



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

## Attachment 1: Response template

Stakeholder name: Lewis Grey Advisory

	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>(a) Most of our modelling is based on 2P and 2C data. We assume that contingent resources are physically distinct from reserves and may become economic at the appropriate price.</p> <p>We assume 1P and 3P reserves provide indications of high and low probability outcomes for the same gas reservoir as 2P. The spread of 1P and 3P relative to 2P indicate the relative risks between different gas fields or basins.</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>We are unlikely to use the 1P and 3P data but place great emphasis on the developed 2P figure as it indicates gas that can be contracted short-term, assuming the value is greater than the contracted 2P value. If instead contracted is greater than developed, there is no gas available for additional contracts in the short term. Undeveloped gas cannot be made available in the short term.</p> <p>More information on undeveloped 2P reserves would be welcome however, such as what is currently under development and when the relevant reserves will be in production, over the next five years. Gas that is not currently under development must be assumed not to be in production for 3 to 4 years.</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</p>	<p>Yes</p>



	Questions	Feedback
	ASX Listing Rules and in other jurisdictions?	
<b>Box 2.3 Questions on categories of resources</b>		
4.	Do you agree that 1C and 2C contingent resources should be reported? (a) If so, please explain how you would use this information and the benefit it would provide. (b) If not, please explain why.	Yes but 1C are generally very low and of limited interest.  (a) Refer to Box 2.2.1. We acknowledge that some producers do not believe that any 1C should be reported because the level of certainty is incompatible with the fact that the resource is contingent, in which case a value of 0 PJ should be acceptable.
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?	Yes, but 0 PJ responses may have to be accepted.
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.	No
<b>Box 2.4 Questions on gas field information</b>		
7.	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? (a) If so, please explain how you would use this information and the benefit it would provide. (b) If not, please explain why.	Yes  (a) As noted in Box 2.2.2 information on short term developments is of great interest.  It is also noted that if reporting is by licence/permit (refer to Box 2.10) then some of this information is already conveyed by the licence classification.
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.	More details on the timing of development over the next five years would be welcome.
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	No.



	Questions	Feedback
	objectives of the reporting framework.	
<b>Box 2.5 Questions on movement in 2P reserves</b>		
10.	Do you agree that annual movements in 2P reserves should be reported? (a) If so, please explain how you would use this information and the benefit it would provide. (b) If not, please explain why.	Yes  (a) Really only the production data is useful because any decline in reserves beyond the level of production is clearly a net write-off and similarly an increase in reserves beyond the level of production is a net write-up. The details of write-offs/write-ups are of less interest.
11.	Do you agree with the categories that have been proposed for the breakdown of movements in 2P reserves? If not, please explain why.	Refer to above.
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.	No.  (b) There is no production to account for, only the net changes in reserves, which can be calculated from any two consecutive annual figures
<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, but in addition, if possible, the information should be separated into contracts intended for the domestic and export markets. Export markets may have to be defined as the liquefaction plants or plant owners.  (b) Yes
<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:	Yes



	Questions	Feedback
	(a) what the information is (b) how you would use the information and the benefit it would provide (c) why you think the inclusion of this information would be consistent with the objectives of the reporting framework.	(a). It would be very useful if the contracted 2P reserves could be presented on an annual basis going forwards, rather than just an aggregate reserves figure.  (b) The gap between forecast domestic demand and domestic contracts provides a clear indication of the shortfall domestic gas purchasers will be seeking to cover.  (c) It creates greater transparency.
<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
19.	Do you agree that reserves and resources should be reported on a net revenue basis? If not, please explain why.	<p>No. This requires producers to report their equity interests in gas fields. As most licences, permits and gas fields are held by joint ventures comprised of more than one producer, this will result in multiple reporting for the same gas field. This multiplicity of reporting can be avoided by placing the reporting obligation solely on the operating entity, which is generally responsible for operating and administering the field. This would be particularly valuable if the ACCC adopted the licence/permit reporting level and it is the basis of the DNRME scheme.</p> <p><b>Reporting by the operating entity may have been intended by the AEMC since the phrase “...gas field operators, who will be required to report 2P reserves...” is reported in the ACCC-GMRG transparency report on p41.</b></p> <p>If the ACCC wishes to have equity interest reserve/resource estimates, the JV shares in each gas field could be specified as part of the data or compiled</p>



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		<p>independently.</p> <p>It is noted that having the operator as the reporting entity works for reserves reporting but not for contracts, because some JV's contract as separate entities, but this is not an issue because contract reporting is at a higher level of aggregation.</p>
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.	They should certify that it meets the reporting requirements.
<b>Box 2.10 Questions on reserves and resources reporting level</b>		
21.	<p>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?</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 and set out what reporting level you think should be adopted.</p>	<p>LGA notes that the list of covered gas fields needs to be specified. Gas fields can be associated with single or multiple production licences or exploration permits and LGA suggests that either: (i) the reporting framework should require each gas field to be defined in terms of the licences or permits it covers; or (ii) the framework could be based on the licence/permit (reservoir) reporting level. Either of these options would establish an unambiguous link between the new reporting framework and existing administrative schemes.</p> <p>The reservoir reporting level is not much more onerous than the gas field level. In DNMRE reporting for coal seam gas as at June 2018, corresponding to 194 Production Licences (PLs) and Authorities to Prospect (ATPs) there are 136 distinctly named or unnamed gas fields.</p> <p>On these grounds LGA would recommend reporting at the licence/permit (reservoir) level. This has nothing to do with LGA's use of the data, which is always in a more aggregated form than either the field or licence/permit level.</p>



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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 but 2P could be reported every 6 months, consistent with DNMRE.
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>	Only if it is material in terms of eastern Australian reserves in total, e.g. a change of 500 PJ or more.
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.	This would be useful to analysts but could be onerous if it is misaligned with other producer reserves reporting obligations.
<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.	No comment
26.	Do you think that any other evaluation requirements (e.g. a requirement to obtain an independent audit) should be implemented?	No comment
<b>Box 2.13 Questions on compliance costs</b>		
27.	What incremental costs do producers expect to incur in complying with	No comment



	Questions	Feedback
	the reporting requirements proposed in sections 2.3 and 2.4?	
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?	No comment
<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.	No comment
<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. the benefits you think this would provide over the producer-determined assumptions?</p> <p>b. how you think the forecast common gas price assumption should be determined?</p> <p>ii. If not, please explain why.</p> <p>(c) Producers should be responsible for determining the forecast gas</p>	No comment



	Questions	Feedback
	<p>prices they will assume when estimating uncontracted reserves and not required to disclose their assumptions (i.e. Option 3)?</p> <p>i. If so, please explain why and set out how do you think this option would address the concerns outlined in section 3.1?</p> <p>ii. If not, please explain why.</p>	
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> <p>(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</p> <p>(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).</p>	No comment
<b>Box 3.4 Questions on gas price assumptions to be used for contracted reserves</b>		
32.	<p>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.</p>	No comment
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</p>	No comment





	Questions	Feedback
	why.	
<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> <ul style="list-style-type: none"> <li>(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).</li> <li>(b) The sensitivity of the 2P reserves estimates to a +/-10% change in the gas price range reported under (a).</li> <li>(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.</li> <li>(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.</li> </ul> <p>If not, please explain why.</p>	No comment
35.	<p>Do you agree with the proposal to require producers to report the gas price range:</p> <ul style="list-style-type: none"> <li>(a) for each year over a five year period and generally thereafter? If not, please explain why.</li> <li>(b) for uncontracted reserves only? If not, please explain why.</li> <li>(c) at a basin level? If not, please explain why.</li> </ul>	No comment
36.	<p>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?</p>	No comment



	Questions	Feedback
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.	No comment
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.	No comment
<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?	No comment
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?	No comment