

GAS SUPPLY AGREEMENTS (GSAs) AND OTHER COMMERCIAL ARRANGEMENTS ANNOUNCED SINCE 15 MARCH 2017

1. Shell Australia on 21 March 2017 announced¹ that its QGC joint venture was continuing its investment in Queensland with the drilling of up to 161 additional wells – a move that enables further supply to both domestic customers and natural gas exports. “Project Ruby” expands on QGC’s operations in the Surat Basin, and will underpin 350 new and existing jobs in regional Queensland during the 16-month construction, and sustain QGC’s gas production as older wells decline.
2. Origin Energy Limited on 29 March 2017 announced² it had signed two transactions with ENGIE in Australia. The first is an agreement to underpin the operation of Pelican Point power station’s second-generation unit (Pelican Point agreement), and the second is an agreement to make more natural gas available for customers in South Australia and Victoria (Gas Sale Agreement). Under the terms of the Pelican Point agreement, Origin will supply gas to Pelican Point and for a fixed charge and will gain access to 240MW of electricity production, which will be used by Origin to supply customers in South Australia. The Pelican Point agreement, which will run from 1 July 2017 to 30 June 2020, will better position Pelican Point to support peak demand over the 2017-18 summer period and beyond. In addition, under the Gas Sale Agreement, Origin will sell 8 petajoules (PJ) of natural gas to ENGIE in Australia across the 2018 and 2019 calendar years to help it meet the needs of its customers.
3. Shell’s QGC joint venture on 6 April 2017 announced³ two new gas sales agreements with large domestic customers. The deals will see the joint venture supply gas for power generation in South Australia and manufacturing in Queensland. Shell announced it will supply around 8PJ of gas to ENGIE’s Pelican Point power plant in South Australia for five months over the peak winter period to help secure electricity contracts to major industrial users and an 18-month agreement will supply gas from Queensland’s Surat Basin gas fields to Orica’s Yarwun facility near Gladstone, which produces explosives and cyanide for the mining industry. These new sales agreements come after significant contracts were signed with power generators and retailers. Together they bring QGC’s total domestic sales to about 11 per cent of east coast demand for 2017.
4. In early 2017 Senex Energy commenced production from the Glenora pilot, which is part of its Western Surat Gas Project (WSGP) located north east of Roma in western Queensland and involves the staged appraisal and development of up to 425 CSG wells. Sales of raw gas to GLNG followed in April. In June, Senex commenced a \$50 million 30 well drilling campaign to accelerate development of its WSGP. Senex expects to have the first of these wells online in the first quarter of 2017-18 and will complete the drilling program by end calendar year 2017. In parallel, Senex will undertake an expanded program of appraisal activity, including bringing two additional pilots online to facilitate future development of this acreage. This will mean up to \$55 million in capital expenditure for progressing the development of the WSGP in 2017-18. Senex continues to undertake planning work on the full field development of the project acreage, with a number of milestones to be reached in 2017-18 including securing environmental and regulatory approvals⁴.

¹ See www.shell.com.au/media/2017-media-releases/shell-invests-in-east-coast-gas-supply.html for more information.

² See www.originenergy.com.au/content/origin-ui/en/about/investors-media/media-centre/origin-works-with-engie-to-help-boost-energy-security-in-south-australia.html for more information.

³ See www.shell.com.au/media/2017-media-releases/shell-seals-more-east-coast-domestic-gas-deals.html for more information.

⁴ See www.senexenergy.com.au/senex-releases-fy17-results-and-fy18-outlook for more information, including further detail on Senex’s future work program.

5. Arrow Energy on 8 May 2017 announced⁵ that it will undertake the front-end engineering design (FEED) phase for a proposed major expansion of its Tipton gas project in Queensland's Surat Basin. The project involves a significant upgrade of existing facilities, and would more than double production capacity from Tipton to more than 80 TJ/day.
6. Santos on 14 August 2017 announced⁶ it had signed an agreement with ENGIE in Australia for the supply of gas to the Pelican Point Power Station that will help support South Australia's energy needs. The contract is for 15PJ, starting in January 2018. The contract will be fulfilled with a mix of GLNG gas and Santos portfolio gas.
7. Strike Energy announced⁷ on 17 August 2017 the signing of a binding term sheet by Orica International Pte Ltd (Orica) and Strike's wholly owned subsidiary, Strike Energy 96 Pty Ltd, for the negotiation of a new GSA to replace the existing GSA entered into in 2014 for the supply of up to 250PJ. Strike to supply Orica 64PJ of gas to be produced from PEL 96 at a post ramp-up rate of 6.4PJ per year.
8. Santos on 30 August 2017 announced⁸ it had signed a location swap agreement facilitating the delivery of at least 18PJ of gas per annum into the southern domestic market. Under the three-year agreement (with an option to extend for a further year), which takes effect in January 2018, Santos will take delivery of gas at Wallumbilla. Santos will then provide an equivalent quantity of gas at delivery points in the southern domestic market.
9. Senex Energy on 5 September 2017 announced⁹ it that it has been successful in the Queensland Government's domestic gas acreage tender, with first gas targeted for 2019. Estimated P50 recoverable gas volumes of 201PJ, with around 100 well locations proposed.
10. The Queensland Government announced¹⁰ on 6 September 2017 that the Swanbank E Power Station near Ipswich will start supplying power again on 1 January 2018, after Queensland government-owned corporation Stanwell finalised an agreement for the supply of gas with Shell Australia.
11. Santos on 7 September 2017 announced¹¹ Santos and its GLNG joint venture partners will supply 30PJ of gas to the east coast domestic market over 2018 and 2019. The gas, which would otherwise have been exported as LNG, is being sold to east coast customers including power companies.
12. Santos on 8 September 2017 announced¹² that, together with Origin, it had signed a new agreement to continue the supply of ethane gas to Qenos. Under the agreement, Santos and Origin will supply an estimated 27PJ to Qenos for the remainder of 2017 until the end of 2019.

⁵ See www.arrowenergy.com.au/media-centre/latest-news/pages/2017/arrow-enters-feed-for-substantial-surat-asset-expansion for more information.

⁶ See www.santos.com/media-centre/announcements/santos-to-redirect-gas-to-south-australian-economy for more information.

⁷ See www.strikeenergy.com.au/wp-content/uploads/2017/08/20170817_Orica-GSA.pdf for more information.

⁸ See www.santos.com/media-centre/announcements/santos-facilitates-delivery-of-gas-into-southern-domestic-market for more information.

⁹ See www.senexenergy.com.au/wp-content/uploads/2017/09/2017.09.05-Senex-awarded-Surat-Basin-acreage-for-domestic-gas-supply.pdf for more information.

¹⁰ See statements.qld.gov.au/Statement/2017/9/6/stanwell-and-shell-seal-the-deal-for-swanbank-e-gas-supply for more information.

¹¹ See www.santos.com/media-centre/announcements/glng-gas-to-be-supplied-into-the-east-coast-domestic-market for more information.

¹² See www.santos.com/media-centre/announcements/santos-and-origin-support-australian-manufacturing-through-new-gas-supply-agreement-with-qenos