

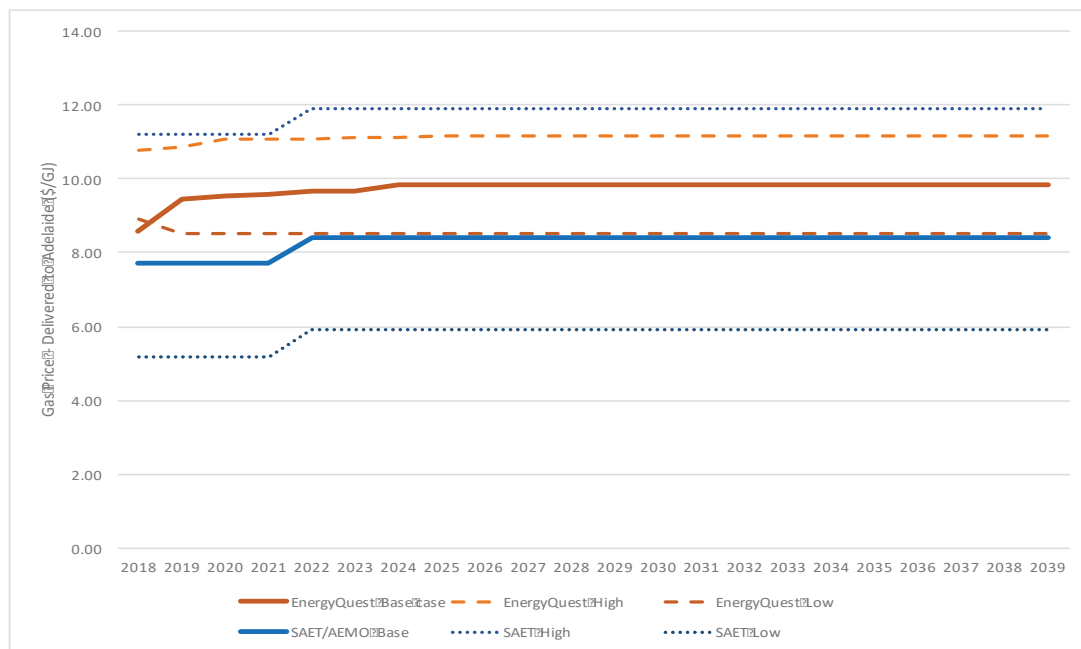


ENERGYQUEST

Summary

- EnergyQuest's Base case price for gas delivered to Adelaide is in the range of \$9.4 to \$9.8/GJ from 2019. EnergyQuest overall has a higher price forecast by \$1.40/GJ, or 17% than the AEMO and Proposed SAET Base cases in the later years.
- Note the EnergyQuest forecast focusses on new sources of gas and contracts. Legacy contracts may have already locked in lower prices for the short to medium term, but pricing to users seeking to buy gas is assumed to be determined by marginal costs and new gas contracting. The longer the forecast, the more valid this assumption is.
- The Proposed SAET Low Case is outside EnergyQuest's expectation for any price scenario. At \$5.20 to \$5.90, this is below EnergyQuest's estimates of the long term cost of domestic production. Sustained prices at this level would decrease gas supply and upstream investment, and/or cause increased volumes to be exported as LNG to higher priced overseas markets.
- The AEMO and Proposed SAET Base cases are approximately the same as EnergyQuest's Low Scenario (\$8.4 vs \$8.5/GJ).

EnergyQuest and SAET price scenario:



- There is a high degree of uncertainty with forecasts of gas demand/supply and related pricing for eastern Australia. This uncertainties cover a wide range of potential risk:
 - Domestic supply – exploration, field development, regulation, activists, capital allocation or investment, gas-fired power generation, renewables
 - Domestic demand – industrial demand destruction due to demand elasticity, gas-fired power generation, new technologies, greenhouse gas charges or taxes, electricity storage

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E N E R G Y Q U E S T

- International gas supply/demand through LNG – Global LNG prices and demand, LNG regasification in the east coast
- Two submissions to a consultation were reviewed
 - Submission 1 proposed a larger price range for scenario analysis. EnergyQuest modelling has extended the range, but clarity around the definition of high and low case scenarios has to be considered.
 - Submission 2 proposed a lower price scenario of \$2.50/GJ based on an estimated proposed project cost of supply. EnergyQuest notes that the project's gas resource is still classed as Contingent (ie uneconomic for the current state of development), and such low prices are unlikely to be used in the forecast market which is expected to be above \$8/GJ. This low case scenario is not supported.

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