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

This Agreement is made on 3 October 2017 between the Australian Government and East Coast Liquefied Natural Gas (LNG) Exporters

The Australian Government and representatives of the east coast LNG exporters met today to formally acknowledge the commitment of the industry to maintaining a secure and affordable supply of gas to the domestic market.

In doing so they acknowledged that the east coast LNG industry continues to make an enormous contribution to Australia’s gas security through the development of foundational new gas reserves and as a net supplier of gas to the domestic market.

The Australian Energy Market Operator (AEMO) and the Australian Competition and Consumer Commission (ACCC) have jointly forecast that the east coast gas market is facing an expected shortfall of 54 Petajoules (PJ) in 2018 and 48 PJ for 2019. Furthermore they have forecast the possibility of an additional shortfall of 53 PJ for 2018 and 54 PJ for 2019.

In order to ensure the security of the supply of gas to Australian users, representatives of the east coast LNG Joint Ventures have agreed the following supply commitments covering the calendar years 2018 and 2019:

1. The east coast LNG exporters will offer sufficient gas to meet the expected shortfall, and any emerging additional shortfall, through the good faith offering of gas to the domestic market on reasonable terms.

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 likely extent of the additional shortfall with AEMO and measures that can be taken to address it, including action under the Peak Electricity Demand Gas Supply Guarantee, recognising that the additional shortfall may also 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 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 work with relevant regulators and energy market bodies, including AEMO, ACCC, Australian Energy Market Commission, Australian Energy Regulator and Gas Market Reform Group, to expedite reforms to 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.

The Government reaffirms its commitment to the development of new gas supplies including the removal of state and territory based gas exploration and development moratoria, and by increasing incentives to open up new sustainable and safe sources of supply, noting that such constraints ultimately place unnecessary and higher costs, and lower security of supply, on Australian gas users.

Signed by

The Honourable Malcolm Turnbull MP
Prime Minister of Australia

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

Warwick King
Chief Executive Officer of Australia Pacific LNG
On behalf of Australia Pacific LNG Project Participants

Zoe Yujnovich
Shell Australia Country Chair
On behalf of QCLNG Project Participants