

# Guidance Note

## Reserves and Resources Reporting by Gas Field Owners

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### Purpose of this guide

This guidance note sets out the Australian Energy Regulator's (AER) expectations on reporting by gas field owners of reserves and resources information under the *National Gas Amendment (Market Transparency) Rule 2022*. This Rule introduced requirements for gas field owners to report reserves and resources information to the Australian Energy Market Operator (AEMO) and the AER.

Gas field owners and prospective gas field owners should be aware of the reporting threshold identified at section 1 below and the reporting requirements in Part 18 of the National Gas Rules (NGR).

Participants are also directed to the AER's [Gas Transparency Measures \(Reporting\) Compliance Bulletin, February 2023](#). The compliance bulletin sets out AER compliance expectations relating to all participant reporting obligations under the *National Gas Amendment (Market Transparency) Rule 2022*, including the reporting of reserves and resources information by gas field owners. The compliance bulletin is accompanied by a template for the reporting of gas field information to the AER. The template includes a participant reporting checklist that identifies the AER's compliance expectations when filling in the template. Reporting entities are asked to use the checklist to inform their completion of the template.

This guidance note focuses on bespoke areas of reserves and resources reporting under the NGR. It is informed by consultations with policy makers and gas market participants and sets out AER expectations regarding the content and form of information submitted by gas field owners. Answers to some frequently asked questions on gas field registration and reporting were included in the AER's February 2023 compliance bulletin and are again provided at section 3.

### AER role

The Australian Energy Regulator (AER) is responsible for energy market regulation. This includes monitoring and enforcing compliance with the National Energy Laws and the respective Rules and Regulations.

In its monitoring, the AER also considers the quality and timeliness of reporting, including whether participants are providing required updates to submitted information. We also expect participants to

have robust systems, processes and personnel in place to support compliance with their obligations. Lastly, all participants should have a continuous improvement approach to monitoring compliance with their obligations.

Participants often contact the AER seeking clarification on relevant NGR obligations. While the AER does not provide legal advice, we encourage such communication, as this assists us to determine whether further AER guidance may be appropriate or to inform our policy position on particular issues.

The following guidance does not have legal force. The AER cannot provide a definitive interpretation of the relevant legislation because that is the role of the Courts. Compliance with this guide cannot provide a guarantee against enforcement action by the AER. The AER will approach each potential compliance and enforcement matter on a case-by-case basis, consider all relevant circumstances, and apply the factors set out in our Compliance and Enforcement Policy.<sup>1</sup>

Participants should consider seeking independent legal advice on compliance-related matters.

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<sup>1</sup> AER, [Compliance and Enforcement Policy](#), July 2021.

# 1 Submitting Reserves and Resources Information to AEMO

Owners of gas fields containing 1P, 2P or 3P reserves, or 2C resources of processable gas are required under the NGR to register with AEMO as Bulletin Board (**BB**) reporting entities. These entities must provide to AEMO:

- information about their BB field interests<sup>2</sup>; and
- information relating to their reserves and resources.<sup>3</sup>

## 1.1 AER expectations for reporting reserves and resources

### Method of reserves assessments

Reporting entities are required to provide information to AEMO, including:

- an estimate of the BB field interest's 1P reserves, 2P reserves and 3P reserves at the end of the reserves reporting year, broken down into developed and undeveloped reserves<sup>4</sup>; and
- an estimate of the BB field interest's 2C resources at the end of the reserves reporting year<sup>5</sup>
- following first year reporting, in subsequent yearly reporting more detailed information on 2P reserve change.<sup>6</sup>

The AER does not expect that all participants will make new reserves and resources assessments every year. However, participants maintain an obligation to submit information to AEMO in accordance with the BB information standard, which they should consider in respect of their circumstances. We anticipate that some reporting entities will use assessments from previous years and subtract production from those assessments to accurately reflect reserves for the most recent year.

### Statement of the basis of preparation of reserves and resources estimates

Reporting entities are required to provide a statement of the basis of preparation of reserves and resources estimates, including 'the key economic assumptions in the forecast case used to prepare the reserves and resources estimates and the source of the assumptions'<sup>7</sup>.

Reporting entities are asked to submit to AEMO a description of key economic assumptions in accordance with the 'example / allowed values' provided in AEMO's BB Data Submission Guide<sup>8</sup>. Reporting entities are encouraged not to submit a per gigajoule price, noting that the AER has a function to publish anonymised gas price assumptions, using the information provided by reporting entities to the AER (refer section 2 below).

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<sup>2</sup> NGR, rule 171A

<sup>3</sup> NGR, rule 171B

<sup>4</sup> NGR, rule 171B(1)

<sup>5</sup> NGR, rule 171B(2)

<sup>6</sup> NGR, rule 171B(3)

<sup>7</sup> NGR, rule 171B(4)(c)

<sup>8</sup> AEMO [BB Data Submission Guide](#), p.53

## Reporting net revenue interest

A BB field interest is defined as the 'net revenue interest in a BB field' and as having the meaning given to net revenue interest in the Society of Petroleum Engineers Petroleum Resource Management System (**SPE-PRMS**)<sup>9</sup>, as follows:

*An entity's revenue share of petroleum sales after deduction of royalties or share of production owing to others under applicable lease and fiscal terms*

The AER expects that BB reporting entities will report their BB field interests on a net revenue interest basis.

## 40 business day reporting requirement

Reporting entities are required to submit reserves and resources information to AEMO according to gas rule 171. Information must be submitted no later than 40 business days after the end of the reserves reporting year. There is no provision for the AER to exempt BB reporting entities from this timeline. The AER has a role to enforce compliance with national energy market legislation and cannot subordinate its role to participant obligations outside of that legislation, including market disclosure obligations.

## Updating submitted information within year

The AER highlights that reserves and resources information is to be submitted both annually and, in some cases, within year. BB reporting entities must also update their BB field interest information if the information already submitted to AEMO is no longer accurate.<sup>10</sup>

Submitted information relating to reserves and resources estimates must be updated if those estimates are no longer accurate by 50 petajoules or more (across all field interests) as a result of:

- (i) *a percentage change in any of its BB field interests;*
- (ii) *a re-evaluation of reserves or resources; or*
- (iii) *discoveries of new reserves or resources including through extension of a field's proved area.*

BB reporting entities are further required to update their reported reserves and resources estimates if they are published or reported elsewhere by the reporting entity, or provided to a state, federal or territory government department or agency or to a securities exchange.<sup>11</sup>

## Gas extracted from coal fields

Coal seam gas extraction can include gas produced in association with coal mining. The AER considers that coal seam gas production, including that associated with coal mining, is captured under reserves and resources reporting requirements if a petroleum lease is held in relation to the coal resources. In this case, those resources meet the definition of a BB field:

*BB field means a field in respect of which the right to explore for, extract, recover or process petroleum is held under one or more petroleum tenements and that meets the applicable reporting threshold.*

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<sup>9</sup> NGR, rule 141

<sup>10</sup> NGR, rule 171A(3)

<sup>11</sup> NGR, rule 171B(6)

Those resources are therefore captured for reporting as a BB field if they meet the applicable reporting threshold in the Gas Rules. That is:

*in relation to a field: where the field has 1P, 2P or 3P reserves, or 2C resources, of processable gas*<sup>12</sup>

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<sup>12</sup> NGR, rule 141

## 1.2 Requirement to state to AEMO whether estimates were supervised/prepared by an independent qualified gas industry professional

In submitting reserves and resources estimates to AEMO, BB reporting entities must also state whether the qualified gas industry professional, who prepared the estimates, is independent from the reporting entity within the meaning of the rules.<sup>13</sup> The Gas Rules define 'independent' as meaning:

*in relation to the relationship between a BB reporting entity and a qualified gas industry professional, one in which there are no circumstances that could, in the opinion of a reasonable person aware of all relevant facts, interfere with the qualified gas industry professional's exercise of judgement regarding the preparation of information which is prepared by, or under the supervision of, or subject to audit or verification by, the qualified gas industry professional.*

A qualified gas industry professional is defined as a person:

- (a) *who is a gas industry professional and a member of good standing of a professional organisation of engineers, geologists or other professional organisation of geoscientists that has disciplinary powers, including the power to suspend or expel a member; and*
- (b) *whose professional practice includes evaluations or audits of petroleum reserves and contingent resources.*<sup>14</sup>

It is the AER's view that a qualified gas industry professional cannot be regarded as independent if they are an employee of the company for which they are preparing/supervising reserves and resources estimates.

In stating to AEMO whether an independent qualified gas industry professional has prepared/supervised reserves and resources estimates, we ask that reporting entities follow the above definitions.

## 2 Submitting Information to the AER

BB reporting entities must also provide information to the AER.<sup>15</sup> This information is to be provided to the AER at the same time reserves and resources information is provided to AEMO. Specifically, reporting entities must provide:

- the gas price assumptions used in preparing the estimates and a description of how the assumptions were derived; and
- a verification statement regarding price forecasts for uncontracted reserves.

The AER highlights that it has an auditing power through which it can require a BB reporting entity to retain, at the cost of the reporting entity, an independent qualified gas industry professional to undertake an audit of reserve and resource information provided to AEMO.<sup>16</sup> The AER encourages

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<sup>13</sup> NGR, rule 171B(4)

<sup>14</sup> NGR, rule 141

<sup>15</sup> NGR, rule 171C

<sup>16</sup> NGR, rule 171C(1)

accurate reporting, that is informed by the expectations set out in this guidance note, and will contemplate the standard of reporting when considering its option to exercise its audit power.

## **2.1 Requirement to provide gas price assumptions used in preparing estimates to the AER**

When preparing gas price assumptions for provision to the AER, BB reporting entities are required to do so in accordance with prescribed standards.<sup>17</sup>

### **Contracted reserves**

In preparing gas price assumptions for contracted reserves, a reporting entity must take into account:

- contract prices and price escalation mechanisms over the contract term; and
- contract prices and price escalation mechanisms over any extension of the contract term, if there is a reasonable expectation (as defined in SPE-PRMS) that the contract will be extended.

BB reporting entities are requested to submit this information to the AER using the AER's reporting template (refer to 2.3 below). When submitting their price assumptions for contracted reserves, the AER expects BB reporting entities to provide a description of how the contract prices were derived that includes a separate description of any price escalation mechanisms over the contract term. If no price escalation mechanisms were used, this should be stated.

### **Uncontracted reserves**

In preparing price assumptions for uncontracted reserves, reporting entities must use prices they forecast they will receive for the gas and have these forecasts verified in a verification statement from an independent qualified gas industry professional<sup>18</sup>.

When submitting price assumptions for uncontracted reserves, the AER expects BB reporting entities to include a description in the AER's reporting template stating how price forecasts were derived. Reporting entities should identify if a reputable source of gas price information was used and, if so, what that source is.

The supporting verification statement from an independent qualified gas industry professional is required to verify that the price forecasts fall within a range of gas price forecasts:

- used or adopted by qualified gas industry professionals for the purpose of preparing such estimates; or
- published by reputable independent Australian sources of gas price forecast information for Australia.

The AER regards the wholesale gas price forecasts in the following publications as potentially being reputable independent Australian sources of gas price forecast information for Australia.

- AEMO's Gas Statement of Opportunities

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<sup>17</sup> NGR, rule 171(6)

<sup>18</sup> NGR, rule 171(6)(b)

- AEMO's Inputs Assumptions and Scenarios Report
- The ACCC's forward short term and medium-term LNG netback price series

Ultimately, however, it is for an independent party to decide whether these sources meet the relevant requirements.

## 2.2 Requirement to provide a verification statement to the AER

Further to deriving forecast prices for uncontracted reserves, BB reporting entities must have these forecasts verified (in a verification statement provided to the AER) by an independent qualified gas industry professional.

The AER expects BB reporting entities to submit their forecast prices to the AER, supported by a verification statement from a qualified gas industry professional that meets the definitions identified at 1.2 above.

The AER seeks that the verification statement provided to the AER include the following:<sup>19</sup>

1. The name and qualification of the gas professional providing the statement (separate to stating the organisation they work for).
2. Details of the gas professional's affiliations and experience.
3. Confirmation from the gas professional that they are independent in accordance with the definition of independent under rule 141 of the NGR.
4. Verification of the reasonableness of the forecast prices in accordance with the criteria set out in rule 171(6)(b) of the NGR.

## 2.3 AER reserve price assumptions template

When submitting their price assumptions, BB reporting entities are asked to use the AER's [reporting template](#). BB reporting entities are also asked to follow the reporting template's checklist. The checklist provides guidance on the information that the AER expects to see reflected in the submitted template.

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<sup>19</sup> The AER is not seeking this statement to be resupplied by participants who have already submitted a verification statement in 2023 from a reserves and resource evaluator, or are already in the process of obtaining one, however participants should reach out to the AER if in doubt.



## 3. Other Information

### 3.1 Frequently asked questions

AEMO has addressed a number of FAQs from market participants and published answers [here](#). Please review the link to AEMO's FAQs and the FAQs listed below before contacting either AEMO or the AER as your question may have already been addressed.

#### **Reserves and resources**

##### **1. Do I need to register and report on non-operated gas fields?**

Potentially. The rules require all participants with an interest in a gas field with 1P, 2P or 3P reserves or 2C resources to register and report. Where multiple participants have interests in the same gas fields, they may register and report as a field owner group where they meet the eligibility criteria – further information is available under question 7 below.

##### **2. Do I need to report on each field separately or can I report on aggregated data for the basin?**

The data must be reported at field level and cannot be aggregated at basin level.

##### **3. Do I need to register and report if I have an interest in a gas field that does not have any gas that can be technically or commercially produced?**

Potentially. The commercial and technical maturity of the tenement project, and whether or not the gas is or will be able to be processed, are not relevant considerations once the field has been classified as containing 2C resources, or any reserves. If a field has been classified as such, it means that the threshold for registration and reporting has been satisfied.

##### **4. Do I need to register and report if I have an interest in a gas field which only has 2C resources?**

Yes, for reporting to AEMO. Participants who have an interest in a gas field with 2C resources are required to register and report to AEMO unless an exception under rules 142 (application to Western Australia), 143A (exempt NT facility) or 144 (remote BB facility) of the NGR applies.

No, for reporting to the AER. Participants are not required to report gas price assumptions to the AER for 2C resources. Gas price assumption reporting to the AER is required for 1P, 2P and 3P reserves.

##### **5. If I have already registered with AEMO as a BB reporting entity, do I need to register again?**

As new participant types are now required to report, such as participants with an interest in gas fields with 1P, 2P, 3P reserves or 2C resources, this requires fresh registrations

with AEMO for those participant categories. If you are unsure about whether you need to register or not, please contact AEMO to clarify.

#### **6. I am already reporting to the GSOO/VGPR. Do I need to register and report?**

Reporting obligations under the Gas Market Transparency Measures are separate to other reporting obligations. Accordingly, you will need to consider the requirements to register and/or report information to AEMO. However, as noted in [AEMO's Impact and Implementation Report](#) at p 35-6, once the data/information reported under the Gas Market Transparency Measures is available on the Bulletin Board, AEMO will amend the GSOO surveys to ensure that they are not requesting information that is already available on the Bulletin Board.

#### **7. I have an interest in a gas field with other market participant/s. Do I need to register and report separately?**

You may be eligible to register as a field owner group which will enable one of the members of the group to register on the group's behalf and exempt the other participants with an interest from reporting information separately. The definition of a field owner group in rule 151(3) of the NGR provides two criteria, of which participants must meet one to be eligible to register and report as a field owner group, namely:

- 1) The persons are closely related entities and one or more of them has a net revenue interest in the BB field; or
- 2) Each of them holds a net revenue interest in the BB field and they are engaged in joint marketing of natural gas produced from the BB field.

### **3.2 AER contacts**

If you have questions or require further information on reserves and resources reporting obligations, please send an email to: [AERGasMarketsBB@aer.gov.au](mailto:AERGasMarketsBB@aer.gov.au).

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