

To

Gas Group - ACCC

470 Northbourne Avenue

Dickson, ACT, 2602

Attached is signed version of
submission e-mailed on 22 Sept
2000.

ACCC
28 SEP 2000

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The Australian Gas Light Company
Formed in New South Wales in 1837, with limited liability
ARBN 052 167 405



Petroleum Nasional Berhad
Kuala Lumpur, Malaysia
(20076-K)

22 September, 2000

Ms Kanwaljit
Acting General Manager
Regulatory Affairs Division-Gas
Australian Competition & Consumer Commission

By Facsimile: (02) 6243 1205

Dear Ms Kanwaljit,

RE: Application for authorisation of Joint Marketing by PNG Gas Producers

Thank you for the opportunity to comment in relation to the above application.

As you are aware, the AGL-Petronas Consortium ("APC") is one of the key stakeholders in the PNG Gas Project being selected in May 1998 to build, own and operate the Australian portion of the PNG pipeline after a competitive tender process run by the Project Sponsors under the auspices of the ACCC and the QDME. The ACCC has sought a tight time frame for review of this Application and APC concurs with the Project Sponsor's view that determination of the Application is needed as a matter of urgency due to market and commercial imperatives.

In an attempt to high grade the issues from APC's point of view, we comment as follows:

(i) Commitment of gas from the Hides gas field by PDL1 participants is a requirement of project viability.

APC's review of the markets being targeted by the PNG Gas project indicate that substantially more gas than is available to the PDL2 participants will be required for project viability. Capturing these larger market volumes will require a dedication of a commensurately larger amount of PNG gas reserves than is available to the original Applicants from the Kutubu area fields.

(ii) Participation of ExxonMobil and Santos as sellers of PNG Gas improves project viability.

In the current Application the PNG producers intend to become direct contract parties to gas sale agreements, on a several basis. In order to facilitate these gas delivery obligation to customers, APC understands that the PNG producers will enter into direct contractual arrangements with APC by way of a gas transportation agreement for use of the PNG Pipeline.

AGL-Petronas Consortium

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APC is of the view that this contracting structure, and the participation of ExxonMobil and Santos group companies in the upstream project, will be necessary for project viability and project bankability.

(iii) APC concurs with the view that co-operative development is a necessity for economic viability.

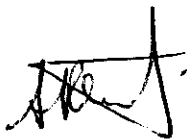
APC is of the view that a co-operative development of the upstream project is needed as a pre-requisite to success of the overall PNG Project. There must be alignment of interests in producing, processing, transporting, and selling gas from the fields to the customers, with each producer participating in the costs and risks of the project over the entire term of the gas sale and gas transportation agreements.

Accordingly, and in summary APC concludes:

- (a) It is necessary for ExxonMobil and Santos to participate in the joint marketing activities, and thus for them to be granted interim authorisation; and
- (b) There would be no irreversible detriment resulting from the granting of the interim authorisation to Santos and ExxonMobil to participate in the proposed joint marketing activities.

We further support the prompt approval of the interim authorisation and would be happy to elaborate further on any of the matters raised in this letter by contacting the undersigned in the first instance.

Yours sincerely,



STEPHEN OHL
Project Director
For and on behalf of the AGL-Petronas Consortium

cc: Mr Chong Wah Ng, Petronas Australia Pty Ltd