CLAYTON UTZ

~~Confidential~~

By hand

15 October 2015

Dr Richard Chadwick
General Manager - Adjudication
Australian Competition & Consumer Commission
Level 20, 175 Pitt Street
SYDNEY NSW 2000

Dear Dr Chadwick

Applications for Authorisation – Australia Pacific LNG Pty Limited & Ors

We confirm that we act for Australia Pacific LNG Pty Limited (**APLNG**) in relation to this matter.

Please find enclosed the following documents, which are submitted on behalf of APLNG, and the participants who comprise each of the Queensland Curtis LNG Project (**QCLNG**) and the Gladstone LNG Project (**GLNG**) (the **Applicants**):

1. Form A – Application for Authorisation;
2. Form B – Application for Authorisation;
3. Submission in support of the Applications for Authorisation; and
4. Cheque for $9,000 as payment of the applicable fee.

Application for Interim Authorisation

The Applicants also request that the ACCC grant an interim authorisation in accordance with s 91(2) of the *Competition and Consumer Act 2010* (Cth) so that they can immediately commence discussions and take steps to agree on the sequencing and timing of scheduled maintenance at the LNG Facilities, including the sequencing and timing of associated shutdowns and outages. This will, in turn, enable each Applicant to plan promptly and efficiently for the maintenance which is to be undertaken on their own LNG Facility.

The need for interim authorisation arises because all of the LNG Projects will be operational in the final quarter of 2015. With the first major scheduled maintenance to be conducted on the LNG Facilities in the next 12-24 months, the preferred times for these shutdowns are likely to occur in September to October 2016 and April to May 2017.

There is a significant amount of planning involved in scheduling a maintenance shutdown, including procuring the services of specialist contractors and putting in place the necessary logistical arrangements to support the relevant maintenance campaign. The lead time can be up to 18 months. Planning is therefore underway now and the Applicants each have internal teams separately scoping their individual maintenance requirements and potential shutdown dates.

There is a real potential that overlapping shutdowns will occur if the Participants do not obtain interim authorisation and so cannot engage in the Proposed Conduct in relation to these first instances of scheduled maintenance and associated shutdowns and outages.

Interim authorisation would enable the Participants to undertake this advance planning promptly and efficiently, rather than delaying until after the final authorisation decision is made. This will enable the benefits attributable to the Proposed Conduct to arise in relation to the first scheduled maintenance and associated shutdowns and outages on the LNG Facilities.

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CLAYTON UTZ

The Applicants submit that this application satisfies the criteria for interim authorisation as set out in the ACCC's guidelines for interim authorisation. In particular:

- the Proposed Conduct does not have the potential to be anti-competitive. To the contrary, it will give rise to significant public benefits, and no discernible anti-competitive detriments;
- interim authorisation will not permanently alter the competitive dynamics of any relevant market, nor will any relevant market be inhibited from returning to its pre-interim authorisation state if final authorisation is denied;
- there is an urgent need for the Applicants to commence the Proposed Conduct, for the reasons described above;
- denying interim authorisation may cause harm to the Applicants' ability to secure the full extent of the public benefits associated with the Proposed Conduct in the short term (if final authorisation is granted), as the Applicants may need to plan and schedule the initial shutdown of their LNG Facilities without the benefits of the Proposed Conduct discussed in section 5 of the supporting submission; and
- granting interim authorisation will not cause harm to other parties such as customers or competitors.

Finally, we confirm that the Applicants do not have any concerns with the ACCC publishing in full each of the enclosed applications and supporting submission.

Please contact us should you wish to discuss any aspect of this matter.

Yours sincerely

Michael Corrigan, Partner
+61 2 9353 4187
mcorrigan@claytonutz.com

Paul Burton, Senior Associate
+61 2 9353 4860
pburton@claytonutz.com

Enc
Our ref 187/15313/80160763

Form A

Commonwealth of Australia

Competition and Consumer Act 2010 — subsections 88 (1A) and (1)

EXCLUSIONARY PROVISIONS AND ASSOCIATED CARTEL PROVISIONS: APPLICATION FOR AUTHORISATION

To the Australian Competition and Consumer Commission:

Application is hereby made under subsection(s) 88(1A) / 88(1) of the *Competition and Consumer Act 2010* for an authorisation:

- to make a contract or arrangement, or arrive at an understanding, a provision of which would be, or might be, a cartel provision within the meaning of Division 1 of Part IV of that Act and which would also be, or might also be, an exclusionary provision within the meaning of section 45 of that Act.
- to give effect to a provision of a contract, arrangement or understanding that is, or may be, a cartel provision within the meaning of Division 1 of Part IV of that Act and which is also, or may also be, an exclusionary provision within the meaning of section 45 of that Act.
- to make a contract or arrangement, or arrive at an understanding, where a provision of the proposed contract, arrangement or understanding would be, or might be, an exclusionary provision within the meaning of section 45 of that Act.
- to give effect to a provision of a contract, arrangement or understanding where the provision is, or may be, an exclusionary provision within the meaning of section 45 of that Act.

(*Strike out whichever is not applicable*)

PLEASE FOLLOW DIRECTIONS ON BACK OF THIS FORM

1. Applicants

(a) Name of Applicants:

(Refer to direction 2)

This application for authorisation is made on a joint basis. The Applicants are the liquefied natural gas (**LNG**) producers listed in Schedules 1 to 3 of the supporting submission, namely:

A91516

- the Australia Pacific LNG Project participants listed in Schedule 1 (**APLNG**);
- the Queensland Curtis LNG Project participants listed in Schedule 2 (**QCLNG**); and
- the Gladstone LNG Project participants listed in Schedule 3 (**GLNG**).

(b) Description of business carried on by applicants:

(Refer to direction 3)

The Applicants are each developing liquefied natural gas facilities on Curtis Island in the Port of Gladstone (each an **LNG Facility**). The LNG Facilities form part of the APLNG, QCLNG and GLNG projects, each of which involves the extraction and processing of natural gas, including coal seam gas (**CSG**), and conversion to LNG

for export (**Queensland LNG Projects**). Please see the supporting submission to this application for further details.

(c) Address in Australia for service of documents on the applicants:

C/- Linda Evans
Clayton Utz
Level 15
1 Bligh Street
SYDNEY NSW 2000
T: +61 2 9353 4217
E: levans@claytonutz.com

Ref: 217/16810/80160763

2. Contract, arrangement or understanding

(a) Description of the contract, arrangement or understanding, whether proposed or actual, for which authorisation is sought:

(Refer to direction 4)

The Applicants wish to discuss, make and give effect to arrangements regarding the sequencing and timing of scheduled maintenance works, and associated shutdowns and outages, at each of the LNG Facilities, in order to limit the extent to which scheduled maintenance works occur concurrently at the LNG Facilities.

Accordingly, the Applicants seek authorisation under ss 88(1A) and 88(1) of the *Competition and Consumer Act 2010* (Cth) to engage in the following conduct:

(a) to make and give effect to arrangements or understandings among the Applicants regarding the sequencing and timing of the conduct of scheduled maintenance at the LNG Facilities, including the sequencing and timing of shutdowns and partial plant outages associated with such maintenance by:

(i) identifying the maintenance requirements for each of the LNG Facilities, including the scope and expected duration of maintenance campaigns and any shutdowns or partial plant outages associated with those maintenance campaigns;

(ii) classifying maintenance campaigns (e.g. major and minor);

(iii) working to identify optimal maintenance windows having regard to factors such as climate, safety considerations and local resource constraints;

(iv) scheduling maintenance in such a way as to minimise contractor mobilisation and demobilisation costs;

(v) developing a process to:

(A) nominate preferred dates for planned maintenance;

(B) negotiate and agree the proposed dates for planned maintenance at each of the LNG Facilities;

(C) inform one another of ad hoc unplanned maintenance requirements;

(D) consult about variations to any maintenance dates;

(E) resolve conflicts where maintenance dates overlap; and

(F) prepare and agree a schedule recording the planned maintenance dates for each LNG Facility; and

(b) to exchange information for the purpose of making and giving effect to the arrangements and understandings referred to in paragraph (a) - including information about:

(i) maintenance techniques and operational processes, including personnel requirements, specialist equipment and the use, storage, transport and disposal of hazardous chemicals;

(ii) potential resource constraints associated with particular shutdown windows (e.g. accommodation) and discussing mitigation options; and

(iii) disclosing the names of the maintenance contractors who have been appointed by each Party to perform the relevant LNG Facility maintenance, subject to applicable third party confidentiality restrictions.

(collectively the **Proposed Conduct**).

In making this application, the Applicants seek to obtain the certainty afforded by authorisation of the Proposed Conduct. They do not concede that the Proposed Conduct would contravene the CCA in any of the ways identified above.

(b) Description of those provisions of the contract, arrangement or understanding described at 2 (a) that are, or would or might be, exclusionary provisions and (if applicable) are, or would or might be, cartel provisions:

(*Refer to direction 4*)

The Proposed Conduct may give rise to cartel provisions and/or provisions that might be exclusionary provisions. Please see the supporting submission to this application for further details.

(c) Description of the goods or services to which the contract, arrangement or understanding (whether proposed or actual) relate:

The need for authorisation arises because the proponents of the Queensland LNG Projects are likely to be competitors both for the acquisition of the goods and services necessary to undertake maintenance and for the supply of LNG to overseas customers.

(d) The term for which authorisation of the provision of the contract, arrangement or understanding (whether proposed or actual) is being sought and grounds supporting this period of authorisation:

A period of 20 years. The grounds supporting this period of authorisation are set out in the supporting submission to this application.

3. Parties to the proposed arrangement

(a) Names, addresses and descriptions of business carried on by other parties or proposed parties to the contract or proposed contract, arrangement or understanding:

Any proposed contracts, arrangements or understandings will be between one or more of the Applicants listed in Schedule 1 to Schedule 3 to the supporting submission to this application.

(b) Names, addresses and descriptions of business carried on by parties and other persons on whose behalf this application is made:

(Refer to direction 5)

Not applicable.

4. Public benefit claims

(a) Arguments in support of application for authorisation:

(Refer to direction 6)

The public benefits of the proposed contracts, arrangements or understandings for which authorisation is sought are set out in detail in the supporting submission to this application.

(b) Facts and evidence relied upon in support of these claims:

The facts and evidence relied upon in support of the public benefits claims are set out in the supporting submission to this application.

5. Market definition

Provide a description of the market(s) in which the goods or services described at 2(c) are supplied or acquired and other affected markets including: significant suppliers and acquirers; substitutes available for the relevant goods or services; any restriction on the supply or acquisition of the relevant goods or services (for example geographic or legal restrictions):

(Refer to direction 7)

Please see the supporting submission to this application.

6. Public detriments

(a) Detriments to the public resulting or likely to result from the contract arrangement or understanding for which authorisation is sought, in particular the likely effect of the contract arrangement or understanding, on the prices of the goods or services described at 2(c) and the prices of goods or services in other affected markets:

(Refer to direction 8)

For the reasons set out in the supporting submission to this application, the Applicants consider that the Proposed Conduct identified in section 2(c) above will not give rise to any anti-competitive detriments.

(b) Facts and evidence relevant to these detriments:

Please see the supporting submission to this application.

7. Contracts, arrangements or understandings in similar terms

This application for authorisation may also be expressed to be made in relation to other contracts, arrangements or understandings or proposed contracts, arrangements or understandings, that are or will be in similar terms to the abovementioned contract, arrangement or understanding:

(a) Is this application to be so expressed?

No.

(b) If so, the following information is to be furnished:

(i) description of any variations between the contract, arrangement or understanding for which authorisation is sought and those contracts, arrangements or understandings that are stated to be in similar terms:

(Refer to direction 9)

Not applicable.

(ii) Where the parties to the similar term contract(s) are known - names, addresses and descriptions of business carried on by those other parties:

(Refer to direction 10)

Not applicable.

(iii) Where the parties to the similar term contract(s) are not known — description of the class of business carried on by those possible parties:

Not applicable.

8. Joint Ventures

(a) Does this application deal with a matter relating to a joint venture (See section 4J of the *Competition and Consumer Act 2010*)?

No.

(b) If so, are any other applications being made simultaneously with this application in relation to that joint venture?

Not applicable.

(c) If so, by whom or on whose behalf are those other applications being made?

Not applicable.

9. Further information

(a) Name, postal address and telephone contact details of the person authorised by the applicants seeking authorisation to provide additional information in relation to this application:

Linda Evans
Clayton Utz
Level 15
1 Bligh Street
SYDNEY NSW 2000
T: +61 2 9353 4217
E: levans@claytonutz.com

Ref: 217/16810/80160763

Dated: 15 October 2015

Signed on behalf of the applicants:

Signature

Michael Corrigan

Full Name

Clayton Utz

Organisation

Partner

Position in organisation

Form B

Commonwealth of Australia

Competition and Consumer Act 2010 — subsections 88(1A) and (1)

AGREEMENTS AFFECTING COMPETITION OR INCORPORATING RELATED CARTEL PROVISIONS: APPLICATION FOR AUTHORISATION

To the Australian Competition and Consumer Commission:

Application is hereby made under subsection(s) 88(1A) / 88(1) of the *Competition and Consumer Act 2010* for an authorisation:

- to make a contract or arrangement, or arrive at an understanding, a provision of which would be, or might be, a cartel provision within the meaning of Division 1 of Part IV of that Act (other than a provision which would also be, or might also be, an exclusionary provision within the meaning of section 45 of that Act).
- to give effect to a provision of a contract, arrangement or understanding that is, or may be, a cartel provision within the meaning of Division 1 of Part IV of that Act (other than a provision which is also, or may also be, an exclusionary provision within the meaning of section 45 of that Act).
- to make a contract or arrangement, or arrive at an understanding, a provision of which would have the purpose, or would or might have the effect, of substantially lessening competition within the meaning of section 45 of that Act.
- to give effect to a provision of a contract, arrangement or understanding which provision has the purpose, or has or may have the effect, of substantially lessening competition within the meaning of section 45 of that Act.

(*Strike out whichever is not applicable*)

PLEASE FOLLOW DIRECTIONS ON BACK OF THIS FORM

1. Applicants

(a) Name of Applicants:

(*Refer to direction 2*)

This application for authorisation is made on a joint basis. The Applicants are the liquefied natural gas (**LNG**) producers listed in Schedules 1 to 3 of the supporting submission, namely:

A91517

- the Australia Pacific LNG Project participants listed in Schedule 1 (**APLNG**);
- the Queensland Curtis LNG Project participants listed in Schedule 2 (**QCLNG**); and
- the Gladstone LNG Project participants listed in Schedule 3 (**GLNG**).

(b) Short description of business carried on by applicants:

(*Refer to direction 3*)

The Applicants are each developing liquefied natural gas facilities on Curtis Island in the Port of Gladstone (each an **LNG Facility**). The LNG Facilities form part of the APLNG, QCLNG and GLNG projects, each of which involves the extraction and

processing of natural gas, including coal seam gas (**CSG**), and conversion to LNG for export (**Queensland LNG Projects**). Please see the supporting submission to this application for further details.

(c) Address in Australia for service of documents on the applicants:

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1 Bligh Street
SYDNEY NSW 2000
T: +61 2 9353 4217
E: levans@claytonutz.com

Ref: 217/16810/80160763

2. Contract, arrangement or understanding

(a) Description of the contract, arrangement or understanding, whether proposed or actual, for which authorisation is sought:

(*Refer to direction 4*)

The Applicants wish to discuss, make and give effect to arrangements regarding the sequencing and timing of scheduled maintenance works, and associated shutdowns and outages, at each of the LNG Facilities, in order to limit the extent to which scheduled maintenance works occur concurrently at the LNG Facilities.

Accordingly, the Applicants seek authorisation under ss 88(1A) and 88(1) of the *Competition and Consumer Act 2010* (Cth) to engage in the following conduct:

(a) to make and give effect to arrangements or understandings among the Applicants regarding the sequencing and timing of the conduct of scheduled maintenance at the LNG Facilities, including the sequencing and timing of shutdowns and partial plant outages associated with such maintenance by:

(i) identifying the maintenance requirements for each of the LNG Facilities, including the scope and expected duration of maintenance campaigns and any shutdowns or partial plant outages associated with those maintenance campaigns;

(ii) classifying maintenance campaigns (e.g. major and minor);

(iii) working to identify optimal maintenance windows having regard to factors such as climate, safety considerations and local resource constraints;

(iv) scheduling maintenance in such a way as to minimise contractor mobilisation and demobilisation costs;

(v) developing a process to:

(A) nominate preferred dates for planned maintenance;

(B) negotiate and agree the proposed dates for planned maintenance at each of the LNG Facilities;

(C) inform one another of ad hoc unplanned maintenance requirements;

(D) consult about variations to any maintenance dates;

(E) resolve conflicts where maintenance dates overlap; and

(F) prepare and agree a schedule recording the planned maintenance dates for each LNG Facility; and

(b) to exchange information for the purpose of making and giving effect to the arrangements and understandings referred to in paragraph (a) - including information about:

(i) maintenance techniques and operational processes, including personnel requirements, specialist equipment and the use, storage, transport and disposal of hazardous chemicals;

(ii) potential resource constraints associated with particular shutdown windows (e.g. accommodation) and discussing mitigation options; and

(iii) disclosing the names of the maintenance contractors who have been appointed by each Party to perform the relevant LNG Facility maintenance, subject to applicable third party confidentiality restrictions.

(collectively the **Proposed Conduct**).

In making this application, the Applicants seek to obtain the certainty afforded by authorisation of the Proposed Conduct. They do not concede that the Proposed Conduct would contravene the CCA in any of the ways identified above.

(b) Description of those provisions of the contract, arrangement or understanding described at 2(a) that are, or would or might be, cartel provisions, or that do, or would or might, have the effect of substantially lessening competition:

(*Refer to direction 4*)

The Proposed Conduct may give rise to cartel provisions and/or provisions that might have the effect of substantially lessening competition. Please see the supporting submission to this application for further details.

(c) Description of the goods or services to which the contract, arrangement or understanding (whether proposed or actual) relate:

The need for authorisation arises because the proponents of the Queensland LNG Projects are likely to be competitors both for the acquisition of the goods and services necessary to undertake maintenance and for the supply of LNG to overseas customers.

(d) The term for which authorisation of the contract, arrangement or understanding (whether proposed or actual) is being sought and grounds supporting this period of authorisation:

A period of 20 years. The grounds supporting this period of authorisation are set out in the supporting submission to this application.

3. Parties to the proposed arrangement

(a) Names, addresses and descriptions of business carried on by other parties or proposed parties to the contract or proposed contract, arrangement or understanding:

Any proposed contracts, arrangements or understandings will be between one or more of the Applicants listed in Schedule 1 to Schedule 3 to the supporting submission to this application.

(b) Names, addresses and descriptions of business carried on by parties and other persons on whose behalf this application is made:

(*Refer to direction 5*)

Not applicable.

4. Public benefit claims

(a) Arguments in support of authorisation:

(*Refer to direction 6*)

The public benefits of the proposed contracts, arrangements or understandings for which authorisation is sought are set out in detail in the supporting submission to this application.

(b) Facts and evidence relied upon in support of these claims:

The facts and evidence relied upon in support of the public benefits claims are set out in the supporting submission to this application.

5. Market definition

Provide a description of the market(s) in which the goods or services described at 2 (c) are supplied or acquired and other affected markets including: significant suppliers and acquirers; substitutes available for the relevant goods or services; any restriction on the supply or acquisition of the relevant goods or services (for example geographic or legal restrictions):

(Refer to direction 7)

Please see the supporting submission to this application.

6. Public detriments

(a) Detriments to the public resulting or likely to result from the authorisation, in particular the likely effect of the contract, arrangement or understanding, on the prices of the goods or services described at 2(c) and the prices of goods or services in other affected markets:

(*Refer to direction 8*)

For the reasons set out in the supporting submission to this application, the Applicants consider that the Proposed Conduct identified in section 2(c) above will not give rise to any anti-competitive detriments.

(b) Facts and evidence relevant to these detriments:

Please see the supporting submission to this application.

7. Contract, arrangements or understandings in similar terms

This application for authorisation may also be expressed to be made in relation to other contracts, arrangements or understandings or proposed contracts, arrangements or understandings, that are or will be in similar terms to the abovementioned contract, arrangement or understanding.

(a) Is this application to be so expressed?

No.

(b) If so, the following information is to be furnished:

(i) description of any variations between the contract, arrangement or understanding for which authorisation is sought and those contracts, arrangements or understandings that are stated to be in similar terms:

(*Refer to direction 9*)

Not applicable.

(ii) Where the parties to the similar term contract(s) are known - names, addresses and description of business carried on by those other parties:

Not applicable.

(iii) Where the parties to the similar term contract(s) are not known - description of the class of business carried on by those possible parties:

Not applicable.

8. Joint Ventures

(a) Does this application deal with a matter relating to a joint venture (See section 4J of the *Competition and Consumer Act 2010*)?

No.

(b) If so, are any other applications being made simultaneously with this application in relation to that joint venture?

Not applicable.

(c) If so, by whom or on whose behalf are those other applications being made?

Not applicable.

9. Further information

(a) Name and address of person authorised by the applicants to provide additional information in relation to this application:

Linda Evans
Clayton Utz
Level 15
1 Bligh Street
SYDNEY NSW 2000
T: +61 2 9353 4217
E: levans@claytonutz.com

Ref: 217/16810/80160763

Dated: 15 October 2015

Signed on behalf of the applicants:

Signature

Michael Gorrie

Full Name

Clayton Utz

Organisation

Partner

Position in organisation

Submission in support of application for authorisation

Co-ordinated scheduling of maintenance for Queensland LNG projects

L\313554407.31

Contents

1. Executive Summary

1.1 Background

The Applicants are each of:

- the Australia Pacific LNG Project participants listed in Schedule 1 (collectively **APLNG**);
- the Queensland Curtis LNG Project participants listed in Schedule 2 (collectively **QCLNG**); and
- the Gladstone LNG participants listed in Schedule 3 (collectively **GLNG**).

The Applicants are each developing liquefied natural gas (**LNG**) facilities on Curtis Island in the Port of Gladstone (each an **LNG Facility**). The LNG Facilities form part of the APLNG, QCLNG and GLNG projects, each of which involves the extraction and processing of natural gas, including coal seam gas (**CSG**), and conversion to LNG for export (**Queensland LNG Projects**).

The LNG Facilities have an expected lifespan of approximately 30 years. During this period they will require planned maintenance shutdowns on a regular basis as well as ad hoc shutdowns for unplanned maintenance. Any single maintenance shutdown will typically affect all or part of one of the two gas liquefaction units (known as **LNG trains**) and associated equipment at the relevant LNG Facility. This means that, on average for a two train LNG Facility, planned maintenance shutdowns could be expected to occur approximately as follows.

Type	Frequency (average over the expected lifespan)	Specialist workforce
Minor Shutdown	3 months	Approx. 60 specialist contractors
Major Shutdown	18 months	Approx. 600 specialist contractors

The Applicants seek authorisation to engage in the Proposed Conduct described in section 1.2, so that they can exchange information and enter into arrangements with one another to agree on the sequencing and timing of the conduct of scheduled maintenance at the LNG Facilities, and of associated shutdowns and partial plant outages.

If the Applicants do not engage in the Proposed Conduct, there is a risk that scheduled maintenance will occur concurrently at more than one LNG Facility. This is likely to result in additional costs, inefficiencies and other adverse impacts as described in this submission.

1.2 Conduct for which authorisation is sought

The Applicants wish to discuss, make and give effect to arrangements regarding the sequencing and timing of scheduled maintenance works, and associated shutdowns and outages, at each of the LNG Facilities, in order to limit the extent to which scheduled maintenance works occur concurrently at the LNG Facilities.

Specifically, the Applicants seek authorisation to engage in the following conduct:

(a) to make and give effect to arrangements or understandings among the Applicants regarding the sequencing and timing of the conduct of scheduled maintenance at the LNG Facilities, including the sequencing and timing of shutdowns and partial plant outages associated with such maintenance by:

(i) identifying the maintenance requirements for each of the LNG Facilities, including the scope and expected duration of maintenance campaigns and any shutdowns or partial plant outages associated with those maintenance campaigns;

(ii) classifying maintenance campaigns (e.g. major and minor);

(iii) working to identify optimal maintenance windows having regard to factors such as climate, safety considerations and local resource constraints;

(iv) scheduling maintenance in such a way as to minimise contractor mobilisation and demobilisation costs;

(v) developing a process to:

A. nominate preferred dates for planned maintenance;

B. negotiate and agree the proposed dates for planned maintenance at each of the LNG Facilities;

C. inform one another of ad hoc unplanned maintenance requirements;

D. consult about variations to any maintenance dates;

E. resolve conflicts where maintenance dates overlap; and

F. prepare and agree a schedule recording the planned maintenance dates for each LNG Facility; and

(b) to exchange information for the purpose of making and giving effect to the arrangements and understandings referred to in paragraph (a) – including information about:

(i) maintenance techniques and operational processes, including personnel requirements, specialist equipment and the use, storage, transport and disposal of hazardous chemicals;

(ii) potential resource constraints associated with particular shutdown windows (e.g. accommodation) and discussing mitigation options; and

(iii) disclosing the names of the maintenance contractors who have been appointed by each Party to perform the relevant LNG Facility maintenance, subject to applicable third party confidentiality restrictions.

(collectively the **Proposed Conduct**).

The need for authorisation arises because the proponents of the Queensland LNG Projects are likely to be competitors both for the acquisition of the goods and services necessary to undertake maintenance and for the supply of LNG to overseas customers.

As a result, an arrangement between them regarding the sequencing and timing of maintenance and associated shutdowns and outages may potentially be considered to breach the cartel provisions in the *Competition and Consumer Act 2010* (Cth) (**CCA**), the prohibition on exclusionary provisions under the CCA, and/or the prohibition on agreements with the purpose or likely effect of substantially lessening competition.

In making this application, the Applicants seek to obtain the certainty afforded by authorisation of the Proposed Conduct. They do not concede that the Proposed Conduct would contravene the CCA in any of the ways identified above.

1.3 Reasons why authorisation should be granted

The grant of authorisation involves a weighing of public benefits and detriments arising from the Proposed Conduct.

The Proposed Conduct will generate significant public benefits. These include:

(a) ensuring that the Applicants are able to obtain appropriate equipment and appropriately skilled contractors to undertake maintenance during shutdowns;

(b) reducing additional costs which would be incurred if there were simultaneous shutdowns of LNG Facilities (e.g. mobilisation and demobilisation costs, and costs due to delays in accessing required equipment and technical services);

(c) reducing the short-term strain on local infrastructure which could be expected if two or more LNG Facilities were to schedule shutdowns for maintenance at the same time (e.g. accommodation for the estimated 600 additional workers required for each major shutdown, and demand for buses and ferries to transport the additional workforce, additional road traffic);

(d) reducing the safety risks which would arise from increased activity levels associated with concurrent shutdowns;

(e) facilitating efficient management of gas resources, by reducing the risk of gas wells becoming "shut-in", and reducing the need to flare excess gas (and hence reduce the foregone sales and increased costs associated with flaring excess gas); and promoting more sustainable opportunities for skilled contractors and businesses to develop in the region, by reducing the potential for large spikes in the numbers of maintenance contractors in the region and spreading the period over which local services are required, thereby encouraging the development of a more sustainable local skills base and lessening the need over time for a temporary fly-in/fly-out workforce.

These benefits would not arise, or would arise to a much lesser extent, if the Applicants do not engage in the Proposed Conduct.

The Proposed Conduct will not give rise to any anti-competitive detriments. In particular, the Proposed Conduct will not affect competition in relation to the key activities to which it relates, being the acquisition of technical and associated services and equipment required for the maintenance of the LNG Facilities, or the supply of LNG for export.

1.4 Period for which authorisation is sought

Authorisation is sought for a period of 20 years. This period reflects the expected long life span of the LNG Facilities and that maintenance activities for each LNG Facility will be required throughout this period. This duration is also requested given that the Proposed Conduct will not give rise to any discernible public detriments.

1.5 Application for interim authorisation

The Applicants request that the ACCC grants an interim authorisation in accordance with s 91(2) of the CCA so that they can immediately commence discussions and take steps to agree on the sequencing and timing of scheduled maintenance at the LNG Facilities, including the sequencing and timing of associated shutdowns and outages. This will, in turn, enable

each Applicant to plan promptly and efficiently for the maintenance which is to be undertaken on their own LNG Facility.

The need for interim authorisation arises because all of the LNG Projects will be operational in the second half of 2015. With the first major scheduled maintenance to be conducted on the LNG Facilities in the next 12-24 months, the preferred times for these shutdowns are likely to occur in September to October 2016 and April to May 2017.

There is a significant amount of planning involved in scheduling a maintenance shutdown, including procuring the services of specialist contractors and putting in place the necessary logistical arrangements to support the relevant maintenance campaign. The lead time can be up to 18 months. Planning is therefore underway now and the Applicants each have internal teams separately scoping their individual maintenance requirements and potential shutdown dates.

There is a real potential that overlapping shutdowns will occur if the Participants do not obtain interim authorisation and so cannot engage in the Proposed Conduct in relation to these first instances of scheduled maintenance and associated shutdowns and outages.

Interim authorisation would enable the Participants to undertake this advance planning promptly and efficiently, rather than delaying until after the final authorisation decision is made. This will enable the benefits attributable to the Proposed Conduct to arise in relation to the first scheduled maintenance and associated shutdowns and outages on the LNG Facilities.

The Applicants submit that this application satisfies the criteria for interim authorisation as set out in the ACCC's guidelines for interim authorisation. In particular:

- the Proposed Conduct does not have the potential to be anti-competitive. To the contrary, it will give rise to significant public benefits, and no discernible anti-competitive detriments;
- interim authorisation will not permanently alter the competitive dynamics of any relevant market, nor will any relevant market be inhibited from returning to its pre-interim authorisation state if final authorisation is denied;
- there is an urgent need for the Applicants to commence the Proposed Conduct, for the reasons described above;
- denying interim authorisation may cause harm to the Applicants' ability to secure the full extent of the public benefits associated with the Proposed Conduct in the short term (if final authorisation is granted), as the Applicants may need to plan and schedule the initial shutdown of their LNG Facilities without the benefits of the Proposed Conduct discussed in section 5 of this submission; and
- granting interim authorisation will not cause harm to other parties such as customers or competitors.

2. The LNG Industry in Queensland

2.1 The relevant projects

The Queensland LNG Projects are in advanced stages of development. The QCLNG Project achieved completion of its first LNG train in late 2014, and its first cargo of LNG was loaded in late December 2014. The first LNG exports from the APLNG and GLNG facilities are expected in the second half of 2015.

As at the date of this submission:

- APLNG is an incorporated joint venture owned by Origin Energy Limited (37.5%), ConocoPhillips Australia Pacific LNG Pty Ltd (37.5%) and Sinopec Australia Pacific LNG Pty Ltd (25%);
- QCLNG's LNG Facility involves unincorporated joint ventures between subsidiaries of BG Group plc, China National Offshore Oil Corporation and Tokyo Gas; and
- GLNG is an unincorporated joint venture between Santos 30%; PETRONAS 27.5%; Total 27.5%; and KOGAS 15%.

The Queensland LNG Projects will be the first projects in the world to convert CSG to LNG for export to overseas markets. The Queensland LNG Projects represent a significant new opportunity to participate in the establishment of an LNG production and export industry on the east coast of Australia capable of servicing the growing global demand for LNG.

2.2 LNG is a new export industry for Queensland

Queensland has significant CSG reserves. In addition to converting CSG to LNG for export to overseas markets, CSG produced in Queensland is used for domestic purposes, including to supply to power stations, major industrial customers, homes and businesses.

The Queensland LNG Projects involve the development of new CSG fields and the expansion of existing CSG fields in south and central Queensland, as well as the construction of new LNG production and export facilities on Curtis Island in the Port of Gladstone. The total value of the investment in the Queensland LNG Projects is estimated at $70 billion.

The Queensland LNG Projects represent some of the largest capital investments in Australia and are expected to generate significant economic benefits to the Queensland and Australian economies at a time of strong global demand for LNG.. The Australian Energy Regulator recently commented that "*gas production in eastern Australia is forecast to treble over the next three to five years to satisfy a rapid expansion in liquefied natural gas (LNG) export demand*" and specifically highlighted the growing "*international demand for liquefied natural gas (LNG) exports from Queensland*".[1]

The Commonwealth Budget 2015-16 states that "*significant investments in LNG are still under development and will make a strong contribution to export growth in coming years*" and "*by the end of the decade, Australia is set to overtake Qatar as the largest exporter of LNG in the world*".[2] The Queensland LNG Projects will play an important part in this export growth.

The benefits of the LNG sector to the state of Queensland are clear, with more than $70 billion invested in the state. This has led to more than 27,000 people working in Queensland's natural gas industry as at December 2012.

Each of the LNG Facilities will comprise:

- two LNG trains, each being an independent unit for gas processing;
- product storage tanks for LNG; and
- loading jetties.

[1] Australian Energy Regulator, *State of the Energy Market 2013* (December 2013), pages 4 and 15.
[2] Commonwealth Government, *Budget Paper No. 1: Budget Strategy and Outlook 2015-16* (12 May 2015) at p 2-12.

Queensland LNG Project	LNG trains	Status
APLNG	2	Under construction
QCLNG	2	Train 1 construction has been completed and commissioning is underway for Train 2
GLNG	2	Under construction

2.3 CSG to LNG process

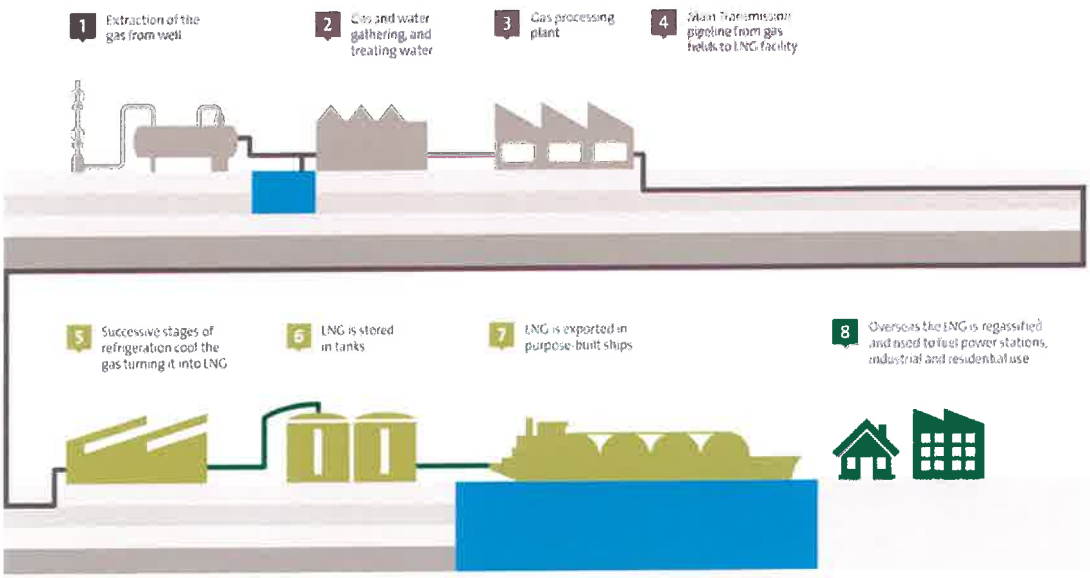
The CSG to LNG process involves the extraction of water from coal seams to depressurise the coal seams to allow natural gas to flow. On the surface, water and natural gas are separated and pumped to treatment facilities via separate pipelines. CSG will flow under pressure to a gas processing facility where it is compressed and dehydrated for transportation to the relevant LNG Facility via high pressure pipelines.

For many CSG wells, it is difficult to cease or turn down production at short notice without jeopardising future production. The ramifications of an LNG Facility shutdown are compounded by the number of CSG wells required to produce gas for that LNG Facility. The options available to manage excess gas during an LNG Facility shutdown are set out in section 4.

Upon arrival at the LNG Facility, remaining impurities such as water and carbon dioxide are removed before the treated gas is passed through three successive stages of refrigeration to produce LNG. The LNG product is stored in containment tanks designed to safely and reliably contain the product and is then loaded onto specialised LNG carriers for export. When both production trains are operating, this occurs approximately every two to three days.

After arriving at its destination, LNG is warmed to return it to its gaseous state and delivered to customers to be used in heating and cooking as well as electricity generation and other industrial/commercial uses. LNG can also be used as an alternative transportation fuel as a liquid.

The diagram below provides a high level overview of the LNG export process.



3. Operation and maintenance of LNG Facilities

3.1 Operation of LNG Facilities

Each LNG Facility is designed to operate 24 hours per day, 365 days of the year, although parts of the facility, including in some cases a whole LNG train, will need to be periodically shut down to allow maintenance and inspection activities to occur as needed.

The total number of employees present at each facility during normal operations (i.e. post-construction) will be approximately 200. This will typically be a mix of operations, maintenance, management, administration, support and contractor personnel and visitors.

3.2 Maintenance of LNG Facilities

Each LNG Facility will require routine maintenance and inspections to ensure it can continue to operate safely for its expected lifespan.

More significant maintenance activities such as major equipment services, regulatory internal vessel inspections, and corrective maintenance will typically necessitate certain shutdowns at the LNG Facility to ensure that these tasks can be undertaken safely. This typically involves the shutdown of all or part of an LNG train and a corresponding reduction or cessation in the gas supply to a train or the LNG Facility entirely, as described in section 4 below.

Maintenance and inspections requiring a shutdown to safely execute work are grouped into maintenance campaigns (major and minor) to assist with planning and to minimise the duration and number of shutdowns over the expected facility lifespan. There are also likely to be some unplanned maintenance activities which require all or part of an LNG Facility to be shutdown.

Minor routine maintenance and external inspections are typically managed by the core operational workforce with support from a small number of specialist vendors.

Major LNG Facility maintenance is significantly more labour and capital intensive, requiring specialist equipment and a significant number of highly skilled maintenance technicians. The safe and efficient execution of these maintenance campaigns requires significant pre-planning and coordination of limited resources.

Major Shutdowns

Major maintenance campaigns (**Major Shutdowns**) involve the planned outage of an LNG train to perform intrusive regulatory inspections, corrective maintenance, critical function testing (e.g. testing plant emergency shutdown systems, and verifying safety barriers), and routine maintenance. Major shutdowns involve draining, isolation and purging of the LNG train to enable intrusive maintenance to occur safely.

Major Shutdowns will take approximately 30 days per LNG train and, for each of the Applicants, are broadly estimated to occur as follows:

- First shutdown: after first year of operation;
- Second shutdown: after three or four years (i.e. two or three years after initial inspection); and
- Ongoing shutdown: the frequency of ongoing shutdowns is dependent on a range of factors, including inspection results and ongoing plant reliability. For example, an LNG Facility might subsequently shut down each train once every 3 years, which would mean that a two train facility would have a Major Shutdown on average once every 1.5 years.

Major Shutdowns require a long lead time of up to 18 months. This is due to:

- the scale of the maintenance activities, the specialised equipment involved and the number of specialist technicians required;
- the need for significant planning and scheduling for the LNG Facility to secure:
    - materials which take a long time to become available (e.g. large engines, specialised gaskets);
    - arrangements for equipment that needs to be sent off-site for servicing;
    - specific OEM vendor technicians required to service particular machinery (e.g. engines);
    - accommodation for maintenance technicians;
    - support equipment (e.g. heavy lift cranes, ferry services); and
    - contract labour; and
- the time required for each LNG Facility to scope their major maintenance requirements, identify prospective suppliers, ascertain availability of specialist contractors (e.g. OEM vendors), implement an appropriate procurement process (e.g. completive tender), negotiate terms with the preferred service provider, make arrangements to secure the necessary resources and equipment to support the maintenance campaign and ensure the appropriate systems and processes are in place to allow the major shutdown to occur.

There are a number of skills and occupations required for Major Shutdowns. The maintenance workforce will predominantly be a combination of a contractor and specific OEM vendor personnel. As well as the core operational workforce, approximately 600 workers (per LNG train) will be required to support Major Shutdowns.

Minor Shutdowns

Minor maintenance campaigns (**Minor Shutdowns**) involve the planned partial shutdown of a LNG train (e.g. half a LNG train) to perform engine services, corrective maintenance and routine maintenance. Minor Shutdowns will need to occur approximately every six months for three to six days per LNG train. This means that a two train facility would have a Minor Shutdown on average once every 3 months.

Minor Shutdown campaigns are also planned in advance to secure materials which have a long lead time, support equipment (e.g. cranes), contract labour and OEM vendor technicians. As well as the core operational workforce, approximately 60 workers (per LNG train) will be required to support minor maintenance campaigns.

Unplanned Shutdowns

It is anticipated that during the lifetime of an LNG Facility there will be unexpected failures of equipment which will require an immediate partial or full LNG train shutdown (**Unplanned Shutdown**). Depending on the nature of the unexpected equipment failure, additional support equipment, contract labour and OEM vendors will be required urgently to minimise the facility shutdown duration.

3.3 Maintenance Workforce

The skills and services required to undertake a Major Shutdown or Minor Shutdown are:

- the specialised technical skills and services associated with planning and executing the relevant maintenance work; and

- the associated skills and services required to support those undertaking the maintenance work.

Technical skills and services

The LNG Facilities located on Curtis Island are of similar design. This means that:

- the same OEM vendors have supplied some equipment to each of the LNG Facilities (e.g. each of the LNG Facilities uses the same General Electric engines); and

- maintenance contractors with the same skills are required to support both Major Shutdowns and Minor Shutdowns (and in some instances at least two of the Applicants use the same maintenance contractors).

It is also common for OEM vendors to perform maintenance on some of the equipment that they have manufactured and/or supplied to a LNG Facility. Where the same OEM has supplied equipment to more than one LNG Facility, the same group of specialist OEM maintenance personnel may be involved in the maintenance of that equipment.

The types of technical skills and occupations required to conduct maintenance work on a LNG Facility during a Major Shutdowns or Minor Shutdown typically include:

- Supervisors;
- Mechanical Fitters;
- Electrical & Instrument Technicians;
- Rotating Equipment Specialists;
- Scaffolders;
- Engineers;
- Catalyst Handling Specialists;
- Nitrogen Purging Specialists;
- Flange Management Technicians;
- Industrial Services Specialists; and
- OEM Vendors.

In addition:

- the maintenance contractors used by each LNG Facility will typically be required to provide supervision, planning and support staff in order to assist in preparations for the shutdown; and

- when undertaking capital project work within a shutdown, fabrication of equipment prior to execution will be required and usually entails long lead times to accommodate extensive quality checks and controls. At times there is a need for modification of equipment removed during the shutdown which requires quick turnaround performed by labour offsite.

Where more than one LNG Facility uses the same contractors for these events this places constraints on that contractor.

There is typically a limited supply of specialist maintenance contractors and OEM vendors required to support LNG train shutdowns. Many of these contractors and vendors also support the maintenance campaigns of several oil and gas facilities nationally and internationally, and are typically not based in the Gladstone region or Queensland. Accordingly, the LNG Facilities will incur mobilisation, demobilisation and other associated costs to bring these specialist contractors and vendors to the Gladstone region (e.g. flights, local accommodation, transportation to the LNG Facility etc.) for the duration of each maintenance campaign.

Associated skills and services required to support the maintenance work

The associated skills and services required in order to support those providing the specialised technical skills and services outlined above include the supply of:

- accommodation, catering and transport for temporary maintenance workforces; and
- equipment transport (e.g. barges and ferries to transport equipment to the relevant LNG Facility).

Many of these services necessarily have a local element to them and the Applicants expect that a number of these providers may wish to supply services to more than one of the Queensland LNG Projects where they have the ability and capacity to do so.

3.4 LNG Facility shutdown scheduling

The frequency of the maintenance shutdowns which are likely to be required at the LNG Facilities is described in section 3.2 above. In practice, the scheduling of those maintenance campaigns in any given calendar year is influenced by regulatory requirements, external drivers (e.g. weather) and internal company considerations focused on minimising downtime and interruptions to production and exports.

For the Gladstone region, weather plays a key influence on the scheduling of LNG train maintenance. The optimal weather windows for LNG train shutdown are **April to May** and **September to October,** for the following reasons:

- **Tropical Cyclone** season in the Gladstone region is from November to April. High winds, rainfall and elevated sea conditions associated with cyclones pose a safety hazard to the workforce. Avoiding the cyclone season eliminates the exposure to unpredictable weather events for the larger workforce required for maintenance campaigns.
- **High rainfall and thunderstorm activity** impacts the ability of the workforce to safely and efficiently conduct maintenance campaigns. Maintenance work on an LNG Facility is typically conducted in the open environment exposing the workforce and equipment to the weather. The Gladstone region experiences an increase in thunderstorm activity and on average high rainfall from November to March.
- **Efficiency of LNG trains** is higher at lower ambient temperatures. Lower ambient temperatures in the Gladstone region winter period from June to August enable the LNG Facilities to marginally increase LNG production, and as such it is not desirable to conduct a shutdown during this period when increased production is possible.
- **Overseas demand for LNG exports** is higher during the northern winter months of December to February, and as such it is not desirable to conduct a shutdown during this period when demand and price for LNG is higher.

The Queensland LNG Projects will comprise six LNG trains in total on Curtis Island with the potential for future development. It is highly likely that without the Proposed Conduct, two or more of the parties will schedule overlapping shutdown maintenance owing to the factors

described above. Overlapping shutdowns present a number of challenges which are discussed in section 4 below.

4. Implications of maintenance shutdowns - managing surplus CSG supply

When a shutdown occurs at a LNG Facility, this reduces that LNG Facility's demand for gas during the period of the shutdown. The size of the reduction depends on the type of equipment being maintained during the campaign and the scale of the shutdown. This reduction can be between 50% and 100% of the capacity of a single train at the LNG Facility.

The reduction in gas supplied to a LNG Facility during a shutdown can theoretically be accommodated by reducing or ceasing production from relevant gas wells for the period of the shutdown. However, this is not a preferred option from an operational or commercial perspective in relation to CSG, because it raises the risk that a well will become "shut-in" (i.e. re-saturation of the coal seam with water) thereby jeopardising future CSG extraction. In particular:

- Unlike conventional gas fields, most CSG fields require continuous extraction of CSG to ensure the wells are not "shut-in". The process of shutting-in a well involves isolating that well and closing the valve to cease CSG extraction.

- Development of CSG wells requires substantial dewatering of coal seam before CSG production is established. If CSG extraction ceases (e.g. because the well becomes shut-in), water can quickly re-saturate the coal seam. Saturation of the coal seam increases the risk of particulates damaging the CSG well pumps. Production can only be restarted by subsequent dewatering and undertaking any necessary repairs to CSG downhole pumps which may take weeks or months to complete before gas production is returned. Heavy machinery (e.g. drilling rig) and specialist technicians would need to be deployed to perform these works. The ability of a CSG well to return to its pre-shut-in performance will vary from well to well.

- Shut-in of the CSG well can also be inadvertently caused if a well is 'turned down' (e.g. to accommodate reduced demand during a maintenance shutdown). Once the CSG wells are 'turned up' (i.e. a return to normal production rates is sought), it is common for a reduction in CSG extraction flow from those wells to persist for some time. This reduction in CSG extraction flow is a consequence of the time and resources required to dewater the coal seam and repair the relevant CSG well.

Accordingly, it is important for preservation of the wells, and in order to avoid the reduced CSG flows caused by a shut-in and consequent well repairs, that maintenance shutdowns are conducted in a way that minimises the risk of CSG wells being shut-in. This involves "re-purposing" the volume of CSG which would ordinarily be supplied to a LNG Facility, but is not required to be supplied during the period of the shutdown.

The options for managing the excess CSG would typically include a combination of:

- ***Turning down the CSG well to the extent possible*** – this option is sometimes necessary, but is generally not preferred, since it involves foregoing production and sales of gas that could otherwise be produced and sold on commercial terms during the period. It also raises the risk of a well becoming shut-in.

- ***Storing excess gas produced but not supplied during the shutdown*** - it may be possible to store some of the excess gas (e.g. in a storage facility or as pressurised line pack in pipeline capacity which is able to be used for this purpose). However, the feasibility of this option depends on the extent of storage capacity available during the period of the relevant shutdown (and as a practical matter, the Applicants

expect that demand for storage would exceed supply if shutdowns occurred concurrently at more than one LNG Facility).

- ***Selling excess gas to another party under a commercial arrangement*** – the feasibility of this option depends on there being a willing commercial buyer for the relevant gas at the relevant time. There are some practical challenges with selling excess gas to a commercial buyer. As an operational matter, the relevant buyer needs to be able to receive the gas from wells which are typically used to supply the LNG Facility. The Applicants also expect that supply of surplus CSG would exceed demand for CSG by domestic customers or by another LNG Facility for LNG production if shutdowns occurred concurrently on more than one LNG Facility.

- ***Flaring the gas*** (i.e. burning gas into the atmosphere) – while flaring is sometimes necessary in the operation of an LNG Facility, it is generally not a preferred option since it involves burning gas which could otherwise be sold on commercial terms, and hence is not the most efficient use of resources.

Accordingly, the decision on how surplus CSG is repurposed can affect the efficiency of an LNG Facility by increasing the unit costs of producing LNG. In general, storing or selling CSG will result in a lower unit cost than flaring CSG (since flaring involves burning gas that could otherwise be sold) but there are practical limits to the amount of gas which can be stored and/or sold during a shutdown. In addition, if turning down a well results in the well becoming shut-in, this can increase unit costs of production relative to a situation where the CSG was sold or stored.

5. Public benefits arising from Proposed Conduct

5.1 Overview

The term "public benefit" is not defined in the CCA. It has however been interpreted broadly and includes:

> "...anything of value to the community generally, any contribution to the aims pursued by the society including as one of its principal elements (in the context of trade practices legislation) the achievement of the economic goals of efficiency and progress. Plainly the assessment of efficiency and progress must be from the perspective of society as a whole: the best use of society's resources. We bear in mind that (in the language of economics today) efficiency is a concept that is usually taken to encompass "progress"; and that commonly efficiency is said to encompass allocative efficiency, production efficiency and dynamic efficiency."[3]

5.2 Availability of skilled workers and equipment

Maintenance shutdowns are labour and capital intensive. As described in section 3.2, they require a significant number of highly skilled maintenance technicians, including specialist OEM maintenance personnel, who are experienced in servicing the relevant equipment. In many cases, these personnel and the firms they work for today are based outside of Queensland, and operate on a national or international basis.

The Queensland LNG Projects will require around 600 skilled contractors to support major maintenance campaigns (per LNG train). While the Queensland LNG Projects have policies to attract local skilled labour to support major maintenance campaigns, many of the skilled technical specialists described in section 3.3 will need to be sourced interstate and internationally. As a consequence, the Applicants will often need to draw on the same pool of specialists (e.g. OEM vendors) in order to undertake major maintenance campaigns.

If the Applicants do not engage in the Proposed Conduct, there is a material risk that maintenance and shutdowns will occur concurrently at more than one LNG Facility, with the

[3] *Re 7-Eleven* (1994), ATPR 41-357 at [42,777]. See also *Queensland Co-operative Milling Association Ltd* (1976), ATPR 40-012, at 17,242 and *VFF Chicken Meat Growers' Boycott Authorisation* (2006) AcompT 9 at [75].

effect that it will be more challenging to source skilled contractors and appropriate equipment to undertake maintenance during the period of the concurrent shutdown. This has the potential both to increase search costs for the Applicants and result in a more inefficient planning process (which already has long lead times) should the Applicants go to the effort and expense of conducting a formal procurement process only to find that the necessary contractors and equipment is not available due to maintenance commitments at another LNG Facility.

The Proposed Conduct will not reduce demand for technical maintenance or associated services by any Applicant but rather will help to mitigate some of the constraints the Applicants may otherwise face in attempting to obtain skilled contractors and equipment to undertake maintenance during the desired period for shutdowns.

The Proposed Conduct does not involve any joint purchasing or negotiating by the Applicants. Accordingly, the Proposed Conduct will not remove competitive opportunities for suppliers of technical maintenance services and equipment (as well as suppliers of associated skills and services).

5.3 Minimising congestion impacts on local infrastructure

The Queensland LNG Projects are being developed in a tight geographic space. Each of the Applicants, along with the Queensland government and relevant regulators, has been concerned to manage the impact of the development and operation of the LNG Facilities on local communities and infrastructure in the Gladstone region. For example, this concern is reflected in the conditions on which environmental and other government approvals have been granted for the LNG Facilities, and the steps taken by the Applicants and relevant regulators to manage congestion in the Gladstone port area and township.

The influx of skilled workers, equipment and materials required to support LNG Facility maintenance shutdowns will result in peak short term demands on local infrastructure.

In particular:

- As noted above, maintenance work involving the shutdown of one train of a LNG Facility can be expected to require around 600 skilled contractors. It is anticipated the majority of such these workers will be based interstate and globally so they will require accommodation, catering and transport during the LNG maintenance shutdown. The temporary accommodation facilities that were used to house workers during the construction of the LNG Facilities are currently expected to be removed, such that they would not be available to accommodate workers during shutdowns. Accordingly, the temporary influx of skilled workers for both Major Shutdowns and Minor Shutdowns will result in short term pressures on accommodation, existing housing stock and local facilities.

- Equipment and materials required to support LNG maintenance shutdowns must be transported across the Gladstone channel to the LNG Facilities. This means that barge and ferry movements will increase materially due to the period of the shutdown, along with the road traffic required to service the delivery of equipment and materials to the barges and ferries. This has the potential to reduce the amenity of the channel and Gladstone port area for other users.

Accordingly, the Proposed Conduct would help to limit the extent of the congestion arising from maintenance shutdowns by ensuring that those shutdowns did not occur concurrently.

5.4 Safety considerations

LNG train shutdowns are around-the-clock periods of high activity which last for around 30 days in the case of Major Shutdowns, and involve a proportionally larger volume of high risk maintenance activity compared to normal operations (for example, confined space entry, working at heights, heavy lifts and intrusive maintenance).

Further, as outlined above, an LNG train shutdown will require a material increase in road and water transport.

The Queensland LNG Projects will focus heavily on process safety and HSE throughout LNG train shutdowns. Ensuring adequate emergency response to any potential incident is critical to the safety of all involved in an LNG shutdown.

The increase in activity in and around the Gladstone region which is associated with maintenance shutdowns means that the risk of safety incidents will inevitably be higher if two or more shutdowns occur concurrently. Further, emergency response resources would be spread more thinly if two or more maintenance shutdowns occurred concurrently.

Accordingly, the Proposed Conduct would assist in the management of safety issues by reducing activity levels at adjacent LNG Facilities, as well as reducing the strain on emergency response resources, compared to a situation where two or more shutdowns are likely to occur concurrently.

5.5 Efficiently managing CSG resources

As noted above, unlike conventional gas fields, CSG fields require continuous extraction of CSG to ensure the wells are not shut-in. Excess CSG as a result of reduced demand during an LNG train shutdown can be managed through a range of options described in section 4.

Without the Proposed Conduct, shutdowns are likely to occur concurrently, rather than consecutively. As a result, this will:

- increase demand for and hence constraints on the availability of gas storage facilities;
- increase supply of and decrease demand for excess CSG available for sale during a shutdown (in particular, because the operators of the LNG Facilities are likely purchasers of the excess gas available during a shutdown, and if two or more shutdowns occur concurrently this will increase the volume of surplus gas to be repurposed and, at the same time, reduce the options for selling that gas to another operator of an LNG Facility);
- increase the need to turn down gas wells (and assume the associated risk that wells will become shut-in); and
- increase the use of flaring as a means of dealing with surplus CSG, with the associated consequence of foregone gas sales.

Accordingly, the Proposed Conduct will achieve material efficiency benefits in relation to the use of CSG resources.

5.6 Benefits to local workforce

As stated above, the Queensland LNG Projects have policies to attract local skilled labour where it is available. While some of the more highly specialised maintenance technicians (e.g. from OEM vendors) are likely to be sourced nationally and internationally, opportunities will exist for local service providers to supply services to the Queensland LNG Projects, particularly in the area of associated services required to support maintenance campaigns (see section 3.3 above).

The Proposed Conduct will not reduce the Applicants' demand for maintenance or associated services but, by avoiding simultaneous shutdowns, the Proposed Conduct is likely to:

- help avoid large spikes in the numbers of maintenance contractors in the region which would occur in the event of simultaneous LNG Facility shutdowns and

encourage the development of a more sustainable local skills base to lessen the need over time for a large temporary fly-in/fly-out workforce; and

- provide more sustainable local business opportunities (e.g. accommodation, catering, transport) by spreading the period over which local services are required, thereby increasing the prospect that local service providers can supply services to several of the Queensland LNG Projects at different times throughout the year.

5.7 Cost savings

In addition to the efficiencies described above, the Proposed Conduct gives rise to potential cost savings with respect to the use of specialist maintenance equipment and mobilisation/demobilisation of specialist contractors.

As discussed at section 3.2 above, a range of support equipment (e.g. heavy lift cranes) will be required to carry out LNG Facility maintenance campaigns. Equipment may be sourced locally, interstate or internationally and will need to be transported to Curtis Island.

Simultaneous shutdowns give rise to a real prospect of delays, both in accessing equipment which is used across multiple LNG Facilities and in transporting that equipment across the Gladstone channel. Such delays risk extending the time required by at least some of the Queensland LNG Projects to complete maintenance activities, thereby increasing the downtime of the relevant LNG train and foregoing LNG production.

Scheduling maintenance activities as between the Applicants will also help reduce mobilisation and demobilisation costs if specialist contractors (who are likely to include interstate and international experts) can move from one LNG Facility to another in a planned and coordinated manner.

6. No anti-competitive detriment

The Proposed Conduct will not give rise to any anti-competitive detriments.

In particular:

The acquisition of technical services and equipment required for maintenance

- the Proposed Conduct will not reduce demand for technical maintenance or associated services or equipment by any Applicant. Each Applicant will still require the same level of maintenance shutdowns, services and equipment regardless of whether the Proposed Conduct is implemented, and accordingly there will be the same opportunities for contractors (local and otherwise) to compete to provide the relevant technical maintenance and associated services;

- the Proposed Conduct will not lessen the number of maintenance and other suppliers that are able to compete in relation to the supply those services and equipment to the Applicants, or seek the opportunity to do so;

- the Proposed Conduct will not reduce the competition among the Participants to acquire maintenance or associated services and equipment, since the Proposed Conduct does not involve any joint purchasing by the Applicants;

The supply of LNG for export

- The international market into which the Applicants supply LNG is highly competitive and will remain so once the Proposed Conduct is implemented;

- the Proposed Conduct will not result in any additional shutdowns occurring and hence will not result in any reduction in LNG production relative to the situation without the Proposed Conduct;

- the Proposed Conduct will not result in any detriments in relation to the supply of LNG to overseas customers, or reduce the amount of LNG available for global supply.

- the Proposed Conduct will not involve the Applicants discussing or coordinating LNG sales or any exchange of information between the Applicants regarding LNG production or sales volumes, prices or customers;

- the majority of LNG sales are conducted under long-term contracts (sometimes lasting up to 20 years) and, accordingly, will be less affected by any short-term maintenance scheduling decisions (whether undertaken independently or coordinated);

- each Applicant will retain the ability and incentive to maximise the volume of LNG it supplies in the global LNG market (which will be further enhanced by the production efficiencies arising from the Proposed Conduct); and

- to the extent that the Proposed Conduct has any bearing on the global LNG market it will be a pro-competitive impact of increasing the Applicants' efficiency and hence competitiveness in that market (in particular by reducing the Applicants' unit costs of production, and avoiding the foregone sales that might arise if larger volumes of surplus CSG were required to be flared or wells became shut in as a result of concurrent shutdowns).

Schedule 1 Participants in the APLNG project

Australia Pacific LNG Pty Ltd and its subsidiaries

ConocoPhillips Australia Pty Ltd as downstream operator

Schedule 2 Participants in the QCLNG project

QGC Pty Ltd

QCLNG Operating Company Pty Ltd

QCLNG Common Facilities Company Pty Ltd

QCLNG Train 1 UJV Manager Pty Ltd

QGC Train 1 Pty Ltd

QCLNG Train 2 UJV Manager Pty Ltd

QCLNG Train 2 Pty Ltd

Walloons Coal Seam Gas Company Pty Ltd

QGC Train 1 Tolling Pty Ltd

QGC Train 2 Tolling Pty Ltd

QGC Train 2 Tolling No. 2 Pty Ltd

CNOOC QCLNG Pty Ltd

CNOOC QCLNG Tolling Pty Ltd

Tokyo Gas QCLNG Pty Ltd

Schedule 3 Participants in the GLNG project

Santos GLNG Pty Ltd

PAPL (Downstream) Pty Limited

Total GLNG Australia

KGLNG Liquefaction Pty Ltd