

18 March 2020

Mr Peter Geers
Australian Energy Market Operator Limited
20 Bond Street
SYDNEY NSW 2000

Email: GSG_communications@aemo.com.au

RE: GAS SUPPLY GUARANTEE GUIDELINES CONSULTATION

The Australian Petroleum Production & Exploration Association (APPEA) is the peak national body representing upstream oil and gas explorers and producers active in Australia. APPEA's member companies account for more than 90 per cent of Australia's petroleum production. Further information about APPEA can be found on our website, at www.appea.com.au.

APPEA welcomes the opportunity to make a submission to the Gas Supply Guarantee (GSG) guidelines consultation.

The Australian oil and gas industry has invested over \$350 billion in natural gas production, transport, liquefaction and export facilities over the last decade. This investment will deliver returns for Australia with exports revenue increasing to more than \$50 billion in 2018-19, more than double compared to \$22.3 billion in 2016-17.¹ This growth means LNG is one of Australia's greatest export earners. The oil and gas industry supports 80,000 jobs directly and indirectly in Australia and hundreds of thousands more in the manufacturing industry.

A significant share of the \$350 billion has been invested into supplying more gas into the domestic market, particularly in the east coast of Australia to ensure no supply shortfalls, notwithstanding development restrictions in the southern states.

In the past few years, there have been gas supply agreement (GSA) announcements from a range of APPEA member companies including Arrow Energy, Australia Pacific LNG, Beach Energy, BHP, Cooper Energy, Esso Australia, GLNG, Origin Energy, Santos, Senex, Shell Australia, Strike Energy and Westside Corporation to provide new supply in various parts of eastern Australia gas market.

The commitment of the Australian oil and gas industry to the domestic consumers, both commercial and residential, is at the forefront of our operating procedures. The industry takes its responsibility to the Australian community very seriously.

The LNG exporters on the east coast reaffirmed their commitment to ensure gas was available for domestic customers by signing a Heads of Agreement with the government in 2017 (also updated in 2018). Additionally, the natural gas suppliers on the east coast also committed to the Gas Supply Guarantee (GSG) to ensure the east coast market will not be short of gas. The industry committed that

¹ Department of Industry, Innovation and Science, [Resources and Energy Quarterly](#) publication series.

gas will be available for power generation during peak demand periods in the National Electricity Market.

While the GSG and the Australian Domestic Gas Security Mechanism (ADGSM) have different aims and serve different purposes, neither the GSG has been called on and nor has the ADGSM been triggered. This demonstrates that the industry has met its commitment to the Australian community and ensured that there is no shortfall of natural gas in the market.

The industry has always fulfilled its commitment to the Australian community and ensured gas was available for any demand from the National Electricity Market. Despite demand for natural gas for power generation increased by more than 15 per cent in 2019 in the National Electricity Market (NEM).

However, APPEA agrees to the extension of the GSG on the premise that it provides confidence to the government and the regulatory agencies that there is a mechanism that ensures all peak gas demand requirements by the gas-powered generation sector are fulfilled. It is an important industry-led solution to ensuring energy security for the east coast market.

It is worthwhile noting, that the natural gas supply chain consists of the gas producers (APPEA members), pipeline operators and storage operators. Should the GSG be ever called upon it would be necessary for all participants in the supply chain to work cooperatively in a very short timeframe to ensure the gas can be supplied where needed.

APPEA remains committed to working with the Australian Government to ensure the gas market remains well supplied into the future. We continue to encourage the industry and all governments to work constructively and collaboratively to ensure more natural gas development takes place on the east coast, particularly in the southern states.

The focus of all stakeholders must now be to continue to build confidence in the oil and gas sector and support further investment. Investment, not ongoing regulatory intervention, is key to increasing supply and will underpin future industry growth.

The best way to ensure the market is well supplied is to promote and support future investment through minimising government intervention and to remove unnecessary, unscientific restrictions on gas exploration and development opportunities in key manufacturing states including Victoria and New South Wales. Governments can help ease supply pressures by encouraging exploration, releasing more acreage for gas exploration and development, removing regulatory and planning barriers to the safe and responsible development of resources.

To discuss any aspect of APPEA's submission, please contact Mr Damian Dwyer, Deputy Chief Executive, at ddwyer@appea.com.au.

Yours sincerely

Damian Dwyer
Deputy Chief Executive