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Mr Joshua Runciman
LNG Netback Review
Australian Competition and Consumer Commission

Submitted via email: LNGnetbackreview@accc.gov.au

30 July 2021

Dear Joshua,

AGL welcomes the opportunity to provide comments on the Australian Competition and Consumer Commission's (ACCC), LNG netback price series draft decision paper. AGL is broadly supportive of the use of the LNG Netback Pricing Series as a guide not as a price benchmark for domestic gas pricing and appreciated Wood Mackenzie's analysis as part of the ACCC's review.

AGL notes that there are a few issues worth considering when creating a longer-term forward LNG netback pricing series. AGL would suggest that in establishing a long-term pricing series with slopes linked to oil (most likely Brent), that use of consultant estimates of an appropriate percentage, or slope, of the oil price to calculate longer-term forward LNG prices be updated every six months. This would ensure that any price reviews that occur with long term contracts in which the slope may change considerably, are reflected in the prices published. In addition, it should be noted that freight futures are very difficult to predict and with the increased pressure on shipping companies to reduce carbon emissions there may be occurrences of more slow steaming to reduce emissions. This may result in an increase in voyage time and subsequent increase in freight costs. As a result of the likely change in inputs to the long-term view of LNG netback pricing AGL would suggest a review of the pricing series every two years.

If you have any queries about this submission, please contact Marika Suszko at [REDACTED] or [REDACTED].

Yours sincerely,

Chris Streets
Senior Manager Wholesale Market Regulation