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Australian Competition and Consumer Commission  
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**Public Submission to ACCC East Coast Gas Inquiry by Beach Energy Ltd on 2 July 2015**

Beach Energy Ltd (Beach) welcomes the opportunity to respond to the East Coast Gas Inquiry Issues paper dated 4th June 2015. Beach is an Australian listed upstream Exploration & Production (E&P) company active not only in the development and sale of conventional gas but also as a pioneer in the exploration in Australia for unconventional shale and deep basin centred gas. Beach has a 20% – 23% interest in the Cooper Basin joint ventures which process and supply gas through the Moomba gas plant facility. The company also has an active exploration program both onshore and offshore in the Otway Basin in southern Australia.

Based on this experience, Beach is pleased to offer the following comments in response to the matters raised in the Issues paper:

1. The East Australian wholesale gas market has and continues to operate as a free and functioning market. Whilst the current period is producing some uncertainty for producers, intermediary service providers and customers alike, it is Beach's view that this is representative of the market experiencing a period of transition in an otherwise mature and stable long term wholesale market. Driven in part by the transformational LNG export train investments in East Coast Australia, it is anticipated that this current transitional period is temporary and the uncertainties associated with pricing, tightness in available gas quantities and non-price contractual term structures will subside from mid-2016 and beyond once the LNG export operations stabilise.
2. It must also be recognised however that the cost of upstream activities has over recent years become increasingly expensive, even after factoring in advancements in technology. Recognition of the balance then needed between the inducement benefit for the upstream industry and the unit prices sought by gas consumers is important in ensuring a continuing reliable supply of gas. In Beach's ongoing conversations with existing and perspective

domestic customers, the company consistently seeks to message the technical and commercial realities of gas exploration and supply.

3. The level of continuing investment in gas exploration, appraisal and development by the upstream industry is predicated on minimal or no market interference that affects the risk reward equation. With the decline in production of conventional gas in the Surat and Cooper basins through natural depletion, there has been an increasing focus on development of higher cost unconventional gas and less attractive conventional resources. The prospect of increasing gas prices provides incentive to develop the higher cost resources. However, any proposal to regulate gas prices, either directly or indirectly such as through a mooted gas reservation scheme, will mitigate such incentives, seriously impact future exploration activity and thus reduce the availability of new gas in the market.
4. Current market outcomes evidenced by increasing prices and increasing demand for additional gas supply are in the most part the result of the supply demand imbalance which Beach has been foreshadowing in its public statements for some time. Beach and other companies are responding to this developing situation with active programs and substantial investments in gas exploration and development. However, in some respect the ability to develop gas supplies in response to market signals is being hampered by factors outside of the control of the gas explorers.
5. At present, Victorian State Government actions limit gas exploration through its current onshore drilling moratorium. This has resulted in Beach being unable to pursue activity in its permits in the Victorian sector of the Otway Basin. Such action is limiting future supply capacity in Victoria and is detrimental to participants in the gas market as a whole, not just gas explorers. Likewise, observed interventions by the New South Wales State Government are also said to be restricting available sales gas reserves from being accessed and marketed.
6. Conversely, the Queensland Government recently amended its Petroleum and Gas Act to defer relinquishment requirements by 2 years while it embarks on a tenure reform initiative to offer industry greater tenure certainty and work program flexibility. In South Australia the environment is also conducive to industry, with the State Government opening discussions on the royalty model for unconventional gas production with the objective of encouraging exploration.
7. As part of production operations, all raw gas requires some level of processing and compression to meet sales gas specification, however, the extent and type of facilities will differ depending on the characteristics of the specific gas field and potentially the nature of contractual commitments provided to gas customers (specific specification, redundancy etc). The cost of such processing is integral to the economic feasibility of the gas field development and the economics of processing facilities construction is hugely dependent on the size of an accumulated resource.
8. In the event of adjoining gas field operations, opportunities exist for industry participants to share benefit through the utilisation of common flowline and processing facilities – both central and distributed. As a 20% part owner of Moomba gas plant facility, and an independent explorer in the Cooper Basin, Beach is supportive of provision of third party processing services where it is economic to do so.

9. Beach is also supportive of current efforts to establish gas trading hubs in Eastern Australia as these hubs have the potential over time to provide opportunities for gas explorers/suppliers to commercialise discoveries quickly without the need necessarily for multiyear exploration programs to prove adequate quantities required to support substantial GSAs. In supporting third party processing services at Moomba, Beach views the Moomba gas plant facility as potentially having an important role in making gas available to the proposed Moomba trading hub.

Beach is actively investing in both conventional and unconventional gas exploration and production and is supportive of inquiries on streamlining exploration and development of gas resources in Eastern and Southern Australia. To this end we are pleased to respond to the Issues Paper and would be pleased to further assist if the Commission wished to discuss matters subject to its Inquiry.

Yours faithfully,



**Rod Rayner**

Group Executive Commercial