship of the exploration T/49P permit in the Otway Basin. Through this permit we have the potential to develop resources that will supply the Australian east coast gas market.

ConocoPhillips is one of the world's largest independent exploration and production companies and offers this submission from the perspective of a long-standing Australian energy investor and a global leader in oil and gas. ConocoPhillips Australia also offers this submission in support of APLNG's and APPEA's separate submissions.

ConocoPhillips Australia supports increased competition in the wholesale gas market as it best serves the needs of gas market participants. However, we believe the ACCC's starting point for considering whether to impose a new regulatory regime should not be a conclusion that existing competition is not effective. Rather, the starting point should be a review of the existing (and developing) regulatory and administrative environment to determine whether competition is being stifled by existing and increasingly uncertain policies and regulations. Put differently, gas producers already operate in a heavily regulated environment and the ACCC should move cautiously if it were to impose new regulations.

Consideration of further regulatory action should be made in the context that the domestic gas market is not operating in a gas supply shortfall. Domestic gas supply has been surplus since the beginning of the ACCC Gas Inquiry 2017-2025 and the Australian Domestic Gas Security Mechanism (ADGSM) has not been triggered to date. Gas continues to be delivered to market in a timely manner, and the market is sufficiently supplied.

ConocoPhillips Australia remains concerned at the suggestions levelled at large producers, that their decisions and activities are limiting competition, or otherwise preventing gas from being supplied to market in a timely manner. Larger companies' work programs have greater resilience to price volatility, owing to their discipline investment approach, strong balance sheet, and access to capital, thereby ensuring consistent supplies through the price cycles. For example, ConocoPhillips Australia continued to invest capital in its APLNG JV to meet its domestic gas and export commitments while

advancing the Otway seismic acquisition program with JV participant, 3D Oil, during the unprecedented drop in global energy demand and resulting collapse of commodity prices as a result of the COVID 19 pandemic.

The JV with 3D Oil demonstrates that collaboration between large and small players can promote competition that leads to timely gas supplies. In short, JV arrangements enable smaller companies to work with larger ones to secure the necessary finances and resources to develop new gas resources. Further regulatory barriers to entering into JV arrangements will likely dampen investments and minimize the opportunity for successful resource development.

The benefits of any additional regulatory burden should be assessed in light of the operational, commercial, financial and regulatory barriers which gas producers must overcome to develop Australia's hydrocarbon resources. Indeed, this Review is adding to an already significant and changing regulatory landscape which includes the following list of policies and regulations being studied and implemented:

- ACCC Netback Price Review Price Series Review.
- Voluntary Code of Conduct for the Negotiation and Development of Gas Agreements Between Gas Suppliers, Gas Retailers and Gas Customers in Australia.
- Development of a National Market Hub.
- COAG Energy Council Transparency Measures.
- COAG Options to Improve Gas Pipeline Regulation.
- Heads of Agreements.
- Australian Domestic Gas Security Mechanism.
- AMEC Gas Supply Guarantee.
- Gas Fired Recovery Agenda and National Gas Infrastructure Plans.

As a result, we urge the ACCC to forebear on imposing any new regulations until these actual and proposed changes can be evaluated for effectiveness. ConocoPhillips Australia also notes that forbearance from taking regulatory action at this time is particularly prudent given the challenging macroeconomic environment and volatile commodity prices created by the COVID 19 pandemic. Right now, sending a signal to all gas market participants, both large and small, that regulatory stability is on the horizon would be highly beneficial. Regulatory stability has the potential and likelihood to encourage investment, business responsiveness, and – most importantly – competition.

Thank you for your consideration of our submission. Please contact James Mathews at [REDACTED] if you require any further information.

Yours sincerely,

[REDACTED]

Khoa Dao
President, ConocoPhillips Australia