



**Macquarie Mereenie & Ors –
Application for authorisation AA1000564
Interim authorisation decision
7 October 2021**

Decision

1. The Australian Competition and Consumer Commission (**the ACCC**) has granted conditional interim authorisation in respect of the application for authorisation AA1000564, lodged by Central Petroleum Limited and Central Petroleum Mereenie Pty Ltd (as trustee for the Central Petroleum Unit Trust) and Macquarie Mereenie Pty Ltd on 29 July 2021.
2. Interim authorisation is granted to enable the Joint Venture Participants¹ to:
 - a) engage in joint marketing of natural gas produced from the Mereenie gas field (**Mereenie field**) in the Northern Territory (**NT**), and
 - b) enter into gas supply agreements (**GSAs**) with customers that may arise out of the joint marketing of natural gas from the Mereenie field. These contracts may involve common terms and conditions, including in relation to price.
3. Interim authorisation is granted with the condition that any GSAs entered into with customers on the basis of this interim authorisation be conditional upon the ACCC granting authorisation in its final determination, and be subject to any terms and/or conditions of any such authorisation, if granted.
4. For clarity, interim authorisation is not granted with respect to the giving effect to any agreements entered into by the Joint Venture Participants arising out of the joint marketing of natural gas from the Mereenie field.
5. Interim authorisation commences immediately and remains in place until it is revoked, the application for authorisation is withdrawn, or the date the ACCC's final determination comes into effect.

The application for authorisation

6. The applicants are:
 - Macquarie Mereenie Pty Ltd (**Macquarie Mereenie**), and
 - Central Petroleum Mereenie Pty Ltd as trustee for the Central Petroleum Mereenie Unit Trust (**Central**)together the participants in the Mereenie joint venture; and
 - Central Petroleum Limited, as operator of the Mereenie joint venture.(together the **Applicants**).
7. Central has entered into an agreement to sell-down a 17.5% interest in the Mereenie joint venture to a subsidiary of New Zealand Oil and Gas Limited (**NZOG**) and a 7.5%

¹ Defined at paragraph 8.

interest in the Mereenie joint venture to a subsidiary of Cue Energy Resources Limited (**Cue**).

8. The Applicants, NZOG, Cue and their respective bodies corporate are, collectively, the **Joint Venture Participants**.
9. The Applicants are seeking authorisation for the Joint Venture Participants and other future successors and assignees of those parties (i.e. future Mereenie joint venture participants) to:
 - engage in the joint marketing of natural gas produced from the Mereenie gas field; and
 - give effect to any contracts with customers that may arise out of the joint marketing of gas from the Mereenie field. These contracts may involve common terms and conditions, including in relation to price

(the **Proposed Conduct**)

10. The Applicants are seeking authorisation to engage in the Proposed Conduct for a period of five years (in relation to joint marketing) and 10 years (in relation to giving effect to contractual terms and conditions).
11. The Applicants have confirmed that authorisation is not sought for conduct relating to:
 - the marketing arrangements of either participant in respect to gas produced from other fields they may have an interest in now or in the future
 - gas acquired from third parties
 - gas produced from any exclusive (sole risk) operations in the Mereenie field
 - existing GSAs from the Mereenie field that have already been contracted
 - gas sales agreements entered into by a single party where the opportunity was brought to the joint venture, but only one party elected to proceed with the sale, or
 - oil sales.

Background

12. The Mereenie field was initially developed as an oil production facility. However, it also produces natural gas and the majority of recent and proposed future appraisal work is focused on future gas development. The Mereenie joint venture's sole business is production of oil and gas from the Mereenie field.
13. On 29 March 2018 the ACCC granted authorisation AA1000389 (the **2018 Authorisation**) which permitted the Applicants to:
 - jointly market gas from the Mereenie gas field for a period of three years until 20 April 2021
 - make GSAs with customers for the supply of Mereenie gas that contain common terms and conditions (including as to price) and that expire on or before 31 December 2028, for a period of three years until 20 April 2021, and
 - give effect to any such GSAs entered into during the three year period until 31 December 2028.

14. NZOG is an oil and gas company listed on the NZX and ASX, with interests in gas production in New Zealand and Indonesia. In Australia it has a 15% interest in a Western Australian offshore exploration permit (WA-359-P) in the Carnarvon Basin. NZOG also holds a 50.04% interest in Cue.
15. Cue is an oil and gas company listed on the ASX, with minority interests in gas production in New Zealand and Indonesia. In Australia it has interests in 3 Western Australian offshore exploration permits in the Carnarvon Basin (21.5% in WA-359-P, 100% in WA-389-P and 20% in WA409-P).
16. Neither NZOG or Cue have any other gas production interests in Australia or any Australian gas marketing function or expertise.

Interim authorisation

17. Section 91 of the Act allows the ACCC, where it considers it appropriate, to grant interim authorisation. This allows the parties to engage in the Proposed Conduct while the ACCC is considering the substantive application.
18. The Applicants submit that they have requested interim authorisation on the basis that:
 - They have not jointly marketed gas from the Mereenie field since the joint marketing limb of the 2018 Authorisation expired. Since then, neither of the Applicants has been able to enter a 'firm' GSA on an individual basis.
 - Separate marketing, even for a temporary period, is highly problematic for the Joint Venture Participants because gas supply opportunities for gas from the Mereenie field tend to be infrequent term-contract driven opportunities and the Applicants' experience has been that their individual offerings are materially less attractive to customers than their previous joint offering.
 - Prior to the expiry of the 2018 Authorisation, the Applicants had commenced jointly negotiating term sheets with customers in Mt Isa and within the NT to commence gas supply in early 2022, and any disruption to the Applicants' ability to jointly market this gas has the potential to hinder, delay, or reduce available supply options for these customers. Given the knowledge each of the Joint Venture Participants have of the terms jointly offered to those customers, there is no detriment in allowing the negotiations to progress by way of joint marketing.
 - GSAs commencing in 2022 need to be negotiated and contracted between July and September 2021, as customers want to have certainty of supply well before the start of the contract supply year.
 - Allowing the Applicants to jointly market gas sooner will facilitate the 'Mereenie Stairway' appraisal and faster development of the Amadeus to Moomba Gas Pipeline (**AMGP**) (which was originally targeting a final investment decision in the 2nd half of 2021), bringing forward sales to east coast customers where there remains a near-term gas shortage.²
 - Interim authorisation would provide gas customers with the earliest opportunity to consider a new supply of gas, contributing to the efficient planning activities of gas customers and helping to alleviate the shortfall that is looming (and many of the alternative sources of supply involve regulatory approval processes or other challenges), and

² Central Petroleum Limited, *ASX announcement Amadeus to Moomba Gas Pipeline*, 18 August 2020.

- The statutory six month timeframe for the ACCC in considering the Application will “unduly delay” further contractual negotiations and is “highly likely to reduce gas supply from the Mereenie field in 2022”.

Consultation

19. The ACCC invited submissions from a range of potentially interested parties including major competitors, customers, relevant industry associations or peak bodies, consumer groups, state and federal government and relevant regulatory bodies.³ The ACCC received one confidential submission regarding the Applicants’ request for interim authorisation.
20. On 30 August 2021 the ACCC sent a request for information to the Applicants to better understand how gas from the Mereenie field has previously been marketed, previous attempts at gas balancing between the Applicants, why they consider joint marketing necessary and arrangements concerning other nearby gas fields operated by the Joint Venture Participants. The ACCC was provided with a detailed response on a confidential basis.
21. Further information in relation to the application for authorisation, including any public submissions received by the ACCC as this matter progresses, may be obtained from the ACCC’s website www.accc.gov.au/authorisations.

Reasons for decision

22. In granting interim authorisation with the condition described at paragraphs 2 to 4, the ACCC considers that:
 - as joint venture partners in the Mereenie field, the Applicants already know the operating costs, reserves and resources, geology, production, potential for expansion and anticipated costs of expansion of the Mereenie project. Any exchange of the price each party is willing to sell at will not have a lasting impact on competition
 - authorisation is not sought for, and interim authorisation is not granted for, any cooperation between the Applicants in relation to existing or future oil or gas projects outside the Mereenie joint venture
 - conditions in the relevant markets are unlikely to vary significantly if interim authorisation is granted
 - the volume of gas to be jointly marketed is a very small proportion of total east coast gas demand. And gas from the Mereenie field accounts for only around 20% of natural gas supplied in the NT
 - the giving effect to any GSA entered into during the period of interim authorisation is not authorised under the interim authorisation, meaning that no gas which has been jointly marketed will be delivered to customers during the period of interim authorisation
 - while it is unlikely that interim authorisation alone would trigger a decision to advance development of the Mereenie field, it is likely to provide gas customers with the earliest opportunity to consider gas from the Merrenie field in volumes and on supply terms that may not otherwise be offered in the absence of joint marketing. Such agreements may contribute to a decision to expand the Mereenie field and contribute to underwriting the AMGP
 - the ACCC considers that there is a low risk of interim authorisation harming interested parties, particularly where the giving effect to any agreement entered into following the joint marketing is not authorised under the interim authorisation, and the

³ A list of the parties consulted and the public submissions received is available from the ACCC’s public register www.accc.gov.au/authorisationsregister.

agreements are conditional and subject to the ACCC granting final authorisation. If interim authorisation were refused but authorisation later granted, the delay in the Applicants being permitted to jointly market gas from the Mereenie field could complicate or frustrate attempts to secure large volume GSAs. Interim authorisation may result in gas coming to market sooner than it otherwise would, and

- the Proposed Conduct does not materially enhance the Applicants' ability to supply gas on less favourable terms as they are likely to face significant competition from actual and potential rival suppliers of natural gas to commercial and industrial customers in the NT -Mount Isa Region.

Reconsideration of interim authorisation

23. The ACCC may review the interim authorisation at any time. The ACCC's decision in relation to the interim authorisation should not be taken to be indicative of whether or not the final authorisation will be granted.