

15 October 2021



Our Reference: APLNG - COR - 0014690

Via email

Australian Competition and Consumer Commission
23 Marcus Clarke Street
Canberra ACT 2601

E-mail: gas.inquiry@accc.gov.au

To Whom it May Concern

Re: Response to ACCC Request for Feedback on ACCC Review of Upstream Competition and the Timeliness of Supply Issues Paper dated 15 September 2021

Thank you for the invitation to participate in the review of upstream competition and the timeliness of supply. This letter forms a written submission by Australia Pacific LNG Pty Limited ("APLNG") to the issues paper published by the Australian Competition & Consumer Commission ("ACCC") titled: Review of Upstream Competition and the Timeliness of Supply Issues Paper dated 15 September 2021 ("Issues Paper").

APLNG also welcomes the opportunity to meet with the ACCC to discuss the issues raised in this submission and will be contacting the ACCC contact noted in the Issues Paper for that purpose.

APLNG has considered the issues raised by the ACCC and the questions subsequently posed in the Issues Paper. In providing its response to the Issues Paper, APLNG has:

- a. in the body of this letter set out some key conceptual issues that underline APLNG's response and which should be read together with the responses provided; and
- b. provided discrete responses to some of the ACCC's questions. APLNG's responses are set out in Attachment A to this letter. Not all the questions asked by the ACCC are relevant to APLNG's business and accordingly APLNG has not endeavoured to provide responses to each of the issues raised or questions posed.

APLNG asks that this response be read with its submission dated 2 August 2021 to the Australian Government's Department of Industry, Science, Energy and Resources in relation to the Gas Fired Recovery Plan consultation note issued in July 2021.

APLNG

APLNG is committed to the Australian domestic gas market. APLNG is currently the largest east coast domestic gas supplier, supplying around 30 per cent of the total east coast domestic market demand via numerous long-term gas supply agreements. Some of those agreements have supply terms that extend beyond 2025, in some cases as far out as 2040. APLNG's investment in gas exploration and production, processing, transportation and LNG production facilities have produced a global scale industry with lasting benefits for local communities and the nation.

Shift to Further Regulation

As the ACCC is aware, APLNG and other gas producers and suppliers operate in a technically complex, capital intensive and heavily regulated environment. Further, the regulatory environment associated with gas production and supply continues to undergo considerable actual and proposed change. At the present time, APLNG is subject to:

- a. monitoring via the ACCC's Gas Inquiry, which is not scheduled to end until 2025;
- b. the Heads of Agreement between the Federal government and east coast LNG companies which is in place until 1 January 2023; and
- c. the Australian Domestic Gas Security Mechanism, which is given effect to by the Customs (Prohibited Exports) Regulations 1958 (Cth) and designed to ensure that there is a sufficient supply of natural gas to meet the forecast needs of Australian energy users.

In addition, further reforms are proposed and will be implemented in coming months to:

- a. introduce mandatory regulation for all gas pipelines (via proposed reforms to the National Gas Law and related rules and regulations, presently the subject of draft legislation and consultation under the Gas Pipeline Regulation Reform Decision RIS);
- b. introduce a greater level of reporting in the East Coast Gas Market via a mandatory reporting scheme (via introduction of the proposed Gas Transparency Measures); and
- c. enable the ACCC to continue to publish historical and short-term forward LNG netback prices extending to 2 years (based on JKM spot prices) and publish longer term forward LNG netback prices extending to 5 years based on an oil index.

In APLNG's view, while we support some of these measures, there appears to be a policy shift away from stimulating competition and investment and towards regulation. There is an increased appetite on the part of regulators, including the ACCC, to develop standards, set sector specific rules, increase regulatory powers and enforcement activities, and, in particular, monitor and focus on the activities of specific entities that are said to have market power.

Underpinning the Issues Paper is, it appears, a contention by the ACCC that the upstream market is not competitive and structural reform is required to improve competition. The ACCC expressly states that the objective of the review is not to establish that competition is not effective as *"there are already sufficient indicators of this"* but to identify impediments to competition and *"the actions that could be taken to address those impediments"*. Questions included in the paper are premised on this conclusion (for example, *"is any other form of oversight of JV arrangements required?"* which presupposes that some form of oversight is required). APLNG disagrees with the conclusion that the market is not competitive.

To ensure that regulation is not imposed unless needed, Australian Government policy is to consider first whether existing policy, or better enforcement of existing policy or regulation, will address any issues or concerns.

Against that context, APLNG's responses to the questions raised by the Issues Paper are made in the context of the following matters:

- a. the potential and likelihood for overregulation to stifle investment and business responsiveness;
- b. that the Issues Paper's focus on domestic price and output, is too narrow;
- c. whether the effect of certain regulatory measures that have already been introduced, or are on the verge of introduction, cannot yet be understood and whether more time is required to allow the desired effects to materialise prior to the introduction of new regulatory reforms; and
- d. that existing laws are sufficient and work as intended.

While competition and regulation have the same goal, namely, to prevent the abuse of market power and facilitate efficient allocation of resources, recognised potential adverse consequences of regulation are that it imposes costs and reduces incentives for firms to risk capital, to improve efficiency, and

potentially take advantage of efficiencies that could be realised absent regulation. This is especially true in markets that compete for international capital that can otherwise be invested in alternate jurisdictions.

For those reasons, intervention in a market through the introduction of new and heavy regulation is typically posited in only discrete and limited circumstances, where there is a market failure. In APLNG's view, the market has not failed. To the contrary, the market displays successful and well-functioning market indicators including competitive market activities and market participants, evidenced by ongoing gas development and supply arrangements agreed between parties across the east coast domestic gas market.

APLNG remains committed to supplying the east coast domestic gas market, engaging with customers and working with the Federal Government to enhance the role of gas as a major contributor to the economic development of Australia and its energy future.

We trust this information is helpful, should you have any questions or would like to discuss this submission further, please contact Mark Hunter, Senior Commercial Negotiator at

[REDACTED]

Yours sincerely

[REDACTED]

Nick McKenna
Chief Executive Officer
Australia Pacific LNG Pty Limited

Attachment A





Review of upstream competition and timelines of supply: Issues Paper

Attachment 1: Response template due 15 October 2021

Stakeholder name: Australia Pacific LNG Pty Limited

	Questions	Feedback
Box 3.1: Questions on government processes		
1.	<p>Are there any other government processes that may affect the degree of upstream competition and/or the timeliness of supply?</p> <p>If so, please set out what they are and the effect that they may have on competition or supply.</p>	<p>APLNG believes that there are three key issues with tenure management regimes which affect the timeliness of supply.</p> <p>1. Legislation potentially not facilitating transfer of existing tenures</p> <p>In instances where new areas identified by industry in EOI's are not released for tender, the only mechanism to access tenure and new sources of supply is through commercial transactions with existing tenure holders. The Queensland resource legislation as drafted does not readily facilitate these transactions. Under the current legislation, the compliance of the existing tenure holder could potentially act as a key barrier to the transfer of a tenure. APLNG believes there may be benefits if those provisions are amended so that the decision-making criteria is focussed on the capacity of the proponent taking over or entering the tenure rather than the existing tenure holder.</p> <p>2. Lack of timeframes for all tenure related decisions</p> <p>Current legislation does not provide timeframes for decision making, resulting in a lack of certainty for proponents seeking approvals or decisions to produce resources. Lack of certainty makes it more challenging for producers to predict and</p>



	Questions	Feedback
		<p>plan future supply. By way of example, APLNG recently waited two years for a petroleum lease to be granted.</p> <p>APLNG acknowledges that certain regimes provide indicative or target timeframes (for example, see the Queensland Government's Georesources Tenure Performance Dashboard). However, these timeframes are indicative only. Therefore, market participants have no ability to challenge application timeframes (this is most important where it is unclear why a certain application is taking materially longer than indicative timeframes).</p> <p>3. Reliance on tenders as the only mechanism to obtain new acreage</p> <p>APLNG's experience is that current regulation can have the unintended effect of constraining access to petroleum and gas resource tenures.</p> <p>Certain current resource legislation only allows access to tenure through competitive tender processes (prior provisions allowed for direct application for new areas of acreage have been removed).</p> <p>APLNG acknowledges that certain regimes have an expression of interest for exploration (EOI) process which allows parties to request that an area be considered for release by a competitive tender process. However, there is little guidance or transparency provided on how authorities decide whether to include land requested to be released in an EOI in the competitive tender process.</p> <p>In absence of a direct application processes, or clear guidance on the administration of the current tender and EOI regime, the current system may not be fully conducive to opening up new sources of supply in a timely and efficient manner. Limiting new sources of supply affects both competition and the timeliness of supply.</p>



	Questions	Feedback
2.	<p>Should governments explicitly consider diversity and efficiency, or the potential impacts on competition, when awarding acreage? If not, please explain why not.</p>	<p>Since 2016, typical calls for tenders under the Queensland resources legislation require tenderers to address a special criterion regarding diversity in the petroleum and gas industry in Queensland. Queensland’s competitive tendering process encourages partnerships between larger and smaller participants and aids development of supply to the market, through requirements to contribute to a diverse and efficient petroleum and gas industry, and a demonstrated activities-based work program to ensure development is undertaken in a timely manner.</p> <p>The specific aims of the diversity criteria and how this criterion is applied, evaluated and weighted has not been made public. This lack of transparency creates a degree of uncertainty in the tender process.</p> <p>Greater transparency regarding the aims, application and evaluation of diversity criteria could lead to greater diversity and competition as producers would better understand the purpose and how to achieve this purpose.</p> <p>APLNG considers that any diversity criteria should be appropriately balanced with the ability of the potential holder to develop the tenement in a safe, efficient and reliable manner.</p>



	Questions	Feedback
3.	<p>Should governments employ a more proactive approach when:</p> <p>(a) specifying the timeframes for exploration, appraisal and/or production and/or approving exploration or retention permit renewals where they have the discretion to do so?</p> <ul style="list-style-type: none"> • If so, what is this likely to entail? • If not, please explain why not. <p>(b) approving, monitoring and enforcing compliance with work programs?</p> <ul style="list-style-type: none"> • If so, what is this likely to entail? • If not, please explain why not. 	<p>Intentionally left blank.</p>
4.	<p>What other ways could state, territory or Commonwealth governments encourage:</p> <ul style="list-style-type: none"> • greater diversity in the upstream segment of the market? • more timely supply of gas to market? 	<p>APLNG notes the regulatory environment associated with gas production and supply continues to undergo considerable actual and proposed change which contributes to creating an uncertain regulatory environment. APLNG's view is that a more certain regulatory environment could generate more diversity and encourage more timely supply.</p> <p>In the Queensland context, APLNG considers greater regulatory certainty should increase investment (as producers would have less risk to assess when making investment decisions and more of producers' resources could be focused on investment) and reduce producers' cost of participating in the industry. Greater investment should encourage more timely supply as the more investment that is made, the more supply. Reduced costs will reduce barriers to entry and participation, allowing smaller producers to expand and new entrants to enter the market.</p> <p>While APLNG appreciates the important role regulators play, at this time, and in APLNG's view, the following, along with others, contribute to creating an uncertain</p>



	Questions	Feedback
		regulatory environment: the Australian Domestic Gas Security Mechanism, Heads of Agreement, the ACCC Gas Inquiry.
Box 3.2: Questions on barriers faced by producers		
5.	<p>Are there any other barriers that producers face when developing tenements that have not been identified in section 3.2 (for example, access to drilling or other appraisal related services) that may affect upstream competition and/or the timeliness of supply?</p> <p>If so, please explain what these barriers are and the effect that they can have on upstream competition and/or the timeliness of supply?</p>	Intentionally left blank.
6.	<p>Are there any effective ways to reduce the following barriers:</p> <ul style="list-style-type: none"> • land access, environmental and other regulatory approvals? • access to capital and other commercial barriers? • access to infrastructure? 	<p>One of the largest barriers to approvals is the duplicative processes of both State and Federal Government. This is most easily highlighted by Water Approvals, where duplicative information is required at both levels of Government and significantly delay approvals (See Samuel Review for further information). Federal approvals can take up to 3 years to assess and approve which is too long (taken from Samuels report - Executive summary Independent review of the EPBC Act (environment.gov.au)).</p> <p>These delays could easily be overcome by the Queensland Government entering into a Bilateral Agreement with the Federal Government regarding the water trigger that is cognisant of the federal government requirements, including a timeline for implementation.</p> <p>In short, approvals and duplication of approvals at State and Federal level take too long and can be streamlined through a bilateral agreement. The Federal Government is supportive of this, and the Qld Government already has a bilateral with the Federal Government for EPBC Assessments which could be extended to include approvals.</p>
7.	Should the owners of upstream infrastructure (e.g. gathering pipelines, gas processing facilities and/or water processing facilities) that have	APLNG's response is provided in the context of ongoing regulatory reforms regarding third party access to infrastructure.



	Questions	Feedback
	spare capacity be required to provide third party access on reasonable terms?	<p>APLNG constructed and sized its upstream gas production infrastructure, including pipelines, gas and water processing facilities, to meet its contracted domestic gas and LNG (export gas) supply obligations. Domestically, APLNG is currently supplying around 30 per cent of the total east coast domestic gas market demand via numerous short-term and long-term gas supply agreements. APLNG has very significant supply commitments under these domestic gas supply contracts and it's LNG supply contracts. These arrangements were agreed on the back of security of supply and security of access to infrastructure.</p> <p>Based on APLNG's development plans, there is no opportunity for third party access whilst APLNG continues to plan for the development and production of its resource base underpinning its existing commitments and ongoing efforts to remain a material contributor to the east coast gas market.</p> <p>Rather than mandate third party access to upstream infrastructure, market forces and market-led solutions should be allowed to optimise the use of upstream infrastructure. Should APLNG find itself in a position where its development plans no longer require the full use of its upstream infrastructure, APLNG would welcome good faith engagement with bona fide interested third parties who wish to take a share of and / or toll through APLNG's upstream infrastructure on competitive terms. Such arrangements would not require regulation. APLNG would be guided by its economic interests to monetise upstream ullage to recover the significant upstream capital investments that it has made.</p>
8.	Are there other ways to improve third party access to upstream infrastructure on reasonable terms?	<p>Consistent with the response to question 7, APLNG does not consider there is a need to regulate third party access to processing infrastructure.</p> <p>APLNG considers that there are alternative, market led, solutions to third party access. Over the past 5+ years, the market has provided solutions for smaller players. For example, the Senex and Jemena Atlas plant and the APA and Cooper Energy arrangement.</p>



	Questions	Feedback
9.	<p>Would third party access to any other infrastructure (e.g. LNG processing facilities, storage facilities etc.) facilitate more upstream competition and/or the more timely development of supply into the domestic market?</p> <p>If so, please identify the infrastructure and the benefits that third party access would provide.</p>	<p>Refer to response to question 7. The same restraints apply to APLNG's downstream facilities as are provided in question 7 for APLNG's upstream facilities.</p>
Box 4.1: Questions on JV arrangements		
10.	<p>Are there any aspects of JV arrangements not identified in section 4.1 that may adversely affect upstream competition and/or the timeliness of supply?</p> <p>If so, please explain what they are and how they may affect upstream competition and/or the timeliness of supply.</p>	<p>As the ACCC providers in the Issues Paper, joint venture arrangements (whether incorporated or unincorporated) are a widely used business structure in the Australian energy and resources sectors because they provide access to increased capital, a greater pool of resources, technical ability and reduce risk, particularly given the capital-intensive nature of, and risks associated with, gas exploration and production.</p> <p>There are a variety of model form agreements available for joint ventures that have been developed by industry bodies representing a wide cross section of industry participants, and which provide reasonably balanced commercial outcomes.</p> <p>APLNG acknowledges that joint venture agreements can be complex and the commercial terms can vary, which include the decision-making process about the allocation of resources. APLNG considers it incumbent on the parties entering such arrangements to understand the obligations, responsibilities and decision making arrangements being agreed.</p> <p>APLNG does not however believe that joint venture arrangements decrease competition or supply to the east coast gas market, but rather that the benefits of global scale joint ventures have stimulated, and continue to help support the development of, large scale infrastructure which (while designed with Government support to help, in some instances, to facilitate safe and reliable commercialisation of gas reserves for LNG export) also supply significant domestic gas demand and significantly benefits gas users.</p>



	Questions	Feedback
11.	Are there any measures that could be put in place to address the potentially negative aspects of JVs identified in section 4.1 or in your response to question 10?	Intentionally left blank.
12.	Are there provisions in the contractual arrangements that underpin JVs that can adversely affect competition and/or the timeliness of supply? If so, how could this be addressed? Is there, for example, a best practice JV arrangement that would prevent this occurring?	Intentionally left blank.
13.	Are there any approaches (either in place, or that could be put in place) designed to help level the playing field between larger and smaller producers in the same JV? Please explain how these approaches work.	<p>The use of farm-in/farm-out agreements allow smaller producers to participate in projects which would otherwise not have been available to them or may not have been developed at all due to varying reasons, including risks, costs, know-how and resources, while simultaneously allowing larger producers to pursue opportunities where the costs and/or risks may have been prohibitive on a 100 per cent basis, thereby also contributing to increased timeliness of supply.</p> <p>As provided in the response to question 2, a competitive tendering process encourages partnership between larger and smaller participants and aids development of supply to the market. These objectives are achieved through requirements to contribute to a diverse and efficient petroleum and gas industry, and a demonstrated activities-based work program (which ensures development is undertaken in a safe, efficient and reliable manner).</p>
14.	Do you consider that proposals by larger producers to enter into JV arrangements (or farm into existing JV arrangements) should be subject to mandatory notification requirements and ACCC consideration? Please explain your response to this question.	<p>In APLNG's view, requiring mandatory notification concerning a commercial activity (namely to enter into commercial agreements) should not be mandated.</p> <p>Such agreements are already subject to the Competition and Consumer Act 2010 (CCA) which prohibits the entry into agreements which have the purpose or likely effect of substantially lessening competition.</p> <p>As JV arrangements are already subject to the CCA, notification requirements could have unintended consequences. For example, unnecessary additional</p>



	Questions	Feedback
		<p>transactional burden result in timeline drag and associated costs for gas suppliers and gas users.</p> <p>Accordingly, APLNG does not consider there is justification for the introduction of a size specific rule regarding notification in circumstances where there is existing regulation.</p>
15.	Is any other form of oversight of JV arrangements required?	APLNG's view is that the existing level of regulation under the CCA is sufficient to manage and regulate the creation of joint ventures and their subsequent activities.
Box 4.2: Questions on mergers and acquisitions		
16.	<p>Section 4.2 sets out how mergers and acquisitions of individual tenements can affect competition and/or the timeliness of supply. Are there any other ways in which mergers and acquisitions could affect competition and/or the timeliness of supply that have not been identified?</p> <p>If so, please explain what they are and the effect that they can have on upstream competition and/or the timeliness of supply?</p>	<p>APLNG's view is that divestments, mergers and acquisitions by large producers can positively affect competition and/or supply timeliness.</p> <p>APLNG is incentivised to optimise its tenement portfolio and maximise utilisation of existing assets and develop projects which will improve that utilisation with additional production as soon as possible.</p> <p>Some tenements acquired by APLNG in recent years could have been stranded or never developed due to the previous holders' position, capacity and/or ability to develop. On the other hand, APLNG has actively divested its interests in tenements which did not fit into APLNG's portfolio, giving other parties the opportunity to develop that resource and thereby improving supply timeliness.</p> <p>Many transactions demonstrate efficient investment which will increase supply and improve domestic gas competition.</p>
17.	<p>Do you think the current merger regime has been working effectively to date?</p> <p>If not, please explain why not.</p>	<p>APLNG's view of the current merger regime is that it is effective.</p> <p>APLNG's experience of the operation of the merger review process in practice is that the ACCC seeks to test transactions and is rigorous in its approach. APLNG has been the subject of significant disclosure requirements, robust engagement on</p>



	Questions	Feedback
		<p>potential remedies and extended discourse in clearance processes. The consequence of the robustness of the approach has at times been delay. APLNG recognises this is a consequence of a regulatory mandate and approach that works to ensure that competition is adequately maintained. APLNG does not view its experiences as evidence that the system is broken and requires review.</p> <p>Underpinning the Issues Paper is, it appears, a contention by the ACCC that the upstream market is not competitive and structural reform is required to improve competition. In APLNG's view, the market has not failed. APLNG is not in favour of diluting the meaning of "likely" to a "possibility that is not remote", as has been proposed by the ACCC, or of removing all oversight of merger transactions from the courts. A lower threshold could increase the number of mergers that are likely to be opposed. In that circumstance, APLNG views that there is a risk of overregulation.</p>



	Questions	Feedback
18.	<p>Do you think the current merger regime can work effectively in the highly concentrated upstream market?</p> <p>If not, please explain what changes you think are required?</p>	<p>APLNG's view is that the ACCC's merger review already works in highly concentrated markets. APLNG's own experiences of a robust ACCC process followed by clearance demonstrate that the merger regime is effective.</p> <p>To the extent that the ACCC has any concern about whether it can effectively oppose such transactions, recent examples of the regime working in concentrated sectors include the withdrawal of the proposed AON/Wilson Towers Watson combination; the withdrawal of the Saputo Dairy/Lion Dairy combination; and the B&J City Kitchen/Jewel Fine Foods proposal which was opposed by the ACCC but not subsequently contested by the parties.</p> <p>Withdrawal typically occurs where the ACCC has expressed concerns to the merger parties about the potential effect of the transaction. Such concerns arise where there is potential concentration that could lead to anticompetitive outcomes.</p> <p>There is no reason to believe, or evidence to demonstrate, that the current merger regime does not work in the upstream gas market. In APLNG's experience, there is evidence to the contrary.</p>
Box 4.3: Questions on joint and separate marketing		
19.	<p>Are there any aspects of joint marketing by unincorporated JVs not identified in section 4.3 that may adversely affect upstream competition and/or the timeliness of supply? If so, please explain (with examples if possible):</p> <ul style="list-style-type: none"> • what they are • how they may effect upstream competition and/or the timeliness of supply • any measures that may be able to address them. 	Intentionally left blank.



	Questions	Feedback
20.	<p>What are the factors that may make establishing balancing arrangements difficult in one case, and easier in another? How has this changed over time?</p> <p>Please provide examples if possible.</p>	<p>Most model form joint operating agreements include standard balancing arrangements that can generally be applied on a commercial basis in most circumstances. These model form arrangements reduce barriers to negotiating suitable balancing arrangements.</p>
21.	<p>In what circumstances do you consider allowing producers to jointly market gas would be beneficial?</p> <p>Please provide examples of current producers that are jointly marketing their gas and what you consider the likely impact would be on competition or the timeliness of supply if they were to separately market.</p>	<p>Intentionally left blank.</p>
22.	<p>Do you consider the current competition laws are sufficient to respond to the issues around joint marketing by unincorporated JVs?</p> <p>Please explain your answer including, if relevant, any changes you think may be required.</p>	<p>Intentionally left blank.</p>
23.	<p>Are there any aspects of the arrangements relating to the sale of gas by incorporated JVs that may affect upstream competition and/or the timeliness of supply? If so, please explain (with examples if possible):</p> <ul style="list-style-type: none"> • what they are • how they may effect upstream competition and/or the timeliness of supply • any measures that may be able to address them. 	<p>In APLNG's view, there is nothing intrinsically special about the incorporated joint venture structure (as compared to any other legal entity) that means arrangements relating to the sale of gas by such entities may affect upstream competition or timeliness of supply, and as such, should be subject to special rules or requirements with respect to marketing.</p>
24.	<p>Do you consider the current competition laws are sufficient to respond to the issues around the arrangements relating to the sale of gas by incorporated JVs?</p> <p>Please explain your answer including, if relevant, any changes you think may be required.</p>	<p>As noted in response to previous questions, APLNG is of the view that the current competition law is sufficient to regulate the activities of gas producers and, absent empirical evidence that it is not capable of doing so, further regulatory steps should not be taken.</p>



	Questions	Feedback
Box 4.4: Questions on exclusivity provisions		
25.	<p>Section 4.4 describes how exclusivity provisions in GSAs between producers may restrict upstream competition.</p> <ul style="list-style-type: none"> Are there any other ways that these provisions might restrict competition? If so, please explain what they are. Are there any competition or efficiency benefits associated with these types of provisions? 	In APLNG's experience, exclusivity provisions are rarely used in the east coast gas market.
26.	If exclusivity provisions are restricting competition, how should this be addressed?	Intentionally left blank.
27.	<p>Should producers only be allowed to enter into exclusivity arrangements if they have sought and obtained authorisation from the ACCC before doing so?</p> <p>Please explain your reasons.</p>	Intentionally left blank.
Box 4.5: Questions on decisions on when to develop new sources		
28.	<p>Section 4.5 sets out some of the technical, commercial and strategic factors that may affect producers' decisions about when to develop new sources of supply and the timeliness with which gas is brought to market. Are there any other factors that may influence these decisions?</p>	<p>As provided in response to question 7, APLNG has very significant supply commitments under short and long-term domestic gas supply contracts and its LNG supply contracts. These arrangements were, and are, agreed on the back of security of supply and infrastructure capacity. In an environment where there are, among other things, significant regulatory requirements, regulatory uncertainty and a lack of transparency regarding timelines for tenure decisions, optimising supply to ensure APLNG can meet its contractual obligations is increasingly complex.</p> <p>The timing of developing new sources of supply is primarily driven by ensuring security of supply to meet existing and future contractual obligations and expected customer demand (both short and long-term). This supply is then optimised with gas and water processing facilities' capacity. Development timing must also take into account a range of other complex technical factors, for example, outcomes for</p>



	Questions	Feedback
		<p>reservoir performance, the timing of the maturity of well and artificial lift design for the region to maximise the gas recovery of the resource in line with demand.</p> <p>We understand the ACCC's questions following section 4.5 of the Issues Paper are not referring to 'banking' as derived from one joint venture party over-lifting relative to another joint venture party, resulting in the other joint venture party generating 'banked gas'. This form of banking is limited in APLNG contractual arrangements, and in APLNG's case primarily results from operational requirements to smooth out production across the year to meet contractual demand across APLNG's firm LNG and domestic commitments and manage temporary capacity constraints.</p>
29.	<p>Section 4.5 also outlines some of the reasons why larger producers may want to 'bank' or 'warehouse' gas. Are there any other reasons why they may want to withhold supply in this manner?</p>	<p>APLNG continues to investigate opportunities to optimise its supply portfolio in line with its contracted supply commitments, supply forecasts, type curves and decline rates, including divestment of undeveloped tenements, and will act upon those opportunities where it is appropriate and economical for APLNG to do so (such as the recent publicly announced divestment of APLNG's 30% interest in the Mahalo Shallows Joint Venture to Comet Ridge and divestment of Denison North and South to Denison), thereby enabling other producers to access new acreage and potentially bring new supply to the east coast gas market earlier.</p> <p>Prevailing market conditions combined with regulatory certainty play a significant role in incentivising new supply be developed at a time when gas producers can be confident the demand for gas is sufficiently strong to cover the cost and risks associated with appraisal extraction and supply, particularly on a forward firm basis on competitive terms.</p>
30.	<p>If gas is being 'banked' or 'warehoused' how do you think this should be addressed?</p>	<p>APLNG is currently supplying around 30 per cent of the total east coast domestic gas market demand and continues to invest in active resource development to ensure future supply to both existing and new customers.</p> <p>APLNG believes a free market is the most effective way to get gas to customers and further intervention and restrictions on the ability of gas producers to manage exploration and development programs (including tenure relinquishment) are unlikely to aid the development nor foster a liquid gas market that supports</p>



	Questions	Feedback
		investment and market-led solutions to ensure gas is made available at locations it is required.