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25 May 2016

Manager, COAG Energy Council Secretariat
Department of Industry, Innovation and Science
GPO Box 9839
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(via e-mail to: energycouncil@industry.gov.au)

**RE: COAG ENERGY COUNCIL GAS SUPPLY STRATEGY IMPLEMENTATION PLAN
CONSULTATION PAPER: COMMENTS FROM THE AUSTRALIAN PETROLEUM
PRODUCTION & EXPLORATION ASSOCIATION (APPEA) ON "IMPROVING
INFORMATION ON GAS RESERVES AND PRODUCTION POTENTIAL"**

Since 1959, the Australian Petroleum Production & Exploration Association (APPEA) has been the peak national body representing the upstream oil and gas exploration and production industry. APPEA has around 80 member companies that explore for and produce Australia's oil and gas. In addition, APPEA's more than 200 associate member companies that provide a wide range of goods and services to the industry. Further information about APPEA can be found on our website, at www.appea.com.au.

APPEA welcomes the opportunity to provide comment to the COAG Energy Council on aspects of its *Gas Supply Strategy Implementation Plan Consultation* (Consultation Paper).

APPEA is committed to working with the Council as it further develops its implementation plan and, very importantly, implements initiatives outlined in the Gas Supply Strategy. In addition, APPEA will be presenting its first *Report to the COAG Energy Council: Unconventional Gas in Australia* for consideration at the Council's planned July 2016 meeting.

In addition to the APPEA comments, a number of APPEA members have made individual submissions to the Consultation Paper. This response should be read in conjunction with submissions from individual APPEA members.

This initial APPEA addresses the section of the Consultation Paper dealing with improving information on gas reserves and production potential. A supplementary submission on other aspects of the Consultation Paper may follow.

Improving information on gas reserves and production potential

A number of steps have been taken by policy makers and market participants over the last ten years to increase the level of transparency in gas markets and enable more informed decisions to be made about the consumption, production and transportation of gas and longer-term investments.

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In responding to the Stage 1 Draft Report of the Australian Energy Market Commission's (AEMC) *East Coast Wholesale Gas Market and Pipeline Frameworks Review*, APPEA noted¹ that while it supports the AEMC's proposal to include exploration and reserves information on the Gas Bulletin Board (GGB) as a step towards developing a "one-stop-shop" of gas market information, such a move should not place an additional reporting burden on gas producers.

With that in mind, APPEA welcomes the approach taken in the Consultation Paper to focus on collaborative actions to increase the level of information available to stakeholders. APPEA has long noted individual COAG Energy Council jurisdictions across Australia already collect and hold relevant data on most aspects of the information outlined on page 6 of the Consultation Paper. These reporting arrangements are outlined at Attachment 1.

APPEA therefore supports Energy Council members working collaboratively to share information and work through any barriers to sharing information that they already hold. APPEA and our members stand ready to work with the Energy Council to assist in that process and ensure that the ultimate presentation of information balances the public interest and commercial sensitivities.

Given the number of similar, but seemingly separate, processes and organisations (AEMC, AEMO, ACCC, the COAG Energy Council and the Australian Government Department of Industry, Innovation and Science amongst others) that have considered this issue in recent years, it is important a single, technically capable organisation (such as the Energy Council) lead this work, in collaboration with relevant stakeholders, including industry. It is also important that an appropriate vehicle for the provision of this information be agreed and supported by the Energy Council and relevant stakeholders.

APPEA therefore agrees with and supports the collaborative actions outlined in the seven dot points on pages 6-7 of the Consultation Paper. In seeking to expand the existing Council publication *Coal Seam, Shale and Tight Gas in Australia: Resources Assessment and Operation Overview* to cover all onshore gas resources, reserves, drilling activity, well performance, and production data, it will be important to ensure that commercial-in-confidence information is protected appropriately at all stages of information collection and publication.

APPEA recommends that reporting reserves/resource information at project level, per Petroleum Resource Tax Project definitions, is the best way to achieve COAG's stated outcomes of usable, relevant data and reduced reporting costs. Reporting at a project level would improve data quality and interpretation by aggregating field data, as field level data can be subject to fluctuation that could be misinterpreted. It would also avoid the potential for misuse of more granular data. Publishing at project level would minimise the information burden on all stakeholders, including regulators, and provide a clear, reliable basis for both commercial and regulatory decisions.

APPEA also notes the recent Report from the Australian Competition and Consumer Commission (ACCC) following the completion of their *Inquiry into the east coast gas market*.

¹ APPEA's submission to the Review can be found at www.aemc.gov.au/getattachment/e761e855-db42-438f-b4ab-d771c72e4ed1/Australian-Petroleum-Production-and-Exploration-As.aspx. Similar issues were discussed in APPEA's submission to the ACCC inquiry. APPEA's submission can be found at www.accc.gov.au/system/files/ECGI%20-%20Submission%20to%20Issues%20Paper%20-%20PUBLIC%20-%20APPEA.PDF.



APPEA's media release responding to that Report can be found at www.appea.com.au/media_release/acc-east-coast-gas-inquiry-report-confirms-urgent-need-to-remove-regulatory-restrictions-on-gas-supply/ and at [Attachment 2](#).

The ACCC in their report made a number of recommendations (particularly recommendations 1 and 2) on the issues that are restricting (or could further restrict) supply being brought to market.

APPEA recommends these recommendations on lifting blanket regulatory impediments and the adverse effect of a domestic gas reservation (or similar interventions such as a domestic gas national interest test) are discussed and reinforced by the Council.

APPEA would welcome further discussion in relation to these issues. I can be contacted on 6267 0902 or via e-mail at ddwyer@appea.com.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read "D. Dwyer", is positioned above the printed name.

DAMIAN DWYER
Director – Economics

PETROLEUM RESERVES REPORTING IN AUSTRALIA

JURISDICTION	ONSHORE/OFFSHORE	REPORTING FREQUENCY	ACT/REGS	PUBLISHED
Commonwealth	Offshore	Annual	<i>OPGGS Act 2006 (Cth)</i> <i>OPGGS (RMA) Regs 2011 (Cth)</i>	Yes – by basin
New South Wales	Onshore	Nil	<i>Petroleum (Onshore) Act 1991 (NSW)</i> <i>Petroleum (Onshore) Regs 2007 (NSW)</i>	No
Northern Territory	Onshore	Annual	<i>Petroleum Act 1984 (NT)</i> <i>Petroleum Regs 1994 (NT)</i>	Yes – by basin
Queensland	Onshore	Six Monthly	<i>Petroleum Act 1923 (Qld)</i> <i>Petroleum Regs 2004</i> <i>PG (Production and Safety) Act 2004 (Qld)</i> <i>PG (Production and Safety) Regs 2004</i>	Yes – by permit
South Australia	Onshore	Annual	<i>PGE Act 2000 (SA)</i> <i>PGE Regs 2000 (SA)</i>	No
Victoria	Onshore	Annual	<i>Petroleum Act 1998 (VIC)</i> <i>Petroleum Regs 2011 (VIC)</i>	No
	Offshore	Annual	<i>OPGGS Act 2010 (VIC)</i> <i>OPGGS Regs 2011 (VIC)</i>	No
Western Australia	Offshore	Annual	<i>Petroleum (Submerged Lands) Act 1982 (WA)</i> <i>Petroleum (Submerged Lands) Regs 1990 (WA)</i>	Yes – by basin
	Onshore	Annual	<i>PGER Act 1967 (WA)</i> <i>PGER Regs (RMA) 2015 (WA)</i>	Yes – by basin

Source: Departmental websites, APPEA analysis

22 April 2016

ACCC East Coast Gas Inquiry Report confirms urgent need to remove regulatory restrictions on gas supply

The Australian Competition and Consumer Commission (ACCC) *East Coast Gas Inquiry Report*, released today, confirms the urgent need for policy and regulatory changes to enhance gas supply.

"The report highlights that the greatest risk to the market is regulatory failure, not market failure," said Australian Petroleum Production & Exploration Association (APPEA) Chief Executive Dr Malcolm Roberts.

"The ACCC confirms that removing unnecessary government restrictions on exploration and development is the most effective way to boost supply, enhance competition and put downward pressure on prices.

"Australia has ample gas resources to supply domestic and export markets – if industry is allowed to develop these resources. But, at a time of unprecedented demand, government policies risk creating an artificial shortage of gas and higher prices.

"The effects of an unnecessarily tight market are already being felt, especially in industry where gas is both a source of energy and an irreplaceable feedstock for manufacturing products such as glass and packaging.

"The risk is most pronounced in Victoria. Almost 40% of the gas consumed by industry in Victoria is used as a feedstock. Victoria also has the highest use of gas by households – 77% of households use gas.

"The ACCC was asked to conduct this review because it has the power to obtain confidential, commercial information. Using this power, the Commission has amassed the most detailed and complete data on the market. With this data, the Commission has been able to test all the claims made about the market.

"Contrary to claims by some parties, the ACCC has found – as the Productivity Commission found in 2015 – that there is no evidence of misuse of market power or other breaches of competition law.

"While market conditions were tight in 2012-2014, a range of gas supply agreements were made during this period. As the report finds, even more gas supply offers are now available.

"The Commission rejected arguments for domestic gas reservation, noting that such interventionist policies will quickly reduce supply and raise prices.

"The Commission has recommended measures to provide more public information on the market. APPEA understands the desire for greater transparency. APPEA will consider these recommendations on their merits and looks forward to working with governments and customers on ways to improve transparency.

"The industry welcomes the Commission's findings and trusts that the public debate can now move on from discredited arguments to the real issues. In particular, we are looking to the COAG Energy Council to make regulatory reform an urgent priority. Governments must remove regulatory barriers to bring more supply and more suppliers into the market."

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