



30 March 2015

Our Reference: APLNG - COR - 0008962
Your Reference: N/A

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Mr John Pierce
Chairman
Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney 2000

**Re: East Coast Wholesale Gas Market and Pipeline Frameworks Review
In support of the COAG Energy Council's Vision for Australia's Future Gas Market**

Dear Sir,

Australia Pacific LNG Pty Limited (APLNG) is pleased to be able to provide this submission regarding COAG Energy Council's Vision for the future gas market.

Background

APLNG is a coal seam gas (CSG) to liquefied natural gas (LNG) incorporated joint venture among ConocoPhillips, Origin Energy and Sinopec.

APLNG is a large supplier of gas into the Queensland domestic market, currently supplying 40% of Queensland's needs. The business will see an increase in its gas production to supply both its ongoing domestic gas business and an export market through its LNG facility on Curtis Island, near Gladstone, which will receive and process natural gas. The LNG facility has a capacity of 9 million tonnes per year and will export the LNG to customers in Japan and China. The commencement of gas exports in 2015 will not impact the existing domestic contracts in place and the business has sufficient reserves to meet LNG and domestic demand.

APLNG's Vision

APLNG supports regulatory changes that will assist in the development of a competitive and transparent east coast gas market. This could include:

- 1) Increased sharing of information
- 2) Further development of voluntary gas market hubs, and
- 3) Select changes to eliminate barriers to increase access to transportation capacity.

Increased Sharing of Information

APLNG supports the increased sharing of information and the continued development of the Gas Bulletin Board (GGB) with regards to:

- Real time information of volumes;
- Pipeline utilisation rates;
- Posting of available pipeline and storage capacity to assist with gas balances; and
- Establishing a central data resource for accurate pipeline information/infrastructure detail and constraints.

Further development of Gas Supply Hubs

APLNG supports the development of a more liquid wholesale spot and forward gas market. This may be facilitated by:

- Greater consolidation and alignment in market design across all regions;
- Improved transportation capacity access, including standardised terms;
- Development of a daily reference gas price;
- Development of longer term traded products including futures; and
- Development of additional hub services including balancing and pooling.

Gas balancing and pooling services would reduce the administrative burden of managing fluctuating gas flows and would provide the delivery certainty required by a traded market.

Elimination of Barriers to Increase Access to Transportation Capacity

One of the key issues constraining development of facilitated markets is access to available short term transportation capacity. As evidenced by the large price separation that has recently happened between Queensland and the southern demand hubs, transportation access remains challenging. It is important that current transportation arrangements are honoured, however APLNG supports the ability to access pipeline capacity not being utilised by the primary holder so as to maximise transportation capacity. Streamlined standard commercial terms based on a marginal cost basis would assist in this effort. This can be accomplished through the capacity holder or through the pipeline owner and could be implemented on a non-voluntary basis if targets are not met.

Both market and contract carriage arrangements can be effective as long as they both provide open and equal access to transportation. As seen by the recent transport links in Queensland, investment for improved interconnectivity can be developed and can be further supported as long as the transport access is transparent.

Thank you for the opportunity to share our views on the future gas market. If you require further information relating to our submission, please contact Deidre McEntee on (07) 3021 3303.

Yours sincerely,



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Chief Executive Officer
Australia Pacific LNG Pty Ltd