



Framework for the consistent reporting of natural gas reserves and resources – Consultation Paper

Attachment 1: Response template

Stakeholder name: Santos

	Questions	Feedback
Box 2.2 Questions on categories of reserves		
1.	<p>Do you agree that producers should be required to report on their 1P, 2P and 3P reserves estimates?</p> <p>(a) If so, please explain how you would use this information and the benefit it would provide.</p> <p>(b) If not, please explain why.</p>	<p>All producers should be required to report 1P and 2P reserve estimates, although 3P should be optional. This would provide a consistent and comprehensive view cross the industry. This level of information is currently only a requirement for ASX publicly listed companies or under certain state legislation.</p> <p>Santos recommends that this information is listed by Basin, not field as proposed. The listing of fields is onerous and will not provide materially greater insight into the reserves. The Cooper Basin for example has more than 250 fields and the Eromanga Basin more than 150 fields. Producing this reserve information at this level may confuse potential users of this information.</p> <p>Santos currently publishes its reserves statement at a level similar to Basin level and recommends the reserves information also to be at this level</p>
2.	<p>Do you agree that producers should be required to break down their 1P, 2P and 3P reserves into developed and undeveloped reserves?</p> <p>(a) If so, please explain how you would use this information and the benefit it would provide.</p> <p>(b) If not, please explain why.</p>	<p>Yes for 1P and 2P reserves. Consistent requirement for all public and non-public companies.</p>
3.	<p>Should it be mandatory for producers to develop 3P reserves estimates, or should the reporting of this information be optional as it is under the ASX Listing Rules and in other jurisdictions?</p>	<p>Good industry practice is to estimate the full range of resource uncertainty (low-mid-high). However reporting 3P (or high side) should be optional.</p>



	Questions	Feedback
Box 2.3 Questions on categories of resources		
4.	<p>Do you agree that 1C and 2C contingent resources should be reported?</p> <p>(a) If so, please explain how you would use this information and the benefit it would provide.</p> <p>(b) If not, please explain why.</p>	<p>Santos has recently started to publish its 2C resource information. As outlined in the consultation paper, it is not an ASX requirement to publish this information, although Santos supports publishing this at a basin level.</p> <p>It is important to consider that some contingent resource projects are at a very immature stage of development. Care needs to be exercised in how contingent resource information is used.</p>
5.	<p>Do you think it should be mandatory for producers to develop 1C and 2C contingent resource estimates, or should the reporting of this information be optional as it is under the ASX Listing Rules and in other jurisdictions?</p>	<p>Good industry practice is to estimate the full range of resource uncertainty (low-mid-high). However reporting should be optional.</p>
6.	<p>Do you think any other resource categories (e.g. 3C contingent resources or prospective resources) should be reported? If so, please explain how you would use this information and the benefit it would provide.</p>	<p>Good industry practice is to estimate the full range of resource uncertainty (low-mid-high) for all projects are varying levels of maturity. However reporting of non-commercial or undiscovered projects should be optional.</p>
Box 2.4 Questions on gas field information		
7.	<p>Do you agree that information on the field's stage of development, the type of gas and the nature of the gas field should be reported?</p> <p>(a) If so, please explain how you would use this information and the benefit it would provide.</p> <p>(b) If not, please explain why.</p>	<p>Resource estimation is done at a project level, not a field level. Project estimates may be aggregated to a field or Basin level.</p> <p>A field may contain projects of varying stages of development. Resource estimates for a field may require reporting differing percentage of development stage. If estimates are reported then information regarding the stage of development or project maturity should be provided.</p> <p>In practice for Basin level reporting this may be represented by (note percentages are for illustrative purposes only)</p> <p>Bowen Basin – 50% on production, 20% approved for development and 30% justified for development</p>



	Questions	Feedback
8.	Do you agree with the categories that have been proposed for the field's stage of development, the type of gas and/or the nature of the gas field? If not, please explain why and what alternatives you would suggest.	See response to Question 7 above. Resource categories relate to a Projects range of uncertainty in expected production. Resource classes relate to project maturity or stage of development. A field may contain many Projects at different stages of development. The stages of development are appropriate but only when associated with a Project.
9.	Is there any other gas field information that you think should be reported? If so, please explain why you think this is consistent with the objectives of the reporting framework.	An additional common split is resource type. This splits the resource into either conventional or unconventional designation.
Box 2.5 Questions on movement in 2P reserves		
10.	Do you agree that annual movements in 2P reserves should be reported? (a) If so, please explain how you would use this information and the benefit it would provide. (b) If not, please explain why.	Yes for 2P reserves by Basin. This is a consistent requirement for all public and non-public companies.
11.	Do you agree with the categories that have been proposed for the breakdown of movements in 2P reserves? If not, please explain why.	In general Santos agree with the proposed categories. It should be noted that a discovery of new reservoirs in existing fields is normally not associated with reserves. Discovery may pertain to contingent resources. Commercialisation is when a non-commercial project matures to a reserves class. This should be separate from revisions to existing reserve estimates – and may be positive or negative.
12.	Do you think there would be value in also requiring producers to report on annual movements in 2C resources? (a) If so, please explain how you would use this information and the benefit it would provide. (b) If not, please explain why.	If 2C is reported then annual movements should be explained at a Basin level. This is consistent with our current ASX listing requirements.



	Questions	Feedback
Box 2.6 Questions on contracted 2P reserves		
13.	<p>Do you agree that if the ACCC and GMRG's recommendation on contracted 2P reserves is implemented that:</p> <p>(a) producers should be required to report the total quantity of 2P reserves that they are contracted to supply as total contract quantities under GSAs at a basin level? If not, please explain why.</p> <p>(b) AEMO should be required to further aggregate the information if there are less than three producers operating in the basin? If not, please explain why.</p>	<p>Santos agree that reporting of contracted reserves would be a useful addition to energy market participants, policy makers and other interested stakeholders. Although notes that reserves does not directly relate to the ability to contract gas in the short term. Deliverability and access to capital are the other key factors that can convert reserves into gas available to customers.</p> <p>Listing contracted and uncontracted reserves may be misinterpreted by some market participants as current availability of gas. Actual production profiles will be extend well beyond the period when existing contracts expire. Thus when calculating uncontracted reserves, it will not be possible to determine the level each year as a large portion of the uncontracted reserves are far outside our contracting window, limiting the usefulness of this information.</p> <p>It is also important to note that Santos does not contract directly by field or basin but on the portfolio as a whole. If this requirement was to be implemented Santos would only be able to estimate the proportion from specific basins. Accurate information would only be available on a portfolio basis.</p>
Box 2.7 Questions on other information		
14.	<p>Is there any other information that you think should form part of the reporting framework? If so, please set out:</p> <p>(a) what the information is</p> <p>(b) how you would use the information and the benefit it would provide</p> <p>(c) why you think the inclusion of this information would be consistent with the objectives of the reporting framework.</p>	No
Box 2.8 Questions on reporting standard		
15.	Do you agree that the PRMS classification system should be used in the proposed reporting framework? If not, please explain why.	Yes



	Questions	Feedback
16.	Do you agree that the PRMS definitions set out in Box 2.1 should be used in the proposed reporting framework? If not, please explain why.	Yes, but also PRMS figure 2.1 for project maturity sub-class
17.	Are there any other reporting standards or definitions that you think should be reflected in the reporting framework?	Optional United Nations Framework Classification
Box 2.9 Questions on quantities and analytical methods		
18.	Do you agree that reserves and resources should be reported on the basis of sales quantities? If not, please explain why.	Yes
19.	Do you agree that reserves and resources should be reported on a net revenue basis? If not, please explain why.	Yes
20.	Do you agree that producers should be required to disclose the analytical method they have used to estimate their reserves and resources? If not, please explain why.	A general comment should be provided at a Basin level on the analytical method used. Often a combination of methods is applied.
Box 2.10 Questions on reserves and resources reporting level		
21.	<p>Do you agree that the reserves and resources information set out in sections 2.2.1-2.2.4 should be reported at a field level?</p> <p>(a) If so, please explain how you would use this information and the benefit it would provide.</p> <p>(b) If not, please explain why and set out what reporting level you think should be adopted.</p>	<p>Santos recommend reporting on a basin level. See response to question 1.</p> <p>As previously discussed, project maturity (stage of development) may not directly relate to a Basin or field where a Basin or field contains multiple projects. A percentage breakdown may be required.</p>
Box 2.11 Questions on the frequency and timing of reporting		
22.	Do you agree that the frequency of reporting should be annual? If not, please explain why.	Yes
23.	<p>Do you agree that producers should also be required to report on any material changes in reserves and resources estimates that occur within the year?</p> <p>(a) If so:</p>	As an ASX listed company, Santos has a requirement to disclose any material changes in its reserves position. Santos recommends this remains the appropriate reporting threshold level.



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	<p>i. do you think there should be any limitation on the requirement to report changes (for example, should the requirement be limited to changes in reserves and resources that are advised to the ASX and/or government agencies, or should it be limited to material changes in reserves and resources)?</p> <p>ii. do you think the threshold for material changes should be set at +/-10% or do you think another threshold would be more appropriate?</p> <p>(b) If not, please explain why.</p>	
24.	Do you think that all producers should be required to report their reserves and resources as at a fixed date? If not, please explain why and the option you believe should be employed.	<p>Yes, PRMS has a mandatory requirement for reserves and resources to be estimated at an Effective date for each company. Santos reports annually on as at 31 December each year, in line with its statutory accounts.</p> <p>This requirement should enable Producers to report their current reserves report, not requiring an additional reserves report to be complete out of the normal company cycle. Any requirement to change Producers reserves reporting date, or requires additional reserves reporting and accreditation will be result in undue burden on the Producer for little benefit.</p> <p>If there was to be a fixed date imposed, this would not change the reserves reporting period, just the timing to list the reserves on the GBB.</p>
Box 2.12 Questions on evaluation requirements		
25.	Do you agree that reserve and resource estimates should be required to be prepared by, or under the supervision of, an independent qualified evaluator? If not, please explain why.	Yes
26.	Do you think that any other evaluation requirements (e.g. a requirement to obtain an independent audit) should be implemented?	No



	Questions	Feedback
Box 2.13 Questions on compliance costs		
27.	What incremental costs do producers expect to incur in complying with the reporting requirements proposed in sections 2.3 and 2.4?	No material incremental cost if contained to the basin level reporting
28.	Do you think there are any refinements that could be made to the proposed reporting requirements in sections 2.3 and 2.4 to further reduce compliance costs or the regulatory burden, whilst also ensuring the requirements are fit for purpose and achieves the objectives set out in section 1?	No
Box 3.1 Questions on the manner in which reserves are to be estimated		
29.	Do you agree that producers should be required to estimate their reserves on the basis of forecast economic conditions? If not, please explain why.	Yes, PRMS permits reserves and resources to be estimated using a forecast of economic conditions.
Box 3.3 Questions on gas price assumptions to be used for uncontracted reserves		
30.	<p>Do you think that:</p> <p>(a) Producers should be responsible for determining the forecast gas prices they will assume when estimating uncontracted reserves and required to disclose these assumptions (i.e. Option 2)?</p> <p>i. If so, please explain why.</p> <p>ii. If not, please explain why.</p> <p>(b) Producers should be required to use a mandated common gas price assumption when estimating uncontracted reserves (i.e. Option 1)?</p> <p>i. If so, please explain why and set out:</p>	<p>Santos agrees Producers should be responsible for determining the forecast gas prices they assume when estimating uncontracted reserves. As part of Santos reserves process, the gas price assumptions are independently validated by an external auditor. This process ensures prices are in line with current industry expectations.</p> <p>Santos supports the inclusion of high level assumptions, such as oil linked or other, however does not support too detailed as this will in effect enable the actual price to be calculated. This level of detail, as explained in response to Question 34, could be considered price signalling.</p> <p>Santos agrees broadly with Option 2 for the reasons outlined above. The requirement to maintaining two sets of reserves estimations would be onerous, placing additional costs on both the producers to manage and accredit as well for</p>



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	<ul style="list-style-type: none"> a. the benefits you think this would provide over the producer-determined assumptions? b. how you think the forecast common gas price assumption should be determined? ii. If not, please explain why. (c) Producers should be responsible for determining the forecast gas prices they will assume when estimating uncontracted reserves and not required to disclose their assumptions (i.e. Option 3)? <ul style="list-style-type: none"> i. If so, please explain why and set out how do you think this option would address the concerns outlined in section 3.1? ii. If not, please explain why. 	<p>the Commission to prepare a robust assumptions in an area that is not its natural area of expertise.</p>
31.	<p>If Option 2 is implemented, do you think that the disclosure requirements in section 3.6 will impose sufficient discipline on producers, or do you think the gas price assumptions used by producers should be required to satisfy a test that would be overseen by the AER? If you think the gas price assumptions should be subject to a test, please set out:</p> <ul style="list-style-type: none"> (a) what form you think the test should take and if the test should apply to the gas price assumptions or the method used to determine the gas price assumptions (b) how you think the test should be enforced by the AER (for example, should the AER have the power to require producers to re-estimate their reserves using an alternative price assumption). 	<p>As part of Santos reserves process, the gas prices assumptions are independently validated by an external auditor. This process ensures prices are in line with current industry expectations. Due to the inclusion of this independent review Santos does not believe the test should also be overseen by the AER. Where producers are not subject to external audit, the AER should be at liberty to impose an additional test.</p>
Box 3.4 Questions on gas price assumptions to be used for contracted reserves		
32.	<p>Do you agree that the gas price assumptions underpinning contracted reserves should be based on the prices specified in the relevant GSAs? If not, please explain why.</p>	yes



	Questions	Feedback
33.	<p>Do you agree with the ACCC's proposal to allow producers to account for the operation of:</p> <p>(a) price escalation mechanisms when determining the prices to apply under the relevant GSAs over the forecast period? If not, please explain why.</p> <p>(b) contract extension provisions if the GSAs are likely to be extended and the prices (or pricing mechanisms) to apply in this period have already been determined? If not, please explain why.</p>	yes
Box 3.5 Questions on the disclosure requirements for gas price assumptions		
34.	<p>Do you agree that producers should be required to disclose the following information when reporting their reserves estimates?</p> <p>(a) The gas price range within which there would be no material change in the 2P reserves estimates, which is to be reported at a basin level for each of the following five years and generally for subsequent periods (with the range to be based on the price assumptions used to estimate uncontracted reserves).</p> <p>(b) The sensitivity of the 2P reserves estimates to a +/-10% change in the gas price range reported under (a).</p> <p>(c) A description of the method used to determine the gas price range and any other assumptions that have been made when determining the price range.</p> <p>(d) An explanation of any changes that have been made to the gas price assumptions from the previous year and why the changes were made.</p> <p>If not, please explain why.</p>	<p>As an ASX listed company, Santos has requirements to notify the market when there is something material. Santos fully complies with this obligation and notifies accordingly.</p> <p>Santos is concerned that publishing this level of pricing detail may be interpreted as price signalling. Listing at a tight price range as proposed in the consultation does not sufficiently reduce the potential risk of signalling.</p> <p>There is also consideration that the reserves information may impact Santos' share price, either positively or negatively if the information is interpreted incorrectly.</p> <p>Santos agree that (c) and (d) could be disclosed, but due to the potential impact to share price and company valuation (a) and (b) should not be included.</p>
35.	Do you agree with the proposal to require producers to report the gas price range:	See response to question 34.



	Questions	Feedback
	<p>(a) for each year over a five year period and generally thereafter? If not, please explain why.</p> <p>(b) for uncontracted reserves only? If not, please explain why.</p> <p>(c) at a basin level? If not, please explain why.</p>	
36.	If producers are required to report the gas price range within which there would be no material change in 2P reserves, what materiality threshold do you think should be adopted for this purpose and why?	See response to question 34.
37.	Do you agree that the threshold for measuring the sensitivity of the reserves estimates should be 10%? If not, please explain why and what alternative threshold you think should be applied.	There appears no justification why 10% is an appropriate threshold to measure the sensitivity of reserve estimates.
38.	Is there any other information that you think should be disclosed about the gas price assumptions? If so, please explain what the information is and why it is required to meet the objectives set out in section 1.	No
Box 3.6 Questions on compliance costs		
39.	What incremental costs do producers expect to incur in complying with the proposed reporting requirements set out in sections 3.4-3.6?	Incremental costs are minimal
40.	Do you think there are any refinements that could be made to the proposed reporting requirements in sections 3.4-3.6 to further reduce compliance costs or the regulatory burden, whilst also ensuring they are fit for purpose and achieves the objectives set out in section 1?	N/A