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Domestic Gas Prices

WA Tight Gas Workshop
20 August 2008

DomGas Alliance Members

What are the Determinants

- Historic Contracts?
- Costs?
- External Markets?
- Demand vs Price?
- Supply?
- Market Structure?

Historic Contracts - NWSG

- **1980 – SECWA**
  - First delivery 1984
  - 414 TJ/d
  - 20 years
  - 95% ToP
  - Vertically integrated gas & electricity monopoly
  - Delivered gas – ie gas + transport
  - Coal competitive uses
  - Oil competitive uses
  - Joint selling authorisation

Historic Contracts - NWSG

- **1995 – Disaggregation**
  - Western Power & Alinta Gas
  - Gas supply and transport separated
  - Third party access to DBNGP
  - 5 separate supply contacts
    - Alcoa
    - AlintaGas
    - Western Power + Western Power Pilbara
    - Hamersley Iron
    - Robe River

Historic Contracts - NWSG

- **1995 to Present**
  - 1996 BHP HBI Project – new 15 year contract to 2013
  - 1998 Alcoa - increased volumes; new 15 year contract to 2006
  - 1998 Alinta – new 10 year contract to 2010
  - 1999 Alinta – new 10 year contract to 2012
  - 2000 Syntroleum – MOU
  - 2000 Austeel – MOU
  - 2000 Plenty River – MOU
  - 2000 Methanex – MOU
  - 2004 Western Power – new contract to 2022
  - 2005 Train 5 – LNG sales to China

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Historic Contracts - Apache

- **1991 – Harriet**
- **1997 – East Spar**
  - BHP Minerals
  - WMC Resources
  - Plutonic Resources
  - Western Power
  - South West Cogen
  - Wesfarmers CSB
- **2001 – Harriet**
  - Burrup Fertilisers – 25 year contract commencing 2004

Historic Contracts - Apache

- **2003 – East Spar**
  - Alinta Cogen
- **2005 to 2007 – John Brookes**
  - Newcrest – 15 years
  - EDL LNG – 20 years
  - ERM/NewGen – 15 years
  - Newmont
  - Barrick Gold
  - Birla Nifty

Historic Contracts - Apache

- **2010 – Reindeer**
  - tender process
  - percentage of Tapis crude price

Costs

- **Commercially viable?**
- **Deeper + Distant + Dirtier + Drier**
- **Capital Cost Escalation**
- **Scale economies**
- **CPRS**

External Markets

- **Eastern States**
- **Henry Hub**
- **LNG Netback**
- **Other major gas exporters**

Demand vs Price

- **Demand**
  - 1000 TJ/d currently
  - 650 TJ/d new demand to 2013
  - 250 TJ/d contract replacement to 2013
- **Price Sensitive**
  - Alumina
  - Power generation – base load
  - Chemical processing
- **Intermediate**
  - Mid-merit & peaking generation
  - Remote mining
- **Price insensitive**
  - Oil/distillate competitive

Supply

- **2010 – Reindeer – 110 TJ/d**
- **2012 – Macedon – 150 to 200 TJ/d (?)**
- **??? – Julimar**
- **??? – Wheatstone**
- **??? – Pluto**
- **??? – Gorgon – 300 TJ/d (?)**

Market Structure

- **NWSG – 70%**
  - Woodside + Chevron + Shell + BHPB + BP + MIMI

- **Apache JVs – 30%**

- **New Supply**
  - Julimar – Apache
  - Macedon – BHPB + Apache
  - Wheatsone – Chevron
  - Pluto – Woodside
  - Gorgon – Chevron + Shell

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