



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

Attachment 1: Response template

Stakeholder name: Australia Pacific LNG Pty Ltd

	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>APLNG agrees that producers should report their 1P, 2P and 3P reserves consistent with current DRNM reporting. If the proposed ACCC reporting is adopted it could result in an alternate reserve total which would cause more confusion to market participants and would require reconciliation between the two reports.</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>APLNG agrees that producers should report their 1P, 2P and 3P reserves broken down into developed and undeveloped reserves.</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>Because of the uncertainty of the recovery, 3P reserves can be speculative so cannot be relied upon by market participants. Reporting should be optional.</p>
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>No, it should be optional. As there is no certainty that any contingent resource will be commercial, especially for unconventional resources, relying upon on this resource would be speculative. Based on the complexities of potentially developing these resources, APLNG believes that the reporting should be optional. The ACCC should also adopt the new requirements for contingent resources under the PRMS</p>



	Questions	Feedback
		2018.
5.	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?	No it should be optional. As there is no certainty that any contingent resource will be commercial, especially for unconventional resources, counting on this resource would be speculative. Based on the complexities of potentially developing these resources, APLNG believes that the reporting should be optional. The ACCC should also adopt the new requirements for contingent resources under the PRMS 2018.
6.	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.	No, this information is too speculative to be reliably utilised by market participants seeking firm gas supply.
Box 2.4 Questions on gas field information		
7.	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? (a) If so, please explain how you would use this information and the benefit it would provide. (b) If not, please explain why.	APLNG already provides the type of gas and nature of the field for all its reserves and agrees it should be reported. Providing the stage of development may have limited benefit as projects can be delayed based on expectation for commodity prices, development costs and other factors.
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.	Yes.
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.	No.
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.	APLNG agrees that annual movements of 2P reserves would be beneficial so long as they are similar to the DNRME reporting.



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	(b) If not, please explain why.	
11.	Do you agree with the categories that have been proposed for the breakdown of movements in 2P reserves? If not, please explain why.	No – APLNG believes that there are too many categories. Why separate “reserve reassessments” from “other revisions” as this creates confusion. Enough subcategories already exist, and adding more does not provide additional clarity.
12.	<p>Do you think there would be value in also requiring producers to report on annual movements in 2C resources?</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>	No, this should be optional. And even if reported it should follow the same rules as DNRME reporting. If it does not follow the same rules, then the annual movements could differ from existing reporting, which would increase confusion for market participants.
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>(a) Reporting the total quantity of 2P reserves that are contracted will be very misleading to market participants because:</p> <ol style="list-style-type: none"> 1. There will be a mismatch of timing – APLNG’s production is expected to extend well beyond 2040 on a declining basis whereas its current contracts expire before 2040. Thus when calculating APLNG’s 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. 2. In addition to the mismatch of timing above, the timing of the development of reserves can be variable. As fields are developed and the reserves are realised or not, producers adjust their development plans annually to match current contracts to actual production. 3. 2P reserves still have an amount of uncertainty so APLNG would not commit to contracts equivalent to 100% of the 2P reserves to be produced each year. 4. APLNG has a large amount of infrastructure such that at any one time, a percentage will be down for planned/unplanned maintenance. This requires APLNG to maintain a buffer of uncontracted production to provide certainty that all contractual commitments will be fulfilled.



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		5. APLNG does not designate a supply basin for its contracts but utilises its entire portfolio to supply its customers.
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>	Having reporting guidelines that are different than the DNRME will cause additional costs to producers having to explain the differences. Also note that the PRMS has recently been updated which has addressed part of these concerns.
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 along with any updates.
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.
17.	Are there any other reporting standards or definitions that you think should be reflected in the reporting framework?	No. The reporting standards and definitions should be the same as existing reporting requirements otherwise there will be additional costs to producers and potential confusion to market participants.
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.	Yes, as per DNRME reporting.



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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>APLNG assumes the reference should be 2.3.1 – 2.3.4?</p> <p>(a) APLNG does not agree.</p> <p>(b) As APLNG does not commit to contracts based on a specific field, having to report reserves/resources by field will dramatically increase the level of detail required and the cost to report. APLNG believes that reporting by asset area (similar to the ASX or DNRME reporting) provides enough detail to satisfy the requirements of market participants.</p>
Box 2.11 Questions on the frequency and timing of reporting		
22.	<p>Do you agree that the frequency of reporting should be annual? If not, please explain why.</p>	<p>Yes, in line with other current reporting requirements i.e. DNRME.</p>
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> <ol style="list-style-type: none"> 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)? 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>(b) If not, please explain why.</p>	<p>(a) i. APLNG does not directly report to the ASX (Origin as a shareholder does), but only to the DNRME. Thus, only revisions required to be reported to the DNRME should be required to be reported to the ACCC within a year and once only per year. The term “material change” based on a +/-10% change (we assume of the total reserve number in each category) may cause reporting requirements that are different than the DNRME, which could lead to more reporting inconsistencies and confusion to market participants. When there are changes required to be reported outside of the annual submission, APLNG assumes that it should be just to report the unique change and not a complete revision of the full annual report.</p> <p>ii. No, see above.</p>
24.	<p>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>	<p>Producers should be required to report annually either in line with current reporting requirements.</p>



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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 as it will just add to the cost and confusion with two sets of numbers which will undoubtedly result in a separate reconciliation process.
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?	APLNG estimates that it will take several man-months of its independent qualified evaluators to quantify the alternate reserve detail suggested by section 2.3 and 2.4, however APLNG's biggest concern would be the added confusion caused by having multiple reserve reports and the need to constantly reconcile the differences. APLNG believes this would not assist with market transparency.
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?	Yes, adopt the reporting requirements, format and standards already utilised by current reporting agencies.
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.
Box 3.3 Questions on gas price assumptions to be used for uncontracted reserves		
30.	Do you think that: (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)? i. If so, please explain why. ii. If not, please explain why.	(a) Producers should be responsible for determining their own forecasted prices for estimating uncontracted reserves and disclosing the assumptions (i.e. oil linked etc). Because of differences in development costs, field location, and contractual terms, only producers should be able to determine their forecasted gas prices assumed when estimating uncontracted reserves. However they should not be forced to disclose the discrete price forecast relating to their price assumptions as this would place producers at a negotiating disadvantage. Having to disclose their discrete forecasted prices for



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	<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>a. the benefits you think this would provide over the producer-determined assumptions?</p> <p>b. how you think the forecast common gas price assumption should be determined?</p> <p>ii. If not, please explain why.</p> <p>(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)?</p> <p>i. If so, please explain why and set out how do you think this option would address the concerns outlined in section 3.1?</p> <p>ii. If not, please explain why.</p>	<p>uncontracted reserves would also not necessarily provide clarity to other market participants because of the historic volatility in gas prices in the short term. Regardless of the price assumptions utilised, producers would still be subject to price volatility for uncontracted future production and the resulting reserve adjustments.</p> <p>In addition, APLNG does not utilise a separate price for contracted and uncontracted reserves, but determines its reserves based on one blend price forecast.</p> <p>(b) If producers have to use a common reference price, each producer would have to keep a separate reserve reports for the ACCC and have the additional justification of reconciling them to the other reserve reports which will only add to market confusion and producer's costs. This common price may not reflect that producers investment criteria (which PRMS requires) for development costs, or contractual options. Thus, these reserves will become contingent resources leading to very different reserve numbers not compliant to DNRME reporting. Contingent resources from this price set would drop out of the development plan and thus would not be considered reserves.</p> <p>(c) Option 3 would provide the least compliance costs to producers based on their forecasted expectations and would be compliant with PRMS, which dictates that producers use their own investment criteria to determined reserves. These investment criteria utilise the producer's price in determining their reserves.</p>



	Questions	Feedback
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> <p>(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</p> <p>(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>	<p>The reporting requirements outlined in section 3.6 will definitely impose more discipline (and costs) on producers. In the case of APLNG, it could result in a gas price range that is not reflective of APLNG's reserve position as it would be based on uncontracted reserves and a very high percentage of APLNG's current production is contracted to domestic and international customers. Thus calculating a price range based on uncontracted reserves may not reflect our development economics over the next 5 years and may lead to unrealistic expectations and confusion in the market. Based on the impact of inflation, exchange rates, oil price etc, it could also fluctuate largely from year to year.</p> <p>Forecasting gas prices is a difficult business and APLNG assumes that the AER may not be any more adapt at establishing a test of adequacy than producers themselves or the requirements of PRMS. Based on all the work done on reserve accounting over the years, developing a new method under the AER or not, would only add to the confusion and reconciliation with DNRME reporting.</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.
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>	<p>(a) Yes, otherwise they won't be reflective of the producer's development economics over time.</p> <p>(b) Yes.</p>
Box 3.5 Questions on the disclosure requirements for gas price assumptions		
34.	Do you agree that producers should be required to disclose the	(a) No. See response to question 31. The price range will be based on



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	<p>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>uncontracted reserves which is not reflective of APLNG's business and thus could produce a result not related to APLNG's true reserves.</p> <p>(b) Similar answer to (a) above.</p> <p>(c) Yes.</p> <p>(d) Yes.</p>
35.	<p>Do you agree with the proposal to require producers to report the gas price range:</p> <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>	<p>(a) Yes, but realise they will probably change each year.</p> <p>(b) No. See responses to question 31 and 34.</p> <p>(c) No. See responses to question 31 and 34.</p>
36.	<p>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?</p>	<p>No matter what material change is selected, it could cause more frequent reporting based on commodity volatility alone, thereby causing more instantaneous reserve reporting that may or may not affect a producer's development plan. The materiality threshold should be greater than the annual volatility so as not to cause too frequent reserve reporting.</p>
37.	<p>Do you agree that the threshold for measuring the sensitivity of the reserves estimates should be 10%? If not, please explain why and what</p>	<p>See response to question 36.</p>



	Questions	Feedback
	alternative threshold you think should be applied.	
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?	In addition to the added time expected per question 27, APLNG estimates that the proposed reporting requirements of 3.4-3.6 will add multiple additional man-months by its independent qualified evaluators for each change in requirements plus any systems re-design work, which we have not yet attempted to quantify. However, APLNG's biggest concern would be the added confusion to market participants caused by having multiple reserve reports using different prices, and the need for APLNG to constantly reconcile the differences. APLNG believes this would not assist with market transparency.
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?	The focus should be to make them consistent with current compliance and format requirements of other reporting agencies i.e. QLD's DNRME. APLNG's Assess Reserves process is set up as a minimum viable product to ensure regulatory compliance. Any changes to regulatory requirements would require a system redesign and months of re-design work, which APLNG has not had adequate time to assess.