



# Framework for the consistent reporting of natural gas reserves and resources – Consultation Paper

## Attachment 1: Response template

**Stakeholder name: AGL Energy Limited**

	Questions	Feedback
<b>Box 2.2 Questions on categories of reserves</b>		
1.	<p>Do you agree that producers should be required to report on their 1P, 2P and 3P reserves estimates?</p> <p>(a) If so, please explain how you would use this information and the benefit it would provide.</p> <p>(b) If not, please explain why.</p>	<p>Yes,</p> <p>The benefit of reserve estimate information is that it assists in the planning of future sales to customers and provides guidance on the required capital investment development opportunities to ensure future supply.</p>
2.	<p>Do you agree that producers should be required to break down their 1P, 2P and 3P reserves into developed and undeveloped reserves?</p> <p>(a) If so, please explain how you would use this information and the benefit it would provide.</p> <p>(b) If not, please explain why.</p>	<p>Yes, as it allows a buyer to appropriately value potentially competing sources of gas. Less firm resources carry more risk and this should be a factor in the price negotiation. The breakdown of reserves would also enable buyers to make procurement decisions which align with their risk profile.</p>
3.	<p>Should it be mandatory for producers to develop 3P reserves estimates, or should the reporting of this information be optional as it is under the ASX Listing Rules and in other jurisdictions?</p>	<p>Yes, for all producers.</p>
<b>Box 2.3 Questions on categories of resources</b>		
4.	<p>Do you agree that 1C and 2C contingent resources should be reported?</p>	<p>If reporting on 1C and 2C is mandatory so should reporting on 3C contingent resources. It would assist with longer term planning and understanding the supply pipeline noting that they are contingent resources and their commerciality will determine whether they move to reserves categorisation.</p>



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	<p>(a) If so, please explain how you would use this information and the benefit it would provide.</p> <p>(b) If not, please explain why.</p>	
5.	Do you think it should be mandatory for producers to develop 1C and 2C contingent resource estimates, or should the reporting of this information be optional as it is under the ASX Listing Rules and in other jurisdictions?	See above
6.	Do you think any other resource categories (e.g. 3C contingent resources or prospective resources) should be reported? If so, please explain how you would use this information and the benefit it would provide.	See Q.4 response.
<b>Box 2.4 Questions on gas field information</b>		
7.	<p>Do you agree that information on the field's stage of development, the type of gas and the nature of the gas field should be reported?</p> <p>(a) If so, please explain how you would use this information and the benefit it would provide.</p> <p>(b) If not, please explain why.</p>	Yes, as it would enable buyers to form a view as to the likelihood that a resource will be developed (both from a technical and economic point of view).
8.	Do you agree with the categories that have been proposed for the field's stage of development, the type of gas and/or the nature of the gas field? If not, please explain why and what alternatives you would suggest.	Yes, agree with the categories.
9.	Is there any other gas field information that you think should be reported? If so, please explain why you think this is consistent with the objectives of the reporting framework.	Nothing to add.
<b>Box 2.5 Questions on movement in 2P reserves</b>		
10.	Do you agree that annual movements in 2P reserves should be reported?	Yes, as having an informed long-term view of potential future gas reserves and their movements assist buyers with their contracting decisions.



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	(a) If so, please explain how you would use this information and the benefit it would provide. (b) If not, please explain why.	
11.	Do you agree with the categories that have been proposed for the breakdown of movements in 2P reserves? If not, please explain why.	There needs to be a more detailed explanation of the categories proposed for the breakdown of movements in 2P reserves as it is important to understand as to whether the write-down is a result of a technical issue or a change in the commerciality of the reserves.
12.	Do you think there would be value in also requiring producers to report on annual movements in 2C resources? (a) If so, please explain how you would use this information and the benefit it would provide. (b) If not, please explain why.	Only if there was a material change in resources e.g. a +/-20% annual change.
<b>Box 2.6 Questions on contracted 2P reserves</b>		
13.	Do you agree that if the ACCC and GMRG's recommendation on contracted 2P reserves is implemented that: (a) producers should be required to report the total quantity of 2P reserves that they are contracted to supply as total contract quantities under GSAs at a basin level? If not, please explain why. (b) AEMO should be required to further aggregate the information if there are less than three producers operating in the basin? If not, please explain why.	a) Yes b) AEMO should be required to aggregate the information if there are less than five producers operating in the basin as aggregating three would enable back calculation of the reserve quantities.
<b>Box 2.7 Questions on other information</b>		
14.	Is there any other information that you think should form part of the reporting framework? If so, please set out: (a) what the information is (b) how you would use the information and the benefit it would provide	Nothing to add.



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	(c) why you think the inclusion of this information would be consistent with the objectives of the reporting framework.	
<b>Box 2.8 Questions on reporting standard</b>		
15.	Do you agree that the PRMS classification system should be used in the proposed reporting framework? If not, please explain why.	Yes.
16.	Do you agree that the PRMS definitions set out in Box 2.1 should be used in the proposed reporting framework? If not, please explain why.	Yes.
17.	Are there any other reporting standards or definitions that you think should be reflected in the reporting framework?	No.
<b>Box 2.9 Questions on quantities and analytical methods</b>		
18.	Do you agree that reserves and resources should be reported on the basis of sales quantities? If not, please explain why.	Yes, under PRMS all reserves must exclude system use gas. Reporting should be consistent with PRMS.
19.	Do you agree that reserves and resources should be reported on a net revenue basis? If not, please explain why.	Yes, providing that the ownership percentage is also included in the reporting.
20.	Do you agree that producers should be required to disclose the analytical method they have used to estimate their reserves and resources? If not, please explain why.	Yes.
<b>Box 2.10 Questions on reserves and resources reporting level</b>		
21.	Do you agree that the reserves and resources information set out in sections 2.2.1-2.2.4 should be reported at a field level?  (a) If so, please explain how you would use this information and the benefit it would provide.  (b) If not, please explain why and set out what reporting level you think should be adopted.	Yes.



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<b>Box 2.11 Questions on the frequency and timing of reporting</b>		
22.	Do you agree that the frequency of reporting should be annual? If not, please explain why.	Yes initially but after the initial reporting only when there has been a material change in the position.
23.	<p>Do you agree that producers should also be required to report on any material changes in reserves and resources estimates that occur within the year?</p> <p>(a) If so:</p> <ul style="list-style-type: none"> <li>i. do you think there should be any limitation on the requirement to report changes (for example, should the requirement be limited to changes in reserves and resources that are advised to the ASX and/or government agencies, or should it be limited to material changes in reserves and resources)?</li> <li>ii. do you think the threshold for material changes should be set at +/-10% or do you think another threshold would be more appropriate?</li> </ul> <p>(b) If not, please explain why.</p>	<ul style="list-style-type: none"> <li>i. Out of cycle reporting should be limited to material changes as per the ASX listing rules.</li> <li>ii. 10% threshold for material changes is too small as many fields would produce over 10% of reserves annually. 20% would be a better figure for any material changes and a more appropriate figure for a fundamental change in the field.</li> </ul>
24.	Do you think that all producers should be required to report their reserves and resources as at a fixed date? If not, please explain why and the option you believe should be employed.	Reserves should be reported initially at a specified date for all producers to allow adequate comparison. However once reporting has been submitted, subsequent reports should only be required if there has been a material change in the reserves and resources figure (20%).
<b>Box 2.12 Questions on evaluation requirements</b>		
25.	Do you agree that reserve and resource estimates should be required to be prepared by, or under the supervision of, an independent qualified evaluator? If not, please explain why.	Once an initial reserve estimate is conducted for a field by an independent evaluator, further certification by an independent evaluator should not be required unless a material change occurs e.g. the reserves are increased.
26.	Do you think that any other evaluation requirements (e.g. a requirement to obtain an independent audit) should be implemented?	Refer above.



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<b>Box 2.13 Questions on compliance costs</b>		
27.	What incremental costs do producers expect to incur in complying with the reporting requirements proposed in sections 2.3 and 2.4?	If an independent certification is required that would amount to a cost of approximately [c.i.c]. Costs for recalculation at the reporting date would amount to less than [c.i.c] for associated internal costs.
28.	Do you think there are any refinements that could be made to the proposed reporting requirements in sections 2.3 and 2.4 to further reduce compliance costs or the regulatory burden, whilst also ensuring the requirements are fit for purpose and achieves the objectives set out in section 1?	As discussed above the best way to reduce the costs is to ensure the standard is the PRMS and that the requirement for an independent report is limited. In addition, alignment to ASX requirements will assist to streamline the process.
<b>Box 3.1 Questions on the manner in which reserves are to be estimated</b>		
29.	Do you agree that producers should be required to estimate their reserves on the basis of forecast economic conditions? If not, please explain why.	All reserves must be economic and as such the producers base their reserve estimations on their view of future economic conditions.
<b>Box 3.3 Questions on gas price assumptions to be used for uncontracted reserves</b>		
30.	<p>Do you think that:</p> <p>(a) Producers should be responsible for determining the forecast gas prices they will assume when estimating uncontracted reserves and required to disclose these assumptions (i.e. Option 2)?</p> <p>i. If so, please explain why.</p> <p>ii. If not, please explain why.</p> <p>(b) Producers should be required to use a mandated common gas price assumption when estimating uncontracted reserves (i.e. Option 1)?</p> <p>i. If so, please explain why and set out:</p>	<p>a) Yes, producers should be responsible for determining the gas prices as fields will have various avenues to market with various costs associated with the avenue to market chosen. The gas price needs to be stated along with the assumed delivery point of that gas price e.g. Wallumbilla Hub.</p> <p>b) No, as a mandated gas price may create an expectation of reserve levels that are not commercially feasible or alternatively an absence of reserves. All fields are unique and as such the producers should use prudent estimation methods to produce an accurate picture of the reserves position.</p> <p>c) To increase transparency in the future supply chain producers should report the underlying gas price assumptions.</p>



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	<ul style="list-style-type: none"> <li>a. the benefits you think this would provide over the producer-determined assumptions?</li> <li>b. how you think the forecast common gas price assumption should be determined?</li> <li>ii. If not, please explain why.</li> <li>(c) Producers should be responsible for determining the forecast gas prices they will assume when estimating uncontracted reserves and not required to disclose their assumptions (i.e. Option 3)?               <ul style="list-style-type: none"> <li>i. If so, please explain why and set out how do you think this option would address the concerns outlined in section 3.1?</li> <li>ii. If not, please explain why.</li> </ul> </li> </ul>	
31.	<p>If Option 2 is implemented, do you think that the disclosure requirements in section 3.6 will impose sufficient discipline on producers, or do you think the gas price assumptions used by producers should be required to satisfy a test that would be overseen by the AER? If you think the gas price assumptions should be subject to a test, please set out:</p> <ul style="list-style-type: none"> <li>(a) what form you think the test should take and if the test should apply to the gas price assumptions or the method used to determine the gas price assumptions</li> <li>(b) how you think the test should be enforced by the AER (for example, should the AER have the power to require producers to re-estimate their reserves using an alternative price assumption).</li> </ul>	No, producers should not be required to satisfy a test overseen by the AER on their gas price assumptions.
<b>Box 3.4 Questions on gas price assumptions to be used for contracted reserves</b>		
32.	Do you agree that the gas price assumptions underpinning contracted reserves should be based on the prices specified in the relevant GSAs? If not, please explain why.	The GSA will dictate the current and forecast economic conditions (at the time of execution of the GSA), as per the PRMS guidelines. However the commerciality of the reserves and the classification of reserves and resources are inextricably linked so if the economics of development change over time the underlying GSA price may no longer be sufficient.



	Questions	Feedback
33.	<p>Do you agree with the ACCC's proposal to allow producers to account for the operation of:</p> <p>(a) price escalation mechanisms when determining the prices to apply under the relevant GSAs over the forecast period? If not, please explain why.</p> <p>(b) contract extension provisions if the GSAs are likely to be extended and the prices (or pricing mechanisms) to apply in this period have already been determined? If not, please explain why.</p>	<p>a) Yes.</p> <p>b) Contract extensions should meet the reasonableness test as per PRMS requirements.</p>
<b>Box 3.5 Questions on the disclosure requirements for gas price assumptions</b>		
34.	<p>Do you agree that producers should be required to disclose the following information when reporting their reserves estimates?</p> <p>(a) The gas price range within which there would be no material change in the 2P reserves estimates, which is to be reported at a basin level for each of the following five years and generally for subsequent periods (with the range to be based on the price assumptions used to estimate uncontracted reserves).</p> <p>(b) The sensitivity of the 2P reserves estimates to a +/-10% change in the gas price range reported under (a).</p> <p>(c) A description of the method used to determine the gas price range and any other assumptions that have been made when determining the price range.</p> <p>(d) An explanation of any changes that have been made to the gas price assumptions from the previous year and why the changes were made.</p> <p>If not, please explain why.</p>	<p>This will depend greatly on what is defined as a material change however it is important to note that reserve estimates are carried out under a price assumption and not a range. The gas price ranges are applied as part of a sensitivity analysis. As a result, these questions should be reframed.</p>
35.	<p>Do you agree with the proposal to require producers to report the gas price range:</p>	<p>This would need to be considered in the broader context of disclosure obligations under the Corporations Act.</p>





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	<p>(a) for each year over a five year period and generally thereafter? If not, please explain why.</p> <p>(b) for uncontracted reserves only? If not, please explain why.</p> <p>(c) at a basin level? If not, please explain why.</p>	
36.	If producers are required to report the gas price range within which there would be no material change in 2P reserves, what materiality threshold do you think should be adopted for this purpose and why?	Refer to answer to Q. 34.
37.	Do you agree that the threshold for measuring the sensitivity of the reserves estimates should be 10%? If not, please explain why and what alternative threshold you think should be applied.	Please refer to response for question 23 that addresses this topic.
38.	Is there any other information that you think should be disclosed about the gas price assumptions? If so, please explain what the information is and why it is required to meet the objectives set out in section 1.	The cost of production.
<b>Box 3.6 Questions on compliance costs</b>		
39.	What incremental costs do producers expect to incur in complying with the proposed reporting requirements set out in sections 3.4-3.6?	Approximately [c.i.c] for a simple review but a portfolio basis would be substantially more expensive and one that cannot be estimated at this time.
40.	Do you think there are any refinements that could be made to the proposed reporting requirements in sections 3.4-3.6 to further reduce compliance costs or the regulatory burden, whilst also ensuring they are fit for purpose and achieves the objectives set out in section 1?	A simplification of the gas price range calculations would be helpful and reduce costs.