



Australian  
Competition &  
Consumer  
Commission

## Vali gas joint venture – Application for authorisation AA1000538

### Interim authorisation decision

29 January 2021

#### Decision

1. The Australian Competition and Consumer Commission (the **ACCC**) has granted interim authorisation in respect of the application for authorisation AA1000538, lodged by Vintage Energy Ltd (**Vintage**), Metgasco Ltd (**Metgasco**) and Bridgeport (Cooper Basin) Pty Ltd (**Bridgeport**) (collectively, the **Applicants**) on 10 December 2020.
2. Interim authorisation is granted to enable the Applicants to jointly market and enter into:
  - long term gas supply agreements (**GSAs**) with customers with common terms and conditions (including price) for the supply of gas from the Vali field. These GSAs would be subject to and fully conditional upon the ACCC's final determination; and
  - short term GSAs with customers with common terms and conditions (including price) for the supply of gas from the Vali field. These GSAs would allow the Applicants to supply minor quantities of gas to customers on a fully interruptible basis for a limited period – until 31 December 2021.
3. Interim authorisation commences immediately and remains in place until it is revoked, the application for authorisation is withdrawn, or the ACCC's final determination comes into effect.

#### The application for authorisation

4. The Applicants are joint venture partners in respect of the Vali field, a new gas field in the early stages of development which is located within a 370 km<sup>2</sup> area (covered by Authority to Prospect 2021) in the Queensland Cooper/Eromanga Basin. The parties' respective interests in the ATP 2020 are: Vintage 50 per cent, Metgasco 25 per cent and Bridgeport 25 per cent.
5. None of the Applicants currently produce or sell natural gas in Australia.
6. Vintage is the operator of the joint venture, and the marketing and sales agent for all gas that will be extracted from the Vali field upon development (excluding any gas Bridgeport may reserve for sale to a company with whom it shares common shareholders, Brickworks Limited).<sup>1</sup>
7. As a new gas field, the Applicants expect significant capital investment (in terms of additional drilling and infrastructure) will be required to develop the Vali field's gas supply

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<sup>1</sup> Under the APT 2021 Joint Operating Agreement, Bridgeport may reserve 50 per cent of its share of gas for sale to Brickworks Limited.

potential, and operating expenditure over the life of the field is forecast to be of similar magnitude.

8. Upon full development of the Vali field, the annual gas production from the field will be equal to approximately 0.5 per cent of the annual domestic gas demand in the east coast market, and less than 0.2 per cent when LNG export demand is included with domestic demand.
9. The Applicants submit that joint marketing would provide increased certainty for them to commit to the capital investment required to further develop the Vali field and bring gas to market sooner, and enable them to better compete with existing major gas producers. The Applicants consider the proposed conduct will not result in public detriment, due to the small amount of gas proposed to be jointly marketed.
10. The Applicants have sought authorisation for a period of 5 years to jointly market and enter into GSAs with customers with common terms and conditions (including price), which may have supply terms up to and including 2041 (i.e. maximum supply term of 15 years, including renewals).

## The authorisation process

11. Authorisation provides protection from legal action for conduct that may otherwise breach the competition provisions of the *Competition and Consumer Act 2010 (the Act)*. Broadly, the ACCC may grant authorisation if it is satisfied that the benefit to the public from the conduct outweighs any public detriment, including from a lessening of competition. The ACCC conducts a public consultation process to assist it to determine whether a proposed arrangement results in a net public benefit.

## Interim authorisation

12. Section 91(2) of the Act allows the ACCC, where it considers it appropriate, to grant interim authorisation. This allows the parties to engage in the conduct while the ACCC is considering the substantive application for authorisation.
13. The Applicants have requested interim authorisation on the basis that:
  - a) interim authorisation will enable them to engage with prospective gas customers at the earliest opportunity, and provide confidence for them to proceed with the Vali field development (which increases the prospect of readiness for first gas flow); and
  - b) interim authorisation will not result in long-term anti-competitive detriment and is anticipated to deliver public benefits. Long-term GSAs will be fully conditional upon the ACCC's final determination, and short-term GSAs will be fully interruptible and for very minor quantities but binding for a short period until 31 December 2021.

## Consultation

14. The ACCC invited submissions from a range of potentially interested parties including gas customers, gas processing and pipeline operators, industry associations, government agencies and relevant regulatory bodies.
15. The ACCC did not receive any submissions from interested parties which specifically commented on the request for interim authorisation.

16. The ACCC received two submission in support of the substantive application for authorisation. Brickworks Limited supports the application on the basis of the small size of the Vali gas reserves and the limited share of the reserves held by each of the Applicants. Epic Energy supports measures which encourage gas to be developed from new fields, and considers appropriate joint marketing arrangements are desirable and serve the interests of consumers as well as producers.
17. 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 authorisations [public register](#).

## Reasons for decision

18. The ACCC has decided to grant interim authorisation in the terms outlined in paragraph 2 above.
19. In granting interim authorisation, the ACCC notes that:
- the volume of gas to be jointly marketed is a relatively small proportion of total east coast gas demand and therefore, granting interim authorisation is unlikely to significantly change the state of the market;
  - any long-term GSAs negotiated and entered into during the period of interim authorisation will be subject to and fully conditional upon the ACCC granting final authorisation, and therefore cannot be given effect to. The market would be able to return to its previous state if the ACCC does not ultimately grant authorisation;
  - the supply of gas to customers under any short-term GSAs is intended to be fully interruptible and for a short period of time, while the Applicants establish the flow characteristics of the new gas field. The amount of gas to be supplied under these GSAs is expected to be minimal; and
  - granting interim authorisation would enable the Applicants to have early engagement with customers, and expedite the development of the Vali field to bring new gas supply to the market sooner.

## Reconsideration of interim authorisation

20. 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.