Heads of Agreement
The Australian East Coast Domestic Gas Supply Commitment

This agreement is between the Australian Government and East Coast Liquefied Natural Gas (LNG) Exporters.

The objective of this agreement is to ensure a secure and competitively priced gas supply for the East Coast domestic market. It is a key component of the Australian Government’s plan for a gas-fired economic recovery which was announced on 15 September 2020. This agreement renews the existing Heads of Agreement between the Australian Government and the East Coast LNG exporters made on 28 September 2018.

The Australian Government acknowledges that the East Coast LNG industry continues to make an important contribution to Australia’s economy and gas security through the development of new gas reserves, LNG exports and the supply of gas to the domestic market.

The Australian Government seeks a gas market that benefits all Australians, strengthens our economy through LNG exports, and delivers competitive domestic gas prices. Australian manufacturers, electricity generators, businesses and households should continue to have access to internationally competitive gas prices.

The Australian Government has considered the recent reports from the Australian Energy Market Operator (AEMO) and the Australian Competition and Consumer Commission (ACCC) that found that gas supply from existing and committed gas developments should be sufficient to meet forecast gas demand across eastern and south-eastern Australia until at least 2023. However, the Australian Government considers that there may be an increasing risk of gas supply shortages in the future.

The Australian Government and representatives of East Coast LNG exporters have today agreed to a new Heads of Agreement, replacing the agreement made on 28 September 2018. Representatives of the East Coast LNG exporters have agreed to the following commitments until 1 January 2023:

1. Uncontracted gas (spot cargoes) will not be offered to the international market unless equivalent volumes of gas have first been offered with reasonable notice on competitive market terms to the Australian domestic gas market.

2. The signatories note that LNG netback prices based on Asian LNG spot prices play a role in influencing domestic gas prices in the East Coast gas market (as referenced by the ACCC LNG netback price series). Individual prices offered to domestic gas users will be internationally competitive and have regard to the producer’s cost of supply and factors that may be relevant to users’ individual circumstances, including the terms and conditions of their gas supply agreement and any applicable transportation or retailercharges.

   a. Spot prices offered to the domestic market will have regard to the spot price LNG exporters could reasonably expect to receive for uncontracted gas in overseas markets.

   b. Term prices offered to the domestic market will have regard to forward term prices LNG exporters could reasonably expect to receive for uncontracted gas in overseas markets.

3. The LNG exporters, as part of the East Coast gas industry, will continue to engage with AEMO on the gas supply balance and provide information to aid in forecasting supply needs for gas powered
generation. This will include supporting efforts to make gas available to meet peak demand periods in the National Electricity Market through the Gas Supply Guarantee recognising that this may include industrial, commercial and residential demand.

4. The LNG exporters’ compliance with these commitments will be conveyed to the Australian Government through regular reporting to the ACCC on sales, offers to sell and bids declined, the terms and conditions attached to these transactions and the notice given to the domestic gas market in respect of any offers made. It will also include the price expectations and assumptions for international spot and term markets for the relevant supply period.

The ACCC will monitor and report on the progress of these commitments, as well as the operation and conduct of other market participants including buyers, non-LNG export suppliers, retailers/aggregators and pipeline operators in other areas of the gas market.

The Australian Government will continue to work with relevant regulators and energy market bodies, including AEMO, ACCC, Australian Energy Market Commission and the Australian Energy Regulator, to build on reforms which improve the functioning of the Australian domestic gas market. The Australian Government will establish an Australian Gas Hub at our most strategically located and connected gas trading hub at Wallumbilla in Queensland to deliver an open, transparent and liquid gas trading system.

The LNG exporters will continue to pursue efforts to develop and deliver new economically viable gas supplies from their project resources. The Australian Government will continue to advocate for the removal of state and territory-based gas exploration and development bans and moratoria and encourage jurisdictions to accelerate exploration and development.

Unlocking new supplies of gas will improve the security of supply for all Australian gas users.

Signed by

The Hon Scott Morrison MP, Prime Minister of Australia

Date: 5/1/21

Nick McKenna
CEO of APLNG
Date: 30/12/2020

Godson Njoku
VP of QGC on behalf of QCLNG
Date: 30/12/2020

Stephen Harty
CEO of GLNG
Date: 30/12/2020