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Your Ref: AA1000620

2 December 2022

Australian Competition and Consumer Commission
Exemptions Branch
GPO Box 3131
CANBERRA ACT 2601

Dear Sir/Madam,

Re: AA1000620 – Western Australian and Northern Territory LNG Producers – Submission

The DomGas Alliance (**DGA**) welcomes the opportunity to comment on the application for revocation and substitution of authorisations from Chevron Australia Pty Ltd, INPEX Operations Australia Pty Ltd, Shell Australia Pty Ltd and Woodside Energy Limited (**Applicants**) lodged with the Australia Competition and Consumer Commission, Exemptions Branch (**ACCC**) on 10 August 2022 (**Application**).

DomGas Alliance's role

The DomGas Alliance is a member-driven industry body representing natural gas users, infrastructure investors and producers in Western Australia, with members including Alcoa of Australia, Coogee, CSBP, Wesfarmers Chemicals, Energy and Fertilisers and Yara Pilbara.

Formed in 2006 in response to a serious shortage of gas supply for new developments in WA, DGA seeks to ensure a reliable, affordable and diverse supply of natural gas for industry and households in Western Australia.

DGA works closely with State and Federal Governments and other industry stakeholders to promote initiatives and debate on domestic gas supply issues.

Summary of DomGas Alliance's position on application for re-authorisation

DGA is concerned by the possible impacts of the Application, specifically surrounding maintenance outages and the possible effects on domestic supply.

For example, given that the global price for exported LNG is substantially higher than the domestic price of gas, there is no doubt that from a commercial perspective, the operation of LNG plants is geared primarily to supplying export markets. The Domestic Market Obligation (DMO) is of secondary importance given the very large price differential with LNG exports, especially on the spot market.

Therefore, from a planned maintenance perspective, it would be more profitable to schedule an outage to have the least impact on LNG exports at a period of high demand, such as the northern winter. If all the Applicants worked together to ensure they could maximise availability for LNG exports

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when seasonal prices are higher (on top of a general global shortage) then this could disadvantage domestic gas customers.

At the very least, the Applicants should need to demonstrate that their scheduling for maintenance does not adversely impact domestic gas availability compared to LNG exports. This does not just mean their ability to meet domestic contracts but includes the availability of gas to the domestic market in a similar way that LNG is made available to the global market over and above contract sales.

The WA domestic gas market is highly concentrated with few sellers. That situation was made worse recently with one of the larger producers, BHP Petroleum, being absorbed by Woodside.

Also, while the individual partners of the North West Shelf Joint Venture now must market their domestic gas allocation separately, they are not highly active in the marketplace. This has resulted in limited upstream competition, and at any given time, there is little active marketing of DMO gas in WA.

At the same time, reserves of one of the largest domestic suppliers, Santos, have been significantly downgraded, and proposed new domestic gas supply projects such as West Erregulla have been significantly delayed.

This is not to imply collusion between LNG producers, but it does mean that regulators need to be incredibly careful in ensuring that opportunities for collusion are kept to a minimum and any discussions between the producers are very transparent.

The introduction of a condition that the Applicants are required to disclose information shared between them at a more detailed level than previously made public is likely to benefit the informational asymmetries, close non-compliance gaps and address commentary and transparency issues.

The GBB serves an especially useful function in the WA gas market providing information on gas transportation, and other aspects of the day-to-day gas market that enables buyers to understand the availability and deliverability of gas to their operations.

In a heavily concentrated selling market, there is certainly a danger of information asymmetry, and it would benefit market efficiency for as much detail as possible on planned maintenance outages to be made available on the GBB. Any information that is shared between the Applicants should therefore be put on the GBB.

As the ACCC may be aware, the WA energy industry is forecast to incur a gas shortage of up to 100TJ/d between 2024 and 2027. With this shortage comes a range of questions surrounding the domestic gas policy and compliance with the 15% Reservation Policy. Currently, DMO is being supplied at around 10% of allocated reserves, which points to some LNG producers favouring export markets rather than domestic sales.

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From a gas supply perspective, the addition of Domestic Market Obligation (DMO) gas brought to market can reduce the effects of the shortage and ensure the Reservation Policy is being met. While the current DMO gas sits at 10%, well below the long-term target of 15%, there is public evidence of shipped extra volumes from WA producers of spot price LNG to global markets, effectively taking advantage of the high prices for LNG.

DomGas Alliance has concerns that the proposal from the Applicants could have the effect of favouring LNG export opportunities to the detriment of domestic gas sales, especially when DMO gas is being supplied to the domestic market well below the long-term target of 15% of exports, and there is a projected shortfall by AEMO from 2024 to 2027.

If you have any further queries in relation to the matters discussed within the letter, please contact me on [redacted].

Yours sincerely

[redacted]

RICHARD HARRIS
CHAIRMAN AND SPOKESPERSON
DOMGAS ALLIANCE