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Australian Competition and Consumer Commission (ACCC)
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Dear ACCC

RE: ACCC LNG Netback Price Series Review Consultation on development of longer-term LNG netback price series - Proposed methodology for estimating LNG freight rates over 5 years

Shell Australia welcomes the opportunity to provide a submission to the ACCC's proposed methodology for estimating LNG freight rates over 5 years. Please find below Shell's comments on the paper.

Overview

As a company that has been providing energy to Australians for 121 years, we are deeply aware of the need to play our part in supporting a well-functioning domestic gas market. In Queensland, we are the operator of the onshore QGC coal seam gas project and Joint Venture (JV) partner in the Arrow project. In Western Australia, we operate the Prelude Floating LNG facility and are also part of JV projects including North-West Shelf and Gorgon.

Shell Energy is Shell's global renewables and energy solutions business which has a long history of helping its customers to decarbonize and reduce their environmental footprint. In Australia, Shell Energy is the second largest electricity provider to commercial and industrial businesses¹ and delivers energy solutions and innovation across a portfolio of electricity, gas, environmental products and energy productivity for commercial and industrial customers. Shell Energy's residential energy retailing business, Powershop, serves a further 185,000+ households and small business customers in Australia.

As a core principle, we want to see markets work in a transparent, efficient and competitive manner. In that regard, we want both buyers and sellers to have choice. That includes ensuring additional supply is brought to the market, developing greater transparency in bilateral transactions through the Code of Conduct as well as expanding the ACCC's inquiry into the demand side in addition to supply, and developing a deeper, more liquid and more transparent traded hub for the East Coast market.

Shell Australia has constructively engaged with the ACCC's Gas Inquiry since its establishment in 2017. Over the past years we have also supported the introduction of the Heads of Agreement (HoA), the

¹ By load, based on Shell Energy analysis of publicly available data



Australian Domestic Gas Security Mechanism, COAG pipeline reforms, and through APPEA we supported the voluntary Code of Conduct. We also supported the ACCC's LNG netback price series as a way to provide further transparency. All of these reforms must work together in order to achieve further improvements in the market.

Key Issues

It is likely that parties will have different views to freight rates and cost of shipping by the consultant. Shell encourages the ACCC to provide as much transparency behind the consultant's process to as this will enable parties to understand differences in views. In particular the assumptions the consultant would use in converting the US\$/day freight rates to a US\$/MMBTu shipping cost such as the number of days and boil-off gas cost.

There could be short- or medium-term factors that arise that distort freight cost from a long-term view developed from an approach such as a fundamentals ton.mile supply and demand model proposed by the consultant. Given the role of LNG in the global energy system and the LNG supply sources, geopolitical events / risk is one example of a driver that could impact the shipping prices beyond a fundamentals model.

The view of shipping cost going forward will also vary from participants based on their portfolio and optimization strategies. As the consultant noted, there has been an evolution of propulsion technology over time and there is a portion of LNG trade that is under long-term contracts whilst others flexible for the whole industry, but each participant would have their own chartering strategy factoring in their own situation and outlook.

As is the case with the current LNG netback price series, Shell recommends the LNG price publications continue to caution users on the range of variables and limitations inherent in the calculation.

Please contact Lee Tao Liang at [REDACTED] for any queries regarding this submission.

Yours Sincerely,

[submitted via email]

Ilse Nolan

Corporate Relations Australia