



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

Attachment 1: Response template

Stakeholder name: **Senex Energy Limited**

	Questions	Feedback
Box 2.2 Questions on categories of reserves		
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>No. Senex already reports 1P and 2P volumes as part of current ASX listing rules. 3P volumes are not used to make investment decisions.</p> <p>3P should remain as a discretionary report for the CSG and other unconventional assets as it provides some insight to the possible upside reserves after full development.</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 – for 1P and 2P.</p> <p>The Possible component of the 3P estimate for CSG and unconventional developments will always be undeveloped.</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>No. 3P is not used to make investment decisions.</p>
Box 2.3 Questions on categories of resources		
4.	<p>Do you agree that 1C and 2C contingent resources 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>	<p>Additional disclosure of contingent resources would not generally be in the public interest.</p> <p>Contingent resource covers a wide variety of resource situations with quite different stages of maturity and subject to considerable subjective interpretation. Elevating</p>



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		contingent resource to something that must be reported would lead to a real risk of misinterpretation by those trying to use or interpret the data.
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?	Senex generally does report 1C and 2C and contingent resource reporting in theory can provide visibility on technically recoverable resource volumes which may in-turn facilitate discussion on future infrastructure requirements; however, we think reporting of this information should remain optional, as it is under the ASX Listing Rules, given the potential for misinterpretation (discussed 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.	No. Reporting beyond 2C may become esoteric due to differing interpretations of rules relating to contingent resource definition and high uncertainty in volumes and differences in methodologies.
Box 2.4 Questions on gas field information		
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>	Agree on the split between developed and undeveloped reserves, however 'approved for development' is unnecessary (see answer to question 8) and requiring reporting of this will add to regulatory burden with little or no benefit.
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.	Disagree on usage of 'approved for development' as it lacks distinction with the PRMS phrase 'undeveloped'. In PRMS reserves must be technically and commercially viable as noted in section 2.1.2.1. Quoting page 12 of PRMS 2018: <i>"There must be a reasonable expectation that all required internal and external approvals will be forthcoming and evidence of firm intention to proceed with development within a reasonable time-frame. A reasonable time-frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While five years is recommended as a benchmark, a longer time-frame could be applied where justifiable; for example,</i>



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		<p><i>development of economic project that take longer than five years to be developed or are deferred to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented."</i></p> <p>If the project falls outside this definition. It is to be classified as contingent resources.</p>
9.	<p>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.</p>	<p>If this framework is intended for adoption for ASX reporting, it needs to be consistent for all types of hydrocarbon resources and reserves including oil, LPG and condensate. Having a mixed system will only add to regulatory burden and increase red tape. Little thought has been made here for other hydrocarbon types.</p> <p>The breakdown of data per basin is sufficient for reporting purposes.</p>
Box 2.5 Questions on movement in 2P reserves		
10.	<p>Do you agree that annual movements in 2P reserves 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>	<p>Yes. Annual movement in reserves gives transparency to the reserve reporting in Australia. Seeing movement of technical reserves due to revisions provides insight to the performance and the reliability of the reserves estimates over time.</p>
11.	<p>Do you agree with the categories that have been proposed for the breakdown of movements in 2P reserves? If not, please explain why.</p>	<p>Type of gas field probably makes sense to a degree but conventional vs tight gas into unconventional may have a finer line; e.g. the nature of the field– would need to be very clear on dry gas vs gas condensate and may be a bit onerous as not a clear delineation or a function of operating conditions</p>
12.	<p>Do you think there would be value in also requiring producers to report on annual movements in 2C resources?</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>There is little or no value in reporting 2C data, let alone movements and splitting into categories. Reporting of 1C/2C should be optional as these values are typically feedstock to reserves maturation and subject to differing approaches and interpretations.</p>



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Box 2.6 Questions on contracted 2P reserves		
13.	<p>Do you agree that if the ACCC and GMRG's recommendation on contracted 2P reserves is implemented that:</p> <p>(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.</p> <p>(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.</p>	<p>We think this distorts the natural commercial position for parties to negotiate gas sales agreements. Just as buyers are not compelled to disclose their positions (whether short or long) nor should producers be compelled.</p> <p>It will also likely be misleading information to some extent and difficult to ensure compliance because some producers sell gas on the basis of a portfolio, rather than a field, and may also include purchased gas as part of their sales feedstock.</p>
Box 2.7 Questions on other information		
14.	<p>Is there any other information that you think should form part of the reporting framework? If so, please set out:</p> <p>(a) what the information is</p> <p>(b) how you would use the information and the benefit it would provide</p> <p>(c) why you think the inclusion of this information would be consistent with the objectives of the reporting framework.</p>	<p>No additional information.</p>
Box 2.8 Questions on reporting standard		
15.	<p>Do you agree that the PRMS classification system should be used in the proposed reporting framework? If not, please explain why.</p>	<p>PRMS 2018 should be the standard to use as it is the globally accepted process</p>
16.	<p>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.</p>	<p>Yes. Agree</p>
17.	<p>Are there any other reporting standards or definitions that you think should be reflected in the reporting framework?</p>	<p>No – adds confusion by mixing and matching.</p>



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Box 2.9 Questions on quantities and analytical methods		
18.	Do you agree that reserves and resources should be reported on the basis of sales quantities? If not, please explain why.	Can be done either way. But if the volumes include fuel usage, the percentage should be disclosed.
19.	Do you agree that reserves and resources should be reported on a net revenue basis? If not, please explain why.	Yes
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.	As per ASX requirements, producers must report whether a probabilistic or deterministic method (e.g. simulation, material balance, decline curve analysis, volumetric based methods) was used.
Box 2.10 Questions on reserves and resources reporting level		
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>Breaking out on a field basis can be misleading due to inter-dependencies in cost structure and operations of fields which affect field life.</p> <p>Further, the accuracy of estimates at a field level can be significantly less than when reserves are aggregated into reporting categories that are appropriate to the producer's circumstances.</p>
Box 2.11 Questions on the frequency and timing of reporting		
22.	Do you agree that the frequency of reporting should be annual? If not, please explain why.	For reporting purposes, annual is more than adequate given the amount of internal resources, time and costs it takes for producers to complete a reserves review.
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> <p>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</p>	<p>This should generally match materiality thresholds as per ASX rules.</p> <p>Materiality usually links to value and so in the context of reporting to the ASX (for investors) +/- 10% in reserves does not necessarily equate to a corresponding material value change. Materiality is better considered on a company specific case-by-case basis. We think the ASX rules are sufficient for this, and further rules are not required.</p>



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	<p>government agencies, or should it be limited to material changes in reserves and resources)?</p> <p>ii. do you think the threshold for material changes should be set at +/-10% or do you think another threshold would be more appropriate?</p> <p>(b) If not, please explain why.</p>	
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.	No. Companies will be required to report reserves at differing times for differing regulatory reasons (particularly when some companies report in various jurisdictions and may have differing reporting periods) and for commercial reasons such as banking covenants or joint venture requirements. Fixing a date for everyone could be problematic.
Box 2.12 Questions on evaluation requirements		
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.	The primary issue is that reserves estimates are prepared by suitably qualified people as is required by the ASX reporting rules. It should be the company's right to elect to have an independent third party also audit the figures, and so should then state whether the figures have or haven't been subject to independent assessment.
26.	Do you think that any other evaluation requirements (e.g. a requirement to obtain an independent audit) should be implemented?	No
Box 2.13 Questions on compliance costs		
27.	What incremental costs do producers expect to incur in complying with the reporting requirements proposed in sections 2.3 and 2.4?	Additional time for independent auditors, and additional time and resources generally, will be required to comply with this requirements. The quantum will depend on size of portfolio and number of fields but we expect the additional expense will be significant.
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	We think the PRMS reporting framework is sufficient to achieve clarity about gas supply.



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	the requirements are fit for purpose and achieves the objectives set out in section 1?	
Box 3.1 Questions on the manner in which reserves are to be estimated		
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.	Reserves reporting should be based on forecast economic conditions. Just as production is forecast on future planned activities.
Box 3.3 Questions on gas price assumptions to be used for uncontracted reserves		
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 prices they will assume when estimating uncontracted reserves and not required to disclose their assumptions (i.e. Option 3)?</p>	<p>Agree with subpoint c. Every company has different economic and commercial circumstances and a different view on the forward market, and therefore different price assumptions. It would not be appropriate or necessary to require a producer to disclose its view of the market.</p>



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	i. If so, please explain why and set out how do you think this option would address the concerns outlined in section 3.1? ii. If not, please explain why.	
31.	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: (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 (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).	All estimates of reserves and forward positions with any commodity necessarily involve a view about forward prices and market conditions, and these are always seen as commercial-in-confidence because it underpins a party's commercial position and preparedness to invest. If this information was required to be disclosed, it would generally be a disincentive to investment.
Box 3.4 Questions on gas price assumptions to be used for contracted reserves		
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.	Yes
33.	Do you agree with the ACCC's proposal to allow producers to account for the operation of: (a) price escalation mechanisms when determining the prices to apply under the relevant GSAs over the forecast period? If not, please explain why. (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.	Yes, as a general position. It will depend though on the level of certainty around an escalation provision and whether there is any visibility of a customer's intention to extend a contract (this may not be known to the producer).
Box 3.5 Questions on the disclosure requirements for gas price assumptions		



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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>a) We think that seeking to enshrine this level of accuracy surrounding data will not lead to an improvement in the veracity of the data reported. It also discloses commercially-sensitive views around market conditions. The differing (and confidential) views of various parties about a market are an important ingredient in a competitive market and in maintaining an incentive to invest in further gas exploration and development.</p> <p>b) Same as (a) above.</p> <p>c) We don't see this information being of value to the market.</p> <p>d) If there is material impact to reserves, a statement would ordinarily be made accompanying the reserve numbers.</p>
35.	<p>Do you agree with the proposal to require producers to report the gas price range:</p> <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>	<p>No, we don't see how a producer's view of gas prices will assist the market; however there will be additional regulatory burden in reporting this.</p>
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>	<p>This could be very cumbersome in practise as it would effectively need a lot of iterative loops to calculate economic costs of production across hubs before landing an appropriate figure. For example, the cost analysis will depend on synergies across portfolios, synergies of use of infrastructure and will vary by field and so will be complex to calculate and potentially inaccurate.</p>



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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.	We would expect that +/- 10% would be near the accuracy level anyway, and so any mandatory threshold would need to be set at a higher level (eg +/- 15 or 20%)
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.
Box 3.6 Questions on compliance costs		
39.	What incremental costs do producers expect to incur in complying with the proposed reporting requirements set out in sections 3.4-3.6?	Depending on complexity of gas business
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?	Use the existing regulation, PRMS 2018, as the standard for all organisations and ensure that these estimates are made by qualified evaluators.