



Government intervention in the East Coast Gas Market

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EnergyQuest

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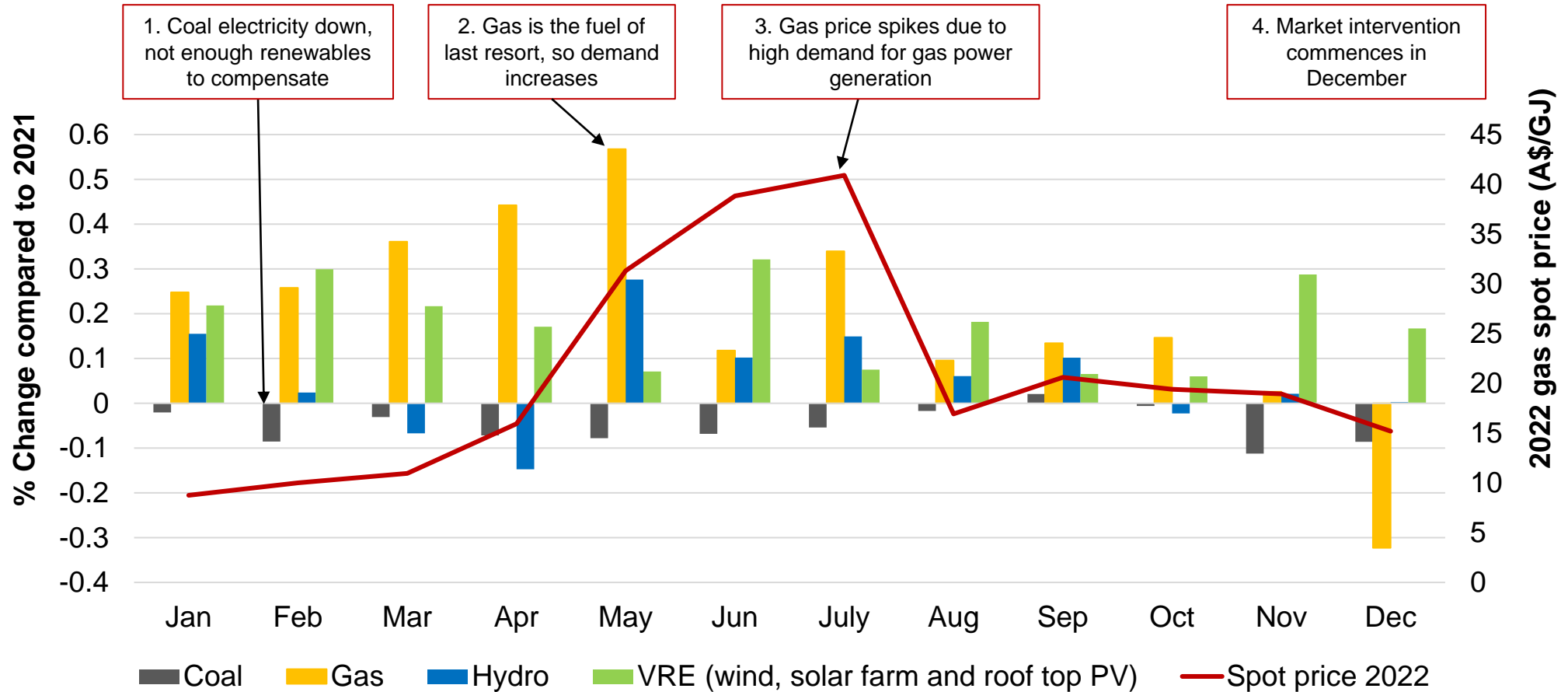
What's happening in the east coast gas market?

- Southern region short from 2028 as Gippsland Basin declines
- What are the options?
 - Explore for and produce more gas
 - Allow demand destruction
 - Take gas from Queensland
 - Import LNG
- Gas price is likely to rise, there is potential for more market intervention



A refresher - what happened in winter 2022

Change in NEM generation by fuel 2022 v 2021



Source: EnergyQuest

Government had a clear position in 2022

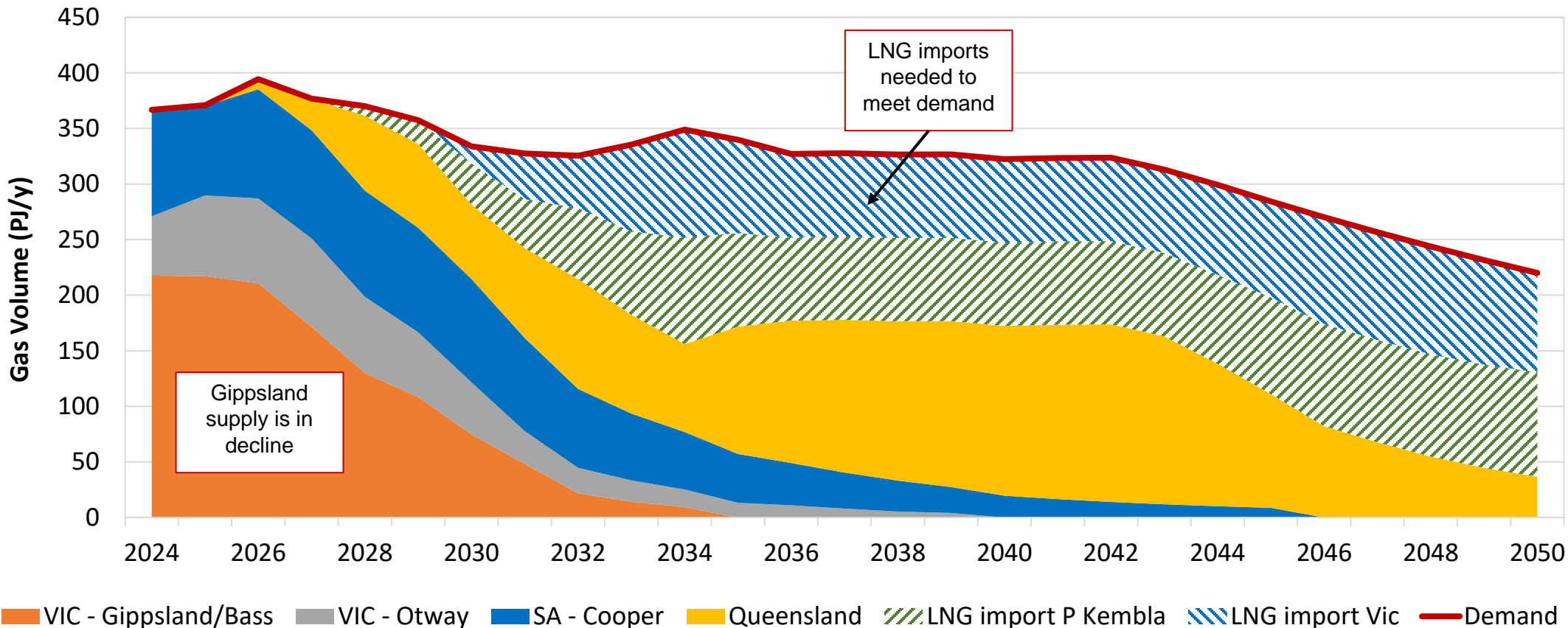
It's our gas, and we won't pay export prices: Husic

Industry Minister Ed Husic is widely seen as the architect of the tough gas legislation that will impose a cap on prices forever more.



Southern region short from 2028 as Gippsland declines

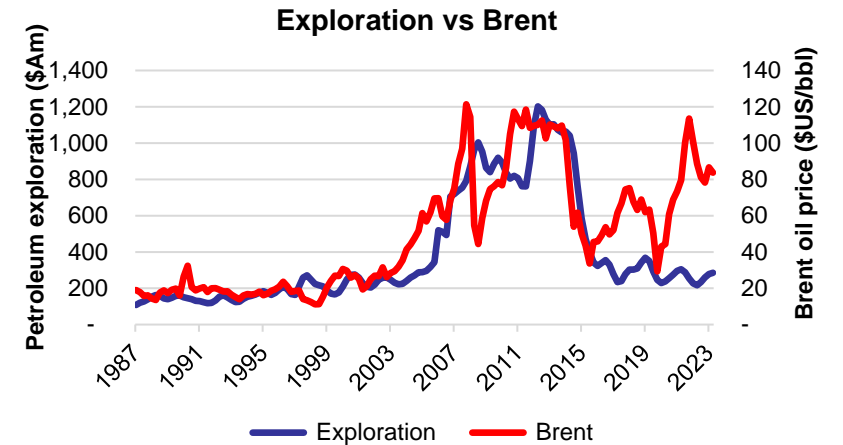
Southern Region gas demand and supply



Source: EnergyQuest

Exploration is low

Higher oil prices used to lead to more exploration, but in Australia the relationship broke down a decade ago



There have been no offshore acreage releases in this term of government

2022 offshore petroleum exploration acreage release

But it's not all bad news



29 May 2024

CONTINGENT RESOURCES INCREASED BY 328%

Most good resources developed, new development is hard

The best LNG resources in Queensland are already developed

2P Reserves YE2022 by Operator (PJ)	Developed	Undeveloped	Total	% Developed
Arrow	536	5,224	5,760	9%
APLNG	5,296	3,664	8,960	59%
GLNG	2,241	3,306	5,547	40%
QCLNG	5,113	353	5,466	94%
TOTAL	13,186	12,547	25,733	51%

It's tough going in NSW



Reuters World Business Markets Sustainability Legal More

Energy | Exploration & Production | Gas | Climate Change

Santos hit with fresh legal blow over \$2.4 billion Narrabri gas project

By Lewis Jackson and Ayushman Ojha

March 7, 2024 2:38 PM GMT+10 · Updated 3 months ago

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And even tougher in Victoria

Premier of Victoria
Hon Jacinta Allan MP

Home > Enshrining Victoria's Ban On Fracking Forever

Enshrining Victoria's Ban On Fracking Forever

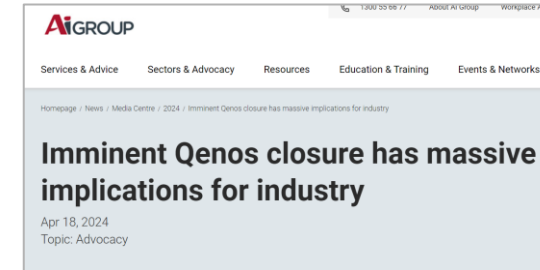
Demand destruction is a political problem

Minister's like to open factories,
not close them

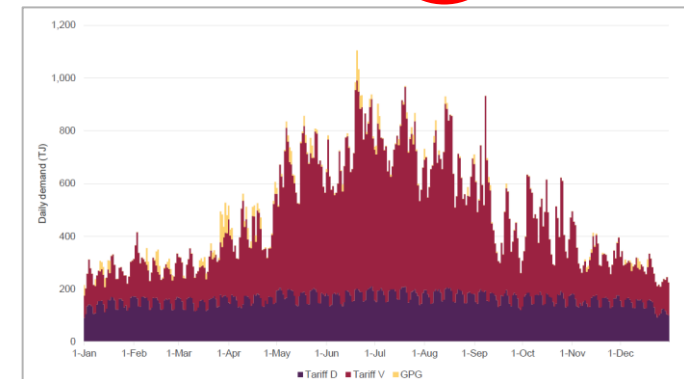
It can be prohibitively expensive to
convert a house from gas to electricity



Peak demand problem is
coming sooner, and no one
likes a cold shower



Appliance and install costs*		Costs after Solar Homes rebate
Heating and cooling	\$8.4k (incl. new VEU Incentive of between \$3,570-\$3,920)	
Hot water	\$4k (incl. new VEU incentive of \$490)	\$3k (incl. \$1k solar hot water rebate)
Cooktop	\$1.8k	
Solar	Existing	
Total (appliances)	\$14.2k	\$13.2k



Taking gas from Queensland isn't easy

Activating the ADGSM risks diplomatic problems

Existing pipeline capacity isn't enough to meet all the shortfall with Queensland gas

And there's also sovereign risk



Australia's gas policies threaten world peace, says Japanese giant



Jacob Greber
Senior correspondent

Australia's "quiet quitting" of its LNG export juggernaut is making the world less safe both on climate and for the "rules-based" geopolitical order, said the head of Inpex, whose \$60 billion-plus Ichthys project in Darwin is Japan's biggest foreign investment.

Challenging Prime Minister Anthony Albanese to [turn his pro-gas](#)

Pipeline review puts APA Queensland gas expansion on hold



Labor's gas backdown slammed by Chevron

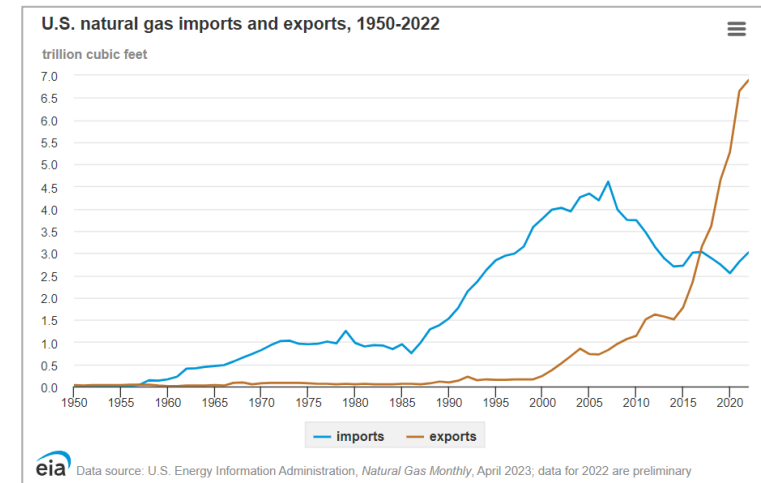
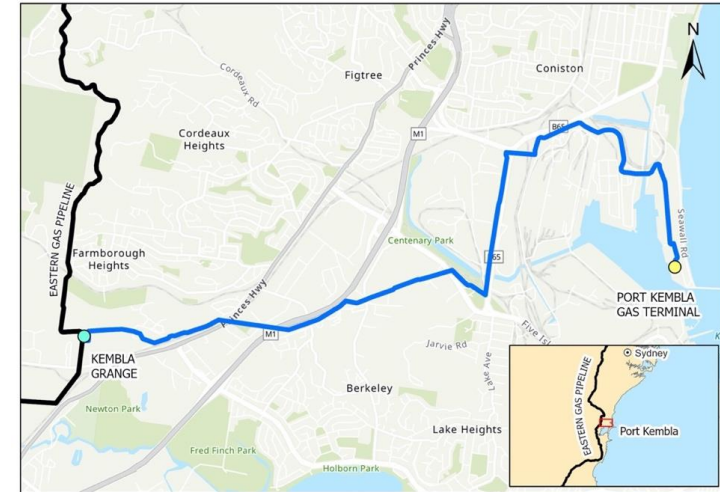


LNG imports are a sensible market solution

LNG imports can meet annual and peak demand, PKET ready to go in 2026

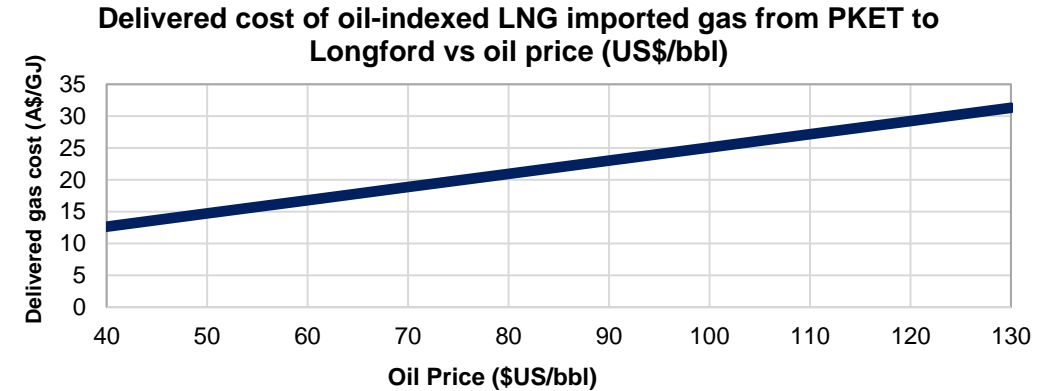


LNG is just a way to move gas, Australia wouldn't be the only LNG exporter to also import



LNG imports means export prices on the east coast

LNG imports would be the price setter and are explicitly excluded from the \$12/GJ price cap



LNG imports today would be higher than current prices – problem for gas users

\$20.95/GJ	Current LNG import price: Dampier - PKET - Longford
\$13.70/GJ	Q1 2024 Woodside realised east coast price
\$11.58/GJ	Q1 2024 Average east coast spot price
\$6.90/GJ	Q1 2024 APLNG realised domestic price



“It’s our gas, and we won’t pay export prices”

What's happening in the east coast gas market?

- Southern region short from 2028 as Gippsland Basin declines
- What are the options?
 - Explore for and produce more gas – **Hard for industry**
 - Allow demand destruction – **Hard for government**
 - Take gas from Queensland – **Hard for industry and government**
 - Import LNG – **Cost issue for gas users, political issue for government**
- Government owns the problem, none of the options are good
- Something has to give, more intervention is a real possibility



Thank you



EnergyQuest...

- *An advisory firm, providing independent energy market analysis and strategy for energy companies, energy buyers, investors and governments around Australia and the world.*
- *Regular reports include the EnergyQuarterly, Australian LNG Monthly, East Coast Gas Outlook, and West Coast Gas Outlook.*
- *Founded in Adelaide in 2005 by Graeme and Susan Bethune.*

