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Santos

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Department of Industry, Science, Energy and Resources
Options to progress the east coast gas market

Email to: gas@industry.gov.au

Re: DISER review of Wallumbilla Gas Supply Hub and pipeline capacity trading framework

Thank you for the opportunity to provide a submission in response to the Department of Industry, Science, Energy and Resources' consultation paper on options to progress the east coast gas market.

A proudly Australian company, Santos is a leading supplier of natural gas, a fuel for the future providing cleaner energy to improve the lives of people in Australia and Asia. Santos aims to be a world-leading clean fuels company, achieving net-zero emissions by 2040. For over 65 years, Santos has been working in partnership with local communities, providing jobs and business opportunities, and safely and sustainably developing Australia's natural gas resources.

Santos provides this response as our perspective on the issues and options presented in the consultation paper, focusing on issues which affect our business. In addition to this submission, Santos supports the submission made by the Australian Petroleum Production and Exploration Association (APPEA).

As a whole, Santos supports the Government's objectives for this work – to increase liquidity and efficiency of the Wallumbilla gas hub and pipeline capacity trading markets to support:

- A reference price which benefits producers and consumers by reducing information costs associated with negotiating long-term contracts.
- A forward price established through liquid trade of future products to give confidence to the market about forward cost of gas and allows businesses to plan.
- A more liquid, transparent and efficient market to allow participants to respond more flexibly to changes in business needs, and to have the confidence that prices reflect market fundamentals.

For clarity, Santos understands this work is not attempting to establish a price setting mechanism but provide transparency to the market. Santos does not and would not support price setting, which would impact supply into the market thereby driving prices higher.

Santos also largely agrees with the paper's assessment of issues currently facing the hub and capacity trading platform (CTP). The options for addressing identified issues are also largely agreed. However, these issues and options will only go part way to addressing the true objectives of this work.

Due to the distances in Australia between supply and consumers, and the cost of pipeline transportation, the final delivered cost of supply for gas can be significantly higher than the purchase price at the Wallumbilla hub or any other supply point. Transparency needs to extend to pipeline costs and ensuring these are competitive and appropriate for the risk.

Santos understands this paper is a result of the June 2021 agreement by Energy Ministers to undertake public consultation on a range of potential policy reforms to support liquidity, competition and investment in the east coast gas market. However, the focus on Wallumbilla and the CTP risks obscuring the true goal – how to increase liquidity, competition and investment in the east coast market and therefore put downward pressure on prices.

Santos believes that to increase liquidity, competition, and investment the government needs to address larger, fundamental issues which are threatening supply. Without continued development of domestic supply, the market cannot function. The best way to ensure supply is developed is by creating a supportive policy environment and incentivising new gas development.

Santos and the east coast gas market

Santos takes its responsibility to the domestic market seriously. In 2021, Santos supplied approximately 65PJ to the east coast domestic gas market, which is the equivalent of 11 per cent of demand. Over 70 per cent of Santos' total Australian gas production is supplied to the domestic market. In addition, Santos has committed that 100 per cent of Narrabri gas would go into the domestic market, potentially supplying up to half of NSW natural gas demand. This provides important energy security and feedstock security for businesses which rely on gas in a State which currently imports upwards of 95 per cent of its gas supply from other States and Territories.

Santos plays an active role in the gas market. Santos has long term contracted transport and compression capacity across the east coast gas pipeline network. This capacity was secured, with significant financial commitments made, to underpin Santos' ability to meet its customer obligations and supply equity gas into the domestic spot gas markets. An example of the benefits of our trading focus is Santos' ability to respond on a day-ahead, and within-day, basis to meet customer demand, especially for customers and market participants who do not have access to AEMO's Gas Supply Hub.

Rationale for undertaking consultation

The paper outlines the rationale for undertaking consultation, including an assessment of the current state of the market. This is a valuable inclusion in the consultation paper as it allows the reader to understand the drivers and perspective underpinning the consultation paper. Santos offers the following reflections on the assessment of the current state of the market, and would welcome the opportunity to discuss this further with the Department.

Price

The consultation paper says:

> *Demand for natural gas on the east coast is being driven be a number of different markets, introducing further uncertainty in terms of price and future outlook.*
> *Demand for LNG exports from Gladstone is a key driver of the flows through northern gas markets. However, globally, LNG is a volatile and uncertain market currently. The Japan Kora Mark (JKM) index for international gas prices is a useful indicator of LNG demand expectations.*

Santos agrees the market is undergoing a shift in supply dynamics due to depleting southern gas supply. However, despite high JKM prices in 2021, the Wallumbilla price has not correlated to the ACCC LNG netback price. The marginal cost of supply in the east coast of Australia will set a floor price at Wallumbilla, regardless of the LNG netback price. Further, the majority of LNG exports are sold under long-term contracts which are oil-linked. While there are reports of increased spot cargoes sold out of LNG exporters, these are typically on-sold cargoes from the LNG offtakers.

For example, in section 2.1.2 the paper says that the price spikes in January 2021 led to a large increase in spot cargo export from Australia to realise this higher value. However, according to EnergyQuest data, there were five spot LNG cargoes loaded in Q1 2021, and four of those cargoes were actually long-term oil-linked cargoes already contracted to Petronas, which were then re-sold by Petronas on the spot market. This means that while the cargoes were sold on the spot market, the LNG volumes were already committed under long term LNG agreements, so were not supplied by volumes from the spot domestic gas market.

Supply

Additionally, there appears to be an assumption that increased international prices will result in decreased domestic supply. The paper states:

> *International prices spikes such as these, and the increasing international prices movements in recent months, show the importance of ensuring there is plentiful gas supply to meeting consumer expectations around security and price.*

This statement assumes that increased international prices will cause gas to be taken out of the domestic market for export on the spot market. Whereas, LNG export volumes and domestic gas are generally sold under long-term contracts, meaning that supply impacts due to short-term price variations are limited.

Additionally, long-term export contracts underpin gas development in Australia due to the small size of the domestic market. Gladstone LNG exports are more than 3 times the size of the east coast domestic market. Domestic customers do not have the ability or risk appetite to underwrite contracts of the scale, duration and price needed to enable the multi-billion dollar investments required to make Queensland coal seam gas development economic. Simply put, the majority of gas supply to the LNG export projects would not have been developed for domestic consumption since the cost of supply would be too high for these volumes to be economically competitive in the east coast domestic market.

A strong LNG sector that can continue to attract foreign investment to Australia is not only desirable for export income, jobs and business opportunities, regional development and other economic benefits, it is critical to Australia's domestic gas security and price competitiveness, providing the necessary scale to make new gas supply developments economic. Without the LNG sector, Australia's vast undeveloped gas resources are likely to remain economically stranded and domestic customers would be exposed to import prices.

No LNG project in Australia has ever been funded solely from Australian balance sheets. All have required partnerships, foreign investment and long-term offtake agreements with LNG customers. This will continue to be the case if Australia is to develop new gas resources such as the Beetaloo Basin in the Northern Territory which is very remote from Australian domestic markets which lack the scale required to underpin development.

Australia is and always has been reliant on foreign investment, and rightly, we have always welcomed that investment. The LNG industry drives investment in Australia's rural and regional communities and provides skilled, secure, well paid jobs for Australians. Over $300 billion has been invested in Australian LNG projects over the last 10 years.[1] Without an LNG industry, this investment and opportunity is handed to our competitors overseas.

Producers' role in the market

To contextualise the changes discussed in the paper, it is first necessary to explicitly articulate and understand the role that producers currently play in the market. As the paper notes, most domestic gas users purchase gas through long-term contracts which provide security of supply, including transport. The hub model would reshape the existing roles of users and producers significantly.

The consultation paper says:

> *In order to meet the challenges brought on by the various uncertainties in supply and demand in the gas sector, participants need flexibility when it comes to buying and selling gas as well as transporting it across various locations to meet demand. This can be facilitated through improved liquidity in wholesale markets for both gas supply as well as pipeline capacity.*
>
> *A liquid wholesale trading market facilitates buying and selling on an equal basis to other market participants, enabling price risk hedging. Consequentially:*

[1] See Wood Mackenzie (2020), *Australian Oil and Gas Industry Outlook Report,* page 4 (available at Australia-Oil-and-Gas-Industry-Outlook-Report.pdf (appea.com.au)).

- *Barriers to entry are lowered; and*
- *Market competition is promoted.*

Liquidity, and by extension, the trading of gas through well-functioning markets, is fundamental to consumers knowing that the gas price reflect underlying demand and supply dynamics, and also informs expectations of future price movements. Improving liquidity leads to a more efficient market, which supports outcomes where gas is supplied to those consumers who value it the highest, at the lowest possible cost, over time.

Flexibility

The ACCC consultation paper on upstream competition and timeliness of supply published in September 2021 referenced the fact that not many producers had uncontracted gas available for sale in 2020. This makes sense, as most projects require production to be underwritten with supply contracts. And in the Australian market users also generally look for firm contracts, valuing certainty over flexibility as evidenced by the absence of end users currently using the hub.

To this end, Santos would recommend that a fulsome articulation of what is meant by ‘flexibility’ (and flexibility of what?) be understood before work progresses. Section 2.2 of the paper states ‘participants need flexibility’, whereas in section 2.1 the problem is initially defined as ‘uncertainty amongst gas market participants. Santos agrees that uncertainty of supply is an issue. However, flexibility is a different, and separate matter altogether.

The problem of reduced <u>supply</u> flexibility may have been brought on by declining southern gas supply, which has historically had more ability to be ramped up and down in response to demand signals (i.e., flexible supply). Instead, there is an increased proportion of onshore domestic gas (particularly Coal Seam Gas) in the market, which is technically difficult to ramp up and down. As more of the market is supplied by Coal Seam Gas (CSG) reservoirs, there will be less ability to respond quickly to demand signals due to the risks of reservoir damage by cycling CSG wells. This then raises the question of whether increasing hub trading would increase market flexibility, given it wouldn’t change the underlying flexibility in the gas supply itself.

Santos recommends the issue of flexibility be explored as it is not Santos’ experience of domestic gas users’ issues or preferences.

Risk

Santos supplies gas via long-term contracts, but also plays a role in gas trading markets. This trading role is an important way of increasing liquidity in the market. It also means Santos is well-placed to assess the issues which users would face purchasing on the hub.

Producers currently play a multifaceted role in the market, which includes taking on significant market risk due to the commitments and terms involved in a typical Gas Supply Agreement (GSA). Domestic users expect price, flexibility, and certainty. In the current market, the expectation is that producers will provide all three of these via a gas contract. In order to provide certainty of supply to customers, producers also have to navigate complex and costly gas transportation.

In a typical GSA, the producer will commit to supplying a guaranteed volume of gas, negotiate and cover the cost of pipeline usage to provide the gas to the customer, and allow the customer the flexibility of Take or Pay, Maximum Daily Quantity, ex-field or delivered supply, credit support, nature of supply, spot versus fixed pricing, and liability regimes that cap exposures.

To this end, the Department should be aware that “buying and selling on an equal basis” would result in a significant shift of risk **from** producers **to** users. While producers are expected to satisfy demand for price, flexibility and certainty, there will be a ceiling on the effectiveness of supply hubs. This is because customers are unwilling or unable to take on this level of risk.

However, this is not to say that a hub model and increasing uncontracted gas would not assist the market function. But it will require a significant shift in how the market currently operates, specifically in regard to the risk taken on by users.

Issues and options not addressed

Supply

The consultation paper specifically asks for feedback on reform priorities, as well as issues and options not identified in the paper. While issues surrounding the hub and pipeline framework are present, there are broader underlying issues which are fundamental to the gas markets' continued operation, and therefore require attention and prioritisation.

The consultation paper addresses this in section 2.1: 'Current state of the market', highlighting that future sources of supply are uncertain and the east coast gas market is experiencing a period of transformation. In Santos' view, this is a result of issues with supply and the outcome of state's locking industry out of onshore exploration, leading to little investment in identifying new development opportunities in those state's nearest to industrial and manufacturing hubs and markets.

Australia is blessed with more resources than it needs, and development of these subsurface resources in a timely manner is key to meeting demand. Geoscience Australia's 2021 Australian Energy Commodity Resources report outlined that Australia's currently identified gas resources are sufficient to supply domestic demand and Australian LNG exports for over 40 years.[2] And yet, there is a scarcity of gas projects in the development pipeline.

There is only one sustainable, long-term solution to east coast gas – more supply, providing more competition that will put downward pressure on prices. Santos believes the best way to bring more gas to market is to foster a supportive policy environment which provides oil and gas companies with certainty and incentivises new gas exploration and development.

Importantly, if sufficient indigenous gas supply is not available and eastern Australia becomes reliant on imported LNG (e.g. the Port Kembla regas project), Australia's domestic gas markets will be directly exposed to international LNG prices. This would impact east coast gas prices driving up domestic energy bills and potentially leading to some industrial gas users shutting down as their operations became commercially unviable. To avoid such a situation Australia must support timely investment in new indigenous gas supply.

Difficulties in developing new supply are increasing. Projects are taking longer to develop in an environment of ever-expanding approval processes, mounting ESG pressure and government intervention. It is both sobering and telling that Santos is the only gas producer currently developing an onshore project south of the Tweed River.

Santos believes the most important reform priorities are those which encourage increased supply of gas. These include reducing red and green tape for assessment processes, and fiscal policy settings which support development.

Reducing red/green tape

The ongoing increase in red and green tape in assessment process for resources development has long been raised as a key impediment to the continued and timely development of supply. This is because the ever-expanding and onerous assessment processes represents a huge cost and increasingly, a large risk to businesses. In addition, increased, complex processes provide more opportunities for delay by legal challenge.

The continued increase in the number and extent of approval conditions is noticeable as governments for some time have appeared to respond to pressure from activist groups rather than to take a science-based

[2] https://www.ga.gov.au/digital-publication/aecr2021

or risk-based approach to assessing the need for increased regulation. A key place to begin addressing this issue would be a careful examination of the Productivity Commission study on *Resources Sector Regulation*[3] released in December 2020, with the Federal Government leading and encouraging the states to streamline regulations, including the role of judicial review in the approvals process.

The resources industry (and increasingly the gas industry specifically), are facing consistent legal challenges from activists which exploit the current assessment process. Activists use legal challenges to strategically disrupt and delay projects. These challenges create uncertainty as to when gas from a development can be brought to market, significantly affecting the economics and risks attached to projects. Santos encourages the federal government to lead on this issue and create an environment for the states to narrow opportunities for appeal in their regulations.

Governments need to deliver timely, robust assessments processes. When governments release acreage for tender, a decision has been made that the development of those resources is in the public interest. Therefore, there needs to be a reduction in regulatory approval risk for exploration and development, including removal of the ability for consultation processes to deliberately frustrate and delay approvals. Environmental approval regimes should be reviewed to remove duplication, reduce assessment timeframes, and ensure conditions focus on risk. The ability for activists to frustrate and delay projects through the courts needs to be addressed. This is evident by the fact that five years after submitting our EIS Santos still does not have a clear pathway to project approval for Narrabri.

Narrabri example

Santos has been exploring New South Wales for natural gas resources since 2008. Since 2011, Santos has spent more than $1.5 billion acquiring, exploring and appraising gas assets in the Narrabri region. Explorers in NSW have experienced significant delays and uncertainty over this time, and since 2011, the area in New South Wales licensed for exploration and appraisal has reduced from approximately 60% of the State to about ~1.5%, and the number of operators has reduced from 14 to two (with AGL announcing that it is shutting down its operations in Camden in 2023). Following the closure of the Camden Gas Project in 2023 and expected decline in supplies from South Australia and Victoria, AEMO forecasts that the long-term outlook for the domestic gas market is “tight and uncertain” and indicates there are "likely to be supply shortfalls in the southern states, including NSW, from 2024 unless new supplies are brought online".

Following detailed independent review, and extensive State and Federal approval processes, which were completed in late 2020 with the IPC ruling in favour of the Narrabri project going ahead, it has taken a further year for an appeal against the State approval to be heard and determined in Santos’ favour. The system means that additional appeals are still possible, which could take another 6-9 months to determine. Santos commenced the official approval process including lodging SEARs in March 2014 and submitted the EIS in Feb 2017. These delays to the commencement of the Narrabri Gas Project have come at a time when NSW and the broader east coast can least afford delays to brining on additional supply.

Supportive tax measures

There are numerous supportive fiscal measures which could be implemented to assist the economics of projects, and therefore encourage the development of supply. Two examples of such measures are:

- Allow instant tax depreciation of gas infrastructure and capital to help bring down the cost of supply over time and reduce the risk of future asset impairments.
- Reduce the corporate tax rate for revenue that comes from domestic gas sales, the benefit of which will be passed through to customers.

The economics of projects which supply domestic gas are increasingly difficult. The price of gas is primarily determined by a producer’s cost of supply, particularly for those producers without oil or liquids production

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[3] Productivity Commission (2020) *Resources Sector Regulation*, available <https://www.pc.gov.au/inquiries/completed/resources#report>

to subsidise gas production and/or without exposure to the LNG market, which brings the economic benefits of scale and access to higher prices. Further, the gas reserves and resources developed for the export market are typically committed to long term sales and purchase agreements and cannot be diverted into the domestic market. Gas supply developed for the domestic market is evaluated on its own economic merits and requires a market price which incentivises investment (e.g. a price which delivers an appropriate return on invested capital).

Resources projects are capital intensive and carry significant risk. Capital constraints are a live issue for producers of all sizes, along with increasing difficulty in securing debt funding. New developments need sufficient 1P or 2P reserves to underpin long term contracts for project FID at prices that meet required hurdle rates for the risk taken. Access to capital and managing risk are key reasons why upstream assets are typically developed through a joint venture structure.

Further, increasing ESG pressure is impacting competition as producing companies need to secure capital or fund projects from their own balance sheet. This is also likely to limit the ability for smaller players to enter the market as scale to self-fund investments is becoming increasingly important.

Any policy measures which supported and incentivised the economics of gas development, including the measures suggested above, would assist in ensuring domestic supply.

Wallumbilla Hub

Streamlining Requirements

The consultation paper suggests one option to increase participation on the hub would be to streamline prudential requirements. Santos agrees. The separate, inconsistent, and onerous prudential position requirements for each of the three markets in which Santos participates (Gas Supply Hub (GSA), Short Term Trading Market (STTM) and Declared Wholesale Gas Market (DWGM)) do not provide additional security or protection to the Australian consumer but rather create additional complexity and administrative effort for both the market operator, regulator, and participants. The prudential position requirements are a substantial barrier to entry for new market participants.

However, prudential requirements are just one example of the significant overlaps in gas market regulation. The streamlining of regulations could go further to increase efficiency to decrease barriers to entry for new participants.

Each of the three markets has separate requirements relating to administration, prudential and timing of market submission despite there being only one operator (AEMO) and one regulator (AER). This complexity is resource intensive and creates a heightened risk around compliance management, for no return to the customer or national interest.

Santos has determined it is required to comply with approximately 650 rules as a registered supplier and facility operator, including:

- Approximately 100 obligations applicable to Santos' participation in the market relate to registration.
- 68 obligations refer to settlement conditions / timings or prudential requirements.
- 50 obligations refer to Data requirements.

The number and complexity of obligations that a market participant must comply with creates a significant burden on market participants. Streamlining regulations would reduce the barriers for entry onto the market, thereby increasing the number of entities that wish to participate in the Wallumbilla hub.

Market Making option

The consultation paper floats the idea of a market marking regime. The aim of such a regime would be to increase liquidity in a market by requiring or incentivising nominated market makers to offer volumes at a maximum bid-offer spread. While Santos recognises the issue of limited market participants this measure is designed to address, we would suggest that this needs to be carefully considered and framed as a voluntary option.

The gas industry is already subject to a high level of government intervention which has an adverse impact on investment. Government intervention contributes to supply constraint issues and over the last five years, the industry has been subject to various domestic reservation schemes and commitments at state[4] and federal[5] levels, moratoria[6], bans[7], and increasingly less land available for gas activities[8]. These interventions applied to gas which was/is/may be produced and has meant that Australia's reputation as a safe place to invest has deteriorated significantly. Perceptions of increased sovereign risk are leading to a withdrawal of investment in Australia by French, Malaysian, Italian, Korean and Japanese businesses in recent times.

Any reforms which include Government mandating what commercial businesses do with their product and services will increase a projects' risk profile and fundamentally impact its investability. Unless producers can be certain that government intervention will not undermine their business cases, which assume the ability to recover their cost of supply and provide an appropriate return on their investment, new gas supply sources to maintain long-term reliability of supply and add competition to the east coast gas market will not be developed. This will lead to higher domestic gas prices as the east coast gas market relies on continuous investment in drilling new wells and without the right price signal, that investment would inevitably cease.

However, Santos recognises that the small number of active participants in the hub is an issue that needs to be addressed for the hub to be successful. Santos would welcome the opportunity to engage with Government further on options to address low participation on the hub.

Virtual hub

The consultation paper raises the idea of a virtual hub:

> *Under a virtual hub, a single trading zone would group together all the delivery points at Wallumbilla to form a single market. Trades would be executed at a notional trade point – a virtual hub – comprising all the physical delivery points that currently make up the hub. Buyers and sellers would only need to have access to the virtual hub, with a hub operator managing all physical flows within the hub.*

A virtual hub presents a potentially valuable option, if managed correctly, however as noted in the paper, implementing such a hub would be a substantial undertaking requiring extensive consultation and planning.

In our initial assessment, it is our view the best option for the scope of a virtual hub would be to encompass the current Wallumbilla hub and the entirety of the Roma to Brisbane Pipeline (RBP) through to the Brisbane STTM. This scale will reduce the cost of supply from gas that flows onto the RBP and reduce the cost of supply to the Brisbane STTM. This is relevant because a large amount of LNG producer gas fields flow onto the RBP and all of South East Queensland's gas-powered generation is based along the RBP.

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[4] Since February 2017, the Queensland Government has released land for gas development on the condition that gas produced on the tenure be supplied and used in Australia to help meet domestic gas demand.
[5] In July 2017, the federal government introduced the Australian Domestic Gas Security Mechanism, which can be triggered each year to limit LNG exports. In September 2018, the Prime Minister and LNG exporters signed a Heads of Agreement. An updated agreement was signed in 2020, requiring LNG exporters to offer uncontracted gas to the domestic market before exporting, and have regard the ACCC's LNG netback price when offering gas domestically.
[6] In 2017, the Victorian government imposed a moratorium on onshore conventional gas production until 20 June 2021.
[7] In 2020, the Victorian Government enshrined a ban on unconventional gas extraction in the state's constitution, which includes hydraulic fracturing and coal seam gas exploration.
[8] In July 2021, the NSW Government released the Future of Gas Statement, which significantly reduces the footprint of land covered by exploration acreage and is only supporting limited areas of new gas production.

Capacity Trading Platform (CTP)

As noted above, Santos holds a trading position in the market and would be very willing to engage with the Government on the options for reform of the CTP. While the CTP is not currently utilised, it has the potential to become more relevant as long-term transport positions with producers end around 2023.

Santos broadly agrees with the Departments' assessment of issues and options but cautions any amendments to the CTP would require substantial consultation with industry and consideration of adverse consequences.

Due to the complexity of the platform, the numerous options for reform and potential adverse consequences, it is suggested that further workshop-style engagement with industry be undertaken, and we would welcome the opportunity to participate.

Other issues raised

The paper also briefly discusses potential reforms outside of the hub and CTP which would assist in improving gas market outcomes, supporting market development, and achieving similar objectives in terms of liquidity and competition. The issues and reform options raised mostly relate to infrastructure.

The initial and ongoing costs of infrastructure have a significant effect on the gas market.

The cost of infrastructure development can be a significant barrier to gas development. Given the size of Australia and the concentration of its markets, it is obvious why the significant upfront capital required to develop new pipelines poses an impediment to new supply. Most identified undeveloped gas supply basins are located a long distance from demand centres and existing infrastructure. Unlocking this development will require major upfront investment in new surface facilities, especially pipeline and processing.

As noted in the consultation paper, the majority of pipeline capacity is currently funded through bilateral contracts which underwrite the construction of the pipeline. This means that the project carries the supply risk. In the event of a supply shortfall, the pipeline capacity becomes an onerous contract. This is a key challenge for development of large, but distant identified resources in new basins (i.e. in the NT).

Aside from getting projects developed, ongoing transport costs are significant, and therefore a barrier to commercialisation. There is a lack of competition in the pipeline sector, and this is reflected in pipeline fees. In the case of the Beetaloo sub-basin for example, it's possible that the cost of transport to the east coast market would exceed the cost of supply ex-field.

In our view, much of the pipeline infrastructure in Australia has already been capital recovered, and in most cases, many times over. There is effectively no transparency to pipeline costs and margins/returns far outweigh the risks that pipeline owners and operators bear since there is no real competition for pipeline transport and foundational contracts underwrite construction.

Consideration of how to incentivise the development of necessary gas infrastructure, including through Government support, would be justified. Santos notes the recently released National Gas infrastructure Plan and Future Gas Investment Framework.

Third-party access
The consultation paper also talks about third party access to infrastructure. As noted, the ACCC recently considered this in their upstream review. Santos' submission to the ACCC outlined our position, which we will briefly re-state below.

Santos supports the concept of third-party access to infrastructure on commercial terms. This is consistent with our Vision 2025, which includes optimising infrastructure and running it strategically as a midstream business. This view is also relevant to the ability for unutilised capacity to be made available. In other jurisdictions operators of pipelines are required to publish tariffs and capacities which provides absolute transparency to the costs and efficient delivery of the product to market, thereby improving supply.

Providing third party access to infrastructure is achievable (as demonstrated in the Cooper Basin). Infrastructure owners should already be incentivised to allow third party access although any barriers to third party access may need further discussion with market participants. Santos would be happy to participate in that discussion.

Conclusion

Santos agrees with the objectives that underpin by this consultation paper, and with most of the issues and options raised. However, reform in this area needs to be a considered process to mitigate the risk of adverse consequences. We would therefore by pleased to continue to provide feedback and input into the development of a Wallumbilla hub and capacity trading framework.

While Santos agrees that a reference price and increased liquidity would be positive, focusing on issues and solutions only within the Wallumbilla hub and CTP belies the bigger concern – supply. Without continued development of domestic supply, the market cannot function. The best way to ensure new supply is developed is by creating a supportive policy environment and incentivising new gas development.

Santos would be pleased to provide further information or answer any questions you may have. Please contact Emma Hansen at emma.hansen@santos.com or on 0434 100 484.