

Santos Ltd
ABN 80 007 550 923
Santos Centre
60 Flinders Street
Adelaide South Australia 5000
GPO Box 2455
Adelaide South Australia 5001
Telephone: +61 8 8116 5000
www.santos.com



27 September, 2019

COAG Energy Council Secretariat
GPO Box 787
Canberra, ACT, 2601

By email: gas@environment.gov.au

Dear Secretariat

Santos, a proudly Australian top-30 ASX-listed company welcomes the opportunity to provide this submission to the COAG Energy Council in relation to the regulatory impact statement (RIS) on measures to improve transparency in gas markets.

Santos has been engaged throughout the various consultations with customers, gas producers and governments on the need for greater transparency in wholesale gas markets, following the Australian Energy Market Commission's 2016 east coast review and the ACCC and Gas Market Reform Group (GMRG) recommendations in 2018.

Santos is committed to ensuring there is enough information for all market participants to make informed decisions and supports the recommendations from the ACCC-GMRG joint review (Option 3) as outlined in the RIS.

Santos notes that the recommendations will increase costs to business through setting up processes and controls to ensure compliance and that it is important to get the balance right between the benefits of increased transparency and the costs of compliance. Santos has some specific comments on a few elements of the recommendations.

Aggregation

Santos supports the level of aggregation that is currently reported by the ACCC in its inquiry process. Much of the customer and pricing information provided through the review is confidential and needs to be aggregated appropriately to maintain customer confidentiality.

Producer's actual cost of production by field

Currently the Moomba Gas Plant is fed by more than 100 gas fields in the Cooper and Eromanga Basins. Gas from these fields is not sold on a field by field basis, rather it is aggregated in a common stream and sold ex-Moomba. Accordingly reporting actual production costs by field would result in unnecessary and unreasonable costs of compliance because of the large volume of data that would need to be analysed but more importantly the cost of supply on a field by field basis is not relevant to an aggregate, common gas stream sale ex-Moomba. It would be more useful to customers if actual production costs were aggregated to the inlet of the production facility and reported by the relevant Operator, in this example Moomba and Santos and Beach.

As many fields produce multiple hydrocarbon streams and are subject to investment and maintenance cycles, it would be necessary to develop guiding principles / a methodology for how costs should be calculated in a consistent manner. Consideration should be given to past, present and future costs in areas such as exploration, development, operations, infrastructure and abandonment. If the cost analysis

were to be extended to capture all costs up until sale into a transmission pipeline, then a similar methodology taking these factors into account would be required. Guiding principles / a methodology would need to be endorsed by COAG and developed in close consultation with the industry.

LNG export prices

Santos sees benefit in reporting some LNG cargo prices, although cautions the reporting of contracted cargos as this has the potential to undermine the ability of the Australian LNG industry to compete globally. If contracted cargo prices are published, in-confidence, commercially sensitive information will become public and this may impact any price renegotiations with LNG buyers. Santos does support the reporting of spot cargo information. Price data for spot cargoes is less commercially sensitive as it reflects a one-off transaction for limited volume. Spot cargo pricing is increasingly being reported through agencies such as Platts. These contracts sales are a measure of the price an LNG exporter is willing to sell its uncontracted gas for, giving a relevant marker, when netted back to Wallumbilla for those looking to purchase gas in the domestic market in the short term

Large user gas demand

An increase in understanding of the future demand expectations of large gas users (1 Petajoule or greater) would benefit the east coast gas market. Large users should be required to report their demand, including how much of this is contracted, over a short and medium-term outlook period (5 years). This increase in domestic customer demand information would support a better understanding of future gas demand, which is important for producers when planning new field developments.

Information on drilling activities

Santos believes the most informative measure of drilling activity is the publication of the number of wells drilled in each basin. Other information including drilling expenditure, if required should be aggregated across producers to protect the confidentiality of contracts with drilling suppliers and the competitive advantage of producers.

Timing

If these recommendations are endorsed and enacted there will be a large amount of change to internal and external systems and reporting. Santos recommends an appropriate timeframe, including further consultation and support as needed, is given for the implementation of this package of recommendations.

Please contact Matt Sherwell on matt.sherwell@santos.com if you require further information.

Yours sincerely



Petter Undem
Executive Vice President Marketing, Trading and Commercial
Santos Ltd