

27 March 2024

Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Submitted via email to PipelineFOR@aer.gov.au.

Submission: Form of Regulation Review: South West Queensland Pipeline

Tamboran Resources Limited ('Tamboran') ('the Company') is pleased to provide a submission to the Australian Energy Regulator ('AER') for the South West Queensland Pipeline ('SWQP') Form of Regulation Review.

Natural gas and pipeline infrastructure will continue to play an important role in Australia's energy transition by supporting applications that are hard or expensive to electrify while also helping to manage the risk of a disorderly exit of coal-fired power plants.

Tamboran's vision is to support this transition by investing in the development of low carbon dioxide ('CO₂') unconventional natural gas resources in the Beetaloo Sub-basin ('Beetaloo') of the Northern Territory of Australia and to become a Net Zero emissions gas producer for our equity share of Scope 1 and Scope 2 emissions when the Company initiates commercial sales of natural gas.

Tamboran has entered a partnering agreement with APA to commercialise our low reservoir CO₂ gas in the Beetaloo via access to the NT, Australia's East Coast, and international liquified natural gas ('LNG') markets. The pipeline will allow us to deliver more than 500 terajoules ('TJ') per day of natural gas into the East Coast gas market by the end of 2028, in line with the long-term gas supply shortfall that Australian Energy Market Operator ('AEMO') forecasts as early as 2025.

Tamboran believes that investment in gas pipelines and the availability and flexibility of routes to market for upstream gas producers will continue to be a critical aspect of addressing the divergence between domestic gas supply and demand.



We believe that some regulatory settings for gas pipelines pose a significant risk to investment, and that this has a dampening effect on investment in both the pipeline sector and, in turn, the upstream gas production sector. Tamboran proposes that reduced investment will result in less competition in both the gas production and transmission sectors, resulting in adverse market outcomes across the entire gas supply chain and for gas consumers.

If you would like further information or to discuss the matters raised in this submission, please do not hesitate to contact us.

Yours sincerely

Mike Flynn

Executive Vice President, Gas Markets



About Tamboran

Tamboran is the largest acreage holder and operator with ~1.9 million net prospective acres in the Beetaloo Basin of the NT, focused on the development low reservoir CO₂ natural gas resources within its portfolio (EP 76, EP 98, EP 117, EP 136, EP 143, EP 161 and EP(A) 197).

As outlined below, Tamboran has achieved significant milestones over the past six months that position the Company to progress the development of our significant Beetaloo Basin acreage to initially support the NT and then the East Coast gas markets, which are both expected to be short of gas during the decade.

Recent results from the Shenandoah South 1H ('SS-1H') well, which are the highest normalised rates achieved in the Beetaloo Basin to date, give us confidence to progress the proposed 40 million cubic feet per day ('MMcf/d') Pilot Project at Shenandoah South. This Pilot Project aims to deliver gas into the NT gas market by as early as H1 2026 and could meet all of the NT gas needs.

In December 2023, Tamboran announced three formal and binding agreements with APA with the ultimate aim to provide reliable supply of Beetaloo gas to consumers in Australia. These agreements include:

- an Early Development Agreement relating to the construction of a ~35-kilometre Sturt Plateau Pipeline ('SPP') that is planned to connect the proposed 40 MMcf/d Sturt Plateau Compression Facility ('SPCF') to the Amadeus Gas Pipeline ('AGP'), targeting an online date as early as H2 2025, subject to achieving project milestones and executing further agreements;
- an Early Development Agreement for construction of a Beetaloo Basin to East Coast gas pipeline that aims to deliver in excess of 500 MMcf/d of Beetaloo Basin gas into Australia's East Coast gas market, targeting an online date as early as 2028, subject to achieving project milestones and executing further agreements; and
- a Partnering Agreement under which Tamboran agrees to work exclusively with APA Group and provides an option for Tamboran to acquire up to 15 per cent of any Beetaloo pipeline projects in the lead up to Final Investment Decision ('FID') (excluding the SPP), subject to certain conditions being met.

Tamboran has executed six non-binding Letters of Intent ('LOIs') with Australia's largest gas and energy retailers, including Alinta, EnergyAustralia, Engie, Origin Energy and Shell Energy Australia during the September quarter of 2023. The LOIs express interest for a total volume of 600 – 875 TJ per day (220 – 320 petajoule ('PJ') per annum) of Tamboran's Beetaloo Basin gas supply for up to 10 – 15 years. The LOIs are conditional upon the Parties agreeing separate binding full term Gas Sales Agreements ('GSAs'), including purchase price, transport arrangements and other key commercial terms.

In early June 2023, we also announced the Northern Territory Government had allocated Tamboran exclusivity over 170 hectares of land on the Middle Arm Sustainable Development Precinct ('Middle Arm'). This land provides Tamboran with a pathway to exporting up to 6.6 million tonnes of LNG per annum ('MTPA') via the Company's proposed NTLNG development.

Regional Gas Demand

Both AEMO and the Australian Competition and Consumer Commission ('ACCC') have recently flagged the risk of East Coast supply shortfalls this decade.



Analysis from AEMO's Draft 2024 ISP4 reinforces the important role gas is forecast to play in the NEM by helping manage extended periods of low variable renewable energy ('VRE') generation and providing firming support when other dispatchable sources are unavailable. Gas-powered generation ('GPG') may also extend to providing critical power system services to maintain grid security and stability as the coal generation fleet retires in the NEM.

AEMO's March 2024 Gas Statement of Opportunities ('GSOO') has issued a warning of increased risk of peak-day shortfalls from as early as 2025, and the potential for 'small seasonal supply gaps' from 2026 in southern states. The next coal retirement (Eraring Power Station, currently announced to retire in August 2025) is forecast to increase the risk of needing higher volumes of gas for electricity production during peak winter periods.

From 2028, the forecast annual supply gaps increase in magnitude as southern production declines, meaning a more structural need for anticipated and currently uncertain new supply. Depleting legacy gas fields in the Gippsland region is forecast to decrease southern gas production by almost 40% over the next five years.

From the mid-2030s, the forecast level of GPG increases to maintain system reliability and to cater for low periods of VRE output. Gas storage facilities will be essential for balancing yearly gas production and fluctuating, seasonal and daily domestic demand, ensuring that gas is available during periods of higher demand when required.

South West Queensland Pipeline ('SWQP')

Since 2021, APA has announced three expansions of the East Coast Gas Grid to efficiently provide the capacity required to transport more gas from QLD and NT to southern markets. This will include increasing the daily nameplate capacity of the SWQP and Moomba Sydney Pipeline ('MSP'). Once stages 1 and 2 of the expansion are complete the peak capacity of the East Coast grid will be increased by 25%.

The current form of regulation applied to SWQP has facilitated APA's completion of stage 1 of the proposed upgrades to increase southern gas flow capacity through the MSP. The completion of the East Coast Grid Expansion ('ECGE') Stage 1 has delivered an uplift in capacity on the SWQP by 49 TJ/d (and on the MSP by 30 TJ/d). Included in this expansion is a new compressor installation between Moomba and Young, coupled with another on the SWQP.

The National Gas Rules ('NGR') and National Gas Laws ('NGL') have been effective in recognising that different forms of regulation may be suited for pipelines with different characteristics. As evidenced in APA's ECGE Stage 1 completion, tailoring regulation supports incentives for investment and commercial arrangements by reducing risk in an already uncertain market.

AEMO notes the importance of completing the second stage of APA's ECGE on time to maximise supply to southern regions, mitigate the risk of peak day shortfalls and to meet established domestic and support contracts from 2025. Without pipeline upgrades and expansions, flow on the SWQP will remain at capacity and southern states will be impacted with higher energy costs due to a shortfall in supply.



Effects of Regulatory Reform

Tamboran acknowledges and recognises that the form of regulation for a pipeline can change if features of the pipeline or market warrant such change. However, in the case of SWQP, a change to the form of regulation at this time would be unnecessary.

Introducing heavier regulation poses a significant disincentive to investment in new transmission pipelines, such as the \$4-5 billion pipeline required to connect the Beetaloo Basin to the East Coast, and augmentation of the SWQP needed to distribute substantial gas volumes from northern states to address the projected shortfall in gas supply.

As well as impacting investment decisions, delays in developing new frameworks may deter firm commitments to buy and transport gas to the southern states. Long-term (15 – 20yr) firm commitments to buy and transport gas are necessary before APA's pipeline project will achieve FID: to achieve the target of providing volumes of gas into the East Coast by 2028. Reaching this target would require FID to occur in 2026.

Tamboran is concerned that if the AER modifies the form of regulation for the SWQP at this time, then there would not be the price certainty on the SWQP that is required for gas buyers to commit to the long-term firm transportation agreements on the Beetaloo to east-coast pipeline.

If gas buyers are unable to make commitments, then the pipeline project could be cancelled. Cancellation of the project means Beetaloo gas, in any significant quantity, will be unable to address the East Coast's forecast gas shortfall.

Change to the regulation at present will be damaging to the long-term interests of consumers, as it would put at risk much-needed investment in pipeline capacity required to ensure security of supply and support Australia's net zero targets.

Whilst understanding of the AER's obligations under 2023 changes to the NGL, Tamboran contends that regulatory reform should align with the likelihood of delivering optimal outcomes for consumers. It would be inconsistent to modify the SWQP's regulation given the efficacy of the current framework thus far.