

Creating Exceptional Outcomes

Government intervention in the East Coast Gas Market

QUPEX Inc

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Introduction

- **Part 1 - *Intervention in the East Coast Gas Market – A Review***

Presented by James Plumb, Partner, HopgoodGanim Lawyers

- **Part 2 - *The Impact of Intervention in the East Coast Gas Market – An Update***

Presented by Matt Paull, Senior Associate, EnergyQuest

A brief history lesson



- **Commercial production of natural gas commenced in the 1960s – “low pollutant characteristics”**
- **1970’s export controls**
 - general embargo over the export of LNG in 1972
 - Mereenie and Palm Springs in 1973
 - North West Shelf in 1973
- **Requirement to seek Government consent to export LNG continued until 1997**

Australian Domestic Gas Security Mechanism (ADGSM)



- **Introduced in 2017**
 - *Customs Act 1901 (Cth), Customs (Prohibited Exports) Regulations 1958 (Cth)*
 - *Customs (Prohibited Exports) (Operation of the Australian Domestic Gas Security Mechanism) Guidelines 2017*
- **Short-term measure to ensure sufficient domestic supply by restricting LNG exports, if required**
- **“Shortfall Year” – insufficient supply of natural gas unless LNG exports curtailed**
- **Unlimited Volume Permission**
- **Allowable Volume Permission**
 - Total Market Security Obligation (TMSO)
 - Exporter Market Security Obligation (EMSO)

Reforms to the ADGSM

- **2019 review**
 - changes to the TMSO net-deficit test
 - LNG netback price series considerations
- **2022 review**
 - trigger may be activated quarterly
 - deficit to be met by all producers based on production volumes
 - 2023 cessation removed
 - Allowable Volume permission holders may request relaxation for “protected long term contracts”
- **ADGSM has not been triggered to date**

LNG Heads of Agreement

- **Executed October 2017 by GLNG, APLNG and QCLNG**
 - exporters offer uncontracted gas to domestic market in the event of a shortfall
- **Extended in 2020**
- **Extended in 2022**
 - commit exporters to offer gas to domestic market at prices at least as favourable as international customers
 - continue to January 2026

Emergency Price Cap



- **December 2022**
- **Part IVBB of the *Competition and Consumer Act 2010* (Cth), *Competition and Consumer (Gas Market Emergency Price) Order 2022***
 - emergency price cap of \$12/GJ on NT and east coast gas suppliers to wholesale customers in Australia
 - interim compliance and enforcement guidelines January 2023
 - applications to the ACCC for a price cap exemption (8 successful exemptions)

Gas Market Code

- **Commenced 11 July 2023**
 - Part IVBB of the *Competition and Consumer Act 2010* (Cth), Competition and Consumer (Gas Market Code) Regulations 2023
 - 2 month transition period
- **Key elements**
 - procedural requirements in relation to negotiations to supply gas
 - price rules banning the supply of gas above a *reasonable price* (currently \$12/GJ)
 - good faith rules for gas market participants in negotiations
 - record keeping, reporting and publication requirements

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