



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

Attachment 1: Response template

Stakeholder name: Australian Paper

Australian Paper is a subsidiary of the Japanese-based organisation, Nippon Paper Industries (NPI), which has an overseas network of manufacturing subsidiaries and affiliates in Asia, Oceania, Europe, North and South America and Africa, covering production of pulp, paper, timber and chemicals.

Australian Paper, Australia’s only fine paper manufacturer, employs approximately 900 people at its Maryvale pulp and paper manufacturing plant in the Latrobe Valley, 191 at its Preston envelopes and stationary manufacturing and office papers distribution business and a further 108 in its sales, marketing and head office in Mount Waverley. This is a total of approximately 1,200 direct employees in Victoria, with wages and salaries totalling \$150 million annually. In addition, there are a significant number of on-site operations managed and operated by other companies to provide goods and services to Australian Paper and to process by-products from its operations.

Australian Paper is one of the largest gas consumers of gas for industrial energy in Victoria and has experienced the same significant price rises other manufacturers are facing. The lack of competitive offers and the opaque view of the market from a consumer’s perspective have been the catalyst in commencing the ACCC’s gas inquiry. We support reforms which will lead to achieving the NGO. In particular, ensuring “the long term interest of consumers”.

Below is our response:

	Questions	Feedback
Box 2.2 Questions on categories of reserves		
1.	Do you agree that producers should be required to report on their 1P, 2P and 3P reserves estimates? (a) If so, please explain how you would use this information and the benefit it would provide.	Yes. An understanding of the available and likely reserves allows for improved long term planning for industries using or reliant on gas.



	Questions	Feedback
	(b) If not, please explain why.	
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.</p> <p>This would give an understanding of likelihood and timing of resources to market and allows for improved long term planning for industries using or reliant on gas.</p>
3.	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?	Mandatory. It is difficult to see a change from the current opaque processes would occur voluntarily.
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>Yes.</p> <p>The greater the information, the better it can be utilised for improved long term planning for industries using or reliant on gas.</p>
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?	Yes. This information, provided over time, will assist in the long term planning for industries using or reliant on gas.
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.
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>Yes.</p> <p>This would give an understanding of likelihood and timing of resources to market and allows for improved long term planning for industries using or reliant on gas.</p>



	Questions	Feedback
	(b) If not, please explain why.	
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.	
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. This information, provided over time, will assist in the long term planning for industries using or reliant on gas.
11.	Do you agree with the categories that have been proposed for the breakdown of movements in 2P reserves? If not, please explain why.	Yes
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.	Yes. This information, provided over time, will assist in the long term planning for industries using or reliant on gas.
Box 2.6 Questions on contracted 2P reserves		
13.	Do you agree that if the ACCC and GMRG's recommendation on contracted 2P reserves is implemented that: (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.	Yes.



	Questions	Feedback
	(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.	Yes.
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>	
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.
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?	
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.



	Questions	Feedback
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>Yes.</p> <p>This increased level of information can assist in the long term planning for industries using or reliant on gas.</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</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>For simplicity in reporting, alignment of reporting requirements would be satisfactory.</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>Yes.</p>



	Questions	Feedback
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?	
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?	N/A
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?	N/A
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.	<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>Yes.</p> <p>This would help to achieve a reserves and resourcing reporting framework that provides more transparency, consistency and reliable estimates of gas reserves and resources across the full market.</p>



	Questions	Feedback
	<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>No.</p> <p>The individual gas resource will only be developed if suitable gas contracts can support it. This would be done on a field by field basis not against a common standard.</p> <p>No.</p> <p>It removes a level of transparency that the framework is trying to achieve.</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> <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>Box 3.4 Questions on gas price assumptions to be used for contracted reserves</p>		



	Questions	Feedback
32.	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.	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>Yes.</p> <p>Yes.</p>
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>	Yes to all.



	Questions	Feedback
35.	Do you agree with the proposal to require producers to report the gas price range: (a) for each year over a five year period and generally thereafter? If not, please explain why. (b) for uncontracted reserves only? If not, please explain why. (c) at a basin level? If not, please explain why.	Yes to all.
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?	
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.	Yes.
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.	
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?	
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?	