Eastern Australian Gas Market

The Challenge & Opportunity for Gas
The EA gas market presents an enormous opportunity and challenge over the next ~40 years.

- There is an opportunity to commercialise and produce over 70,000 PJ of gas resource.
- Opportunities include an extension of LNG contracts, gas replacement of coal in power generation sector and innovative entry into other energy sectors such as transport.
- The greatest challenge is reservoir/well productivity and lowering extraction costs.

Under existing oil/LNG pricing structures gas extraction costs will need to be close to USD6-7/GJ, delivered Wallumbilla, to target delivered LNG price to Asian region of USD10-11/mmbtu (versus latest contracts closer to USD15/mmbtu).

Even at these prices, electricity generation costs will rise substantially – fuel cost translates to almost AUD50/MWh. Sunk cost of a number of under utilised units could dampen price increases, depending on capacity supply/demand balance.
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Short to Mid term
Based on latest evidence domestic demand is an adjustment phase which is expected to flatten out by 2019.

Mid term growth in demand will depend largely on trends in energy efficiency, policy, price and related energy substitution.
LNG demand under existing contracts requires reserves of over 30,000 PJ and deliverability of ~1,500 PJ p.a. or 4,000 TJ p/d; taking total demand to > 2,000 PJ p.a.

Deliverability per average well per ‘play area’ has become the primary focus area – SRMC not LRMC
Booked 2P reserves > 50,000 PJ

There is significant uncertainty regarding future reservoir/well performance which will clearly impact economics.
The EA market is largely contracted to 2020 – although there will be some gaps, particularly for industrial customers.

Unfulfilled demand opens in both domestic and LNG areas from 2020.
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Longer term
There is an opportunity to roll over LNG contracts and to supply domestic market - totalling over 2,000 PJ for 20 years or over 30,000 PJ of reserves.

There is also an opportunity to develop new markets including coal replacements in power generation and transport fuel.
Thank you

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