



SHELL AUSTRALIA

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Gas Inquiry Team
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Dear Gas Inquiry Team

Re: ACCC upstream competition and the timeliness of supply issues paper

As a company that has been providing energy to Australians for 120 years, we are deeply aware of the need to play our part in supporting a strong, transparent, and functioning domestic gas market. Shell has continued to be an active participant in the east coast domestic gas market both through its role as operator and shareholder in the QCLNG project its shareholding in the Arrow Joint Venture (JV) in Queensland and the establishment and 100% ownership of Shell Energy Australia.

As a fully operational and integrated Coal Seam Gas to LNG and domestic market project, Shell and its QCLNG partners continue to invest in new resources for backfill to ensure ongoing supply to meet commitments to both the LNG plant and the domestic market. Further, despite the extremely challenging conditions for Australian LNG projects during COVID-19, Shell and its Arrow co-owners also took a final investment decision in 2020 on the first phase of Arrow's Surat Gas Project in Queensland. We acknowledge that Australia is a high-cost environment in particular when we are making long term investment decisions. However, in reaching positive investment decisions those high costs are traded off against what has been a largely stable fiscal and regulatory environment.

The constant spectre of greater regulatory intervention means we are continually reviewing the balance of this trade-off, and seeking to assure our JV partners (CNOOC and Tokyo Gas) that the investments they have made will remain secure and stable and that there is no, or limited, sovereign risk in Australia. It should be noted that Shell and its JV partners also need to justify internally their investment in these projects by demonstrating the competitiveness and robustness of their investments in Australia versus alternatives.

It is important to remember that the development of Australia's significant coal seam gas resources on the East Coast, which have a high development cost, is directly linked to accessing the substantial scale of LNG markets.

The Australian government has already introduced and announced a range of reforms to increase domestic gas supply and improve market conditions. Shell has publicly welcomed reforms that improve the efficiency and transparency of the domestic gas market and its operation. This includes providing



buyers with more choice and increased transparency through concepts such as the proposal to create a more liquid and efficient hub.

Shell supports the ongoing transparency on the supply side as a result of the ACCC Gas Inquiry but this has led to information asymmetry about the domestic gas market. It would be highly desirable for the ACCC to undertake similar inquiries on the demand side of the market to determine whether C&I users are able to pay internationally competitive prices for gas.

Ultimately, availability of globally competitive gas supply sources and well targeted investment will help to ensure the desired liquidity and transparency of pricing that will meet the needs of our customers. In particular, focus should remain on the significant regulatory constraints in both NSW and Victoria that have prevented the development of new sources of supply.

Shell makes this submission in its capacity as operator and participant in the QCLNG Project, shareholder in Arrow, and market participant. Shell also supports the submission made by APPEA on behalf of its members.

Yours Sincerely

David Bold

Federal Government Lead

Shell Australia