Heads of Agreement – The Australian East Coast Domestic Gas Supply Commitment

This agreement is made on 28 September 2018 between the Australian Government and East Coast Liquefied Natural Gas (LNG) Exporters.

The Australian Government and representatives of the east coast LNG exporters made an Agreement on 3 October 2017, in which commitments were given to maintain a secure and affordable supply of gas to the domestic market in 2018 and 2019.

The Australian Government has considered recent reports from the Australian Energy Market Operator (AEMO) and the Australian Competition and Consumer Commission (ACCC) and has met with major gas users and east coast gas producers to discuss the state of the east coast gas market. Both the AEMO and ACCC reports have concluded that there is unlikely to be a shortfall of domestic gas in 2019 and 2020.

The Australian Government acknowledges that the east coast LNG industry continues to make an enormous contribution to Australia’s economy and gas security through the development of foundational new gas reserves, LNG exports and as a net supplier of gas to the domestic market.

The Australian Government and representatives of east coast LNG exporters have today agreed to a new Heads of Agreement, replacing the agreement made on 3 October 2017. Representatives of the east coast LNG exporters have agreed to the following commitments for the 2019 and 2020 calendar years:

1. In the event of a shortfall, the east coast LNG exporters will offer uncontracted gas to the domestic market on reasonable terms to meet that shortfall.

2. Uncontracted gas will not be offered to the International market unless equivalent volumes of gas have first been offered to the Australian domestic gas market on competitive market terms.

3. The east coast gas industry will continue to discuss the gas supply balance with AEMO, in particular forecasts for gas powered generation including changes as a result of drought or in the construction schedule for renewable generation. These discussions will include measures that can be taken to make gas available to meet peak demand periods in the National Electricity Market, including under the Peak Electricity Demand Gas Supply Guarantee, recognising that this may include industrial, commercial and residential demand.

4. The LNG exporters’ compliance with this requirement will be conveyed to the Government through periodic reporting to the ACCC on sales, offers to sell and bids declined and the terms and conditions in such transactions.

The ACCC will monitor and regularly 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.
This includes improvements in transparency, trading opportunities and access to short and longer-term competitively priced transport capacity and additional gas storage facilities.

The Government reaffirms its commitment to the development of new gas supplies and bringing down energy prices. The Government will continue to advocate for the removal of state and territory-based gas exploration and development moratoria and encourage all east coast gas producers to deliver additional supply. The Government will deliver initiatives to open up new sustainable and safe sources of supply. Unlocking new supplies of gas will improve the security of supply for all Australian gas users.

Signed by

[Signature]

The Hon Scott Morrison MP, Prime Minister of Australia

Rod Duke
Chief Executive Officer of GLNG Operations Pty Ltd
On behalf of GLNG Project Participants

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Anthony Nunan
Vice President QGC
On behalf of QCLNG Project Participants

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Chief Executive Officer of Australia Pacific LNG
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