

## Project Completion Report

Clause 3.9 of the agreement requires the Recipient to provide a project completion report to the Panel within two months of the completion of a project. The report must describe:

<b>Application # 339    Queensland LNG Export Developments &amp; Their Likely Impact on Gas Users and Prices</b>	
<p>1. A comprehensive description of the objectives of the project.</p>	<p>In the past 5 years or so the Coal Seam Gas (CSG) market in Qld has developed rapidly and this has benefitted domestic gas users, eg new sources of supply, new entrants, multiple producers leading to healthier competition all helping to ensure competitive gas prices. More recently, there have been a number of serious and significant proposals to develop LNG export facilities around Gladstone in central Qld using CSG and this is threatening the advantages that gas users in Qld have enjoyed from CSG.</p> <p>The potential impact of the proposed LNG developments is that, if they were all to succeed, they would consume 1,000-2,000 PJ of gas per annum, compared to a total current market demand in Qld of some 160 PJ.</p> <p>Whilst this would be a boon to the Qld CSG industry and boost Qld Government revenues, it also raises significant questions about how domestic gas users could be impacted. The prospect of LNG developments is flowing through to users in terms of contract renewal problems (especially difficulties in negotiating longer term contracts), upward pressure on the future price of gas for the local use, and difficulty in forecasting continued access to gas. Industrial projects being developed in Qld are also being affected in terms of access to competitive gas. However, there is a level of uncertainty about how this will affect users. A key objective of the project was to examine these issues in more detail and determine a course that users should support in terms of policy and regulatory responses and their own strategies, to deal with the emergence of LNG exports.</p>
<p>2. The issues that have been considered for the purposes of the project.</p>	<p>Some of the issues examined were:</p> <ul style="list-style-type: none"> <li>• The level of concentration in the Qld gas market and how this might be affected by the success of LNG exports.</li> <li>• The relationship between players in the domestic gas market and LNG export developments.</li> <li>• Factors affecting the development of LNG exports from Qld (eg project, supply, demand, regulatory and technical risks).</li> <li>• Factors affecting the future prices and supply of CSG, especially as they relate to LNG developments.</li> </ul>

	<ul style="list-style-type: none"> <li>• Impacts of climate change policies and the transition to a lower carbon economy.</li> <li>• Gas pipeline issues.</li> <li>• Impacts on ability to contract for future gas supplies and on gas prices.</li> <li>• The standing of the projects and which would be likely to succeed and the impacts of this.</li> <li>• Gas contract availability and prices currently in the Queensland gas market.</li> <li>• Impacts on regional gas markets, gas users and communities in Qld, including central Qld, north Qld and the NW minerals province.</li> <li>• Impacts for gas markets in other states.</li> <li>• The impacts on electricity markets, including the future development of gas fired generation (seen as critical to the transition to a lower carbon economy).</li> </ul> <p>Policies options considered for advocacy included:</p> <ul style="list-style-type: none"> <li>• Bolstering competition and reducing barriers to new entry (eg preventing joint marketing, preventing dominant ownership of gas reserves, different forms of administrative requirement to set aside reserves or production to serve the domestic market).</li> <li>• Promoting 3<sup>rd</sup> party access to LNG pipelines and facilities or ensuring adequate pipelines are available for the domestic market.</li> <li>• Policy or other relevant options that might soften the impact of current conditions facing gas users in Qld.</li> <li>• Policies that might be used to assist regional areas of Qld in adjusting to LNG developments.</li> <li>• Use of domestic reservation or price measures.</li> </ul>
<p>3. The outcomes that have been achieved in connection with the project.</p>	<p>The desired outcomes are:</p> <ul style="list-style-type: none"> <li>• Ensure that policy is developed with the impacts on domestic gas users clearly considered.</li> <li>• Promote the development of a competitive gas market for local users.</li> <li>• Ensure there is sufficient gas to meet user needs.</li> <li>• Avoid excessive gas market concentration based on LNG export developments.</li> <li>• Ensure a healthy contracting environment for local gas users.</li> <li>• Promote third party access to pipeline infrastructure</li> </ul>
<p>4. The costs and expenses associated with the Project, including a detailed breakdown of these costs and expenses against the</p>	<p><b>For the Consultant (Carbon Market Economics)</b>  On receipt of Final Report – Carbon Markets Economics Invoice 96 \$40,000.00 excl (18/11/2009)  Expenses Claim – Carbon Market Economics \$1,499.09 (15/10/09)  Expenses Claim – Carbon Market Economics \$1,999.74 (24/11/09)  Expenses Claim – Carbon Market Economics \$373.01 (14/3/10)</p>

requirement in clause 3.3.	<b>Total: \$43,871.84</b>
5. Your assessment of the effectiveness of the project in accordance with any guidelines specified by the Panel.	<p>The project has delivered a strategic understanding of the LNG industry, and the factors that will impact energy users in future.</p> <p>The project examined a number of possible avenues for government and user participation to promote outcomes that are economically sensible and in the long-term interest of energy users.</p> <p>The project delivered clear guidance on the issues that energy users should focus their advocacy efforts on. It also described the actions that energy users could undertake within their own organizations to promote their own interests in the gas market.</p> <p>The knowledge and the understanding that this project has delivered has already been useful in advocacy on a recent application for exemption from coverage of a proposed major new gas pipeline. We envisage that the knowledge will be put to good use in future advocacy efforts on pipeline, upstream consolidation and market design issues. Copies are also being provided to all MCE Ministers, the AER and the AEMC under cover of a letter advocating for consideration of its findings.</p>
6. Advocacy undertaken by the consultant	<p>Advocacy undertaken by the consultant involved:</p> <ul style="list-style-type: none"> <li>• Several meetings with senior officials from the Qld Department of Mines and Energy to discuss the issues, their views and the report;</li> <li>• Intensive discussions with major Qld gas users and the industry to determine their views and discuss issues;</li> <li>• Presentations to EUAA members and broader energy market audiences on the draft and final reports; and</li> <li>• Briefing the EUAA Executive Director on report content/positions for discussions with government, media and other stakeholders.</li> </ul>