SUBMISSION

AER - GREENFIELDS INCENTIVE DETERMINATION: BULLOO INTERLINK PIPELINE

28 AUGUST 2025

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our members are the engine room of the Australian economy, producing many of the products that households and business use every day including bricks, glass, steel, aluminium, paper, food and beverages. Combined, our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

EUAA members are focussed on making products that meet their own customers' requirements where energy is just one input to the process albeit a critical one. Their expectation is that the energy industry continues to provide energy services that are fit for purpose and consistent with the National Gas Objectives (NGO) so that our members can continue to provide a fit for purpose product for their customers.

Thank you for the opportunity to make a submission for your consideration of APA's application for a greenfield incentive determination for the proposed Bulloo pipeline.

After a period of uncertainty, there is now widespread understanding and support for a continuing role for gas in terms of both electricity generation and as an input to manufacturing industry that supply products consumers use every day. Unfortunately, the market has failed to supply gas at competitive terms and conditions despite well-meaning government intervention over many years, most recently with the Heads of Agreement and Mandatory Code.

The current Federal Government gas market review offers the opportunity to try again to develop a regulatory framework that can stand the test of time, can be adaptive to future market changes and can produce an outcome that appropriately balances the interests of all stakeholders along the supply chain.

The rundown in Bass Strait production and the lack of sufficient southern states replacement production means there is increased reliance on north-south pipeline and southern storage capacity. As AEMO highlights in its 2025 GSOO, there a high risk of peak day shortfalls in southern States from 2028 and annual structural supply gaps emerging from 2029 as transport capacity from Queensland reaches its limit.

Two options have been advanced to meet southern States demand – increased pipeline capacity from Queensland (and perhaps the Northern Territory) or LNG imports directly into southern States.

In addition to increasing southern supply, we believe that the best option in the long-term interests of gas consumers is expanded pipeline capacity from Queensland that APA is proposing through its East Coast Grid

Expansion Plan (ECGEP). The proposed Bulloo interlink is key to that capacity expansion being achieved in a timely manner. LNG imports would lock domestic consumers into high and volatile pricing that would have serious adverse consequences on domestic manufacturing industry which is why our members have been very clear that they do not support establishing an LNG import terminal.

While we support APA's application in principle, we do have some residual concerns about the potential ability of APA to exercise market power at some stage of the 15 year exemption period as we do not consider the constraints on market power mentioned by APA are significant or sustainable over the 15 years. APA makes a number of statements in its application on future services and tariffs. Based on the current preliminary Bulloo cost estimate, APA does not expect' any change in real terms in tariffs from Wallumbilla to all MSP delivery points but is unable to commit to that.

We understand this uncertainty. Nevertheless, we recommend that the AER consider whether it can set any conditions on future pricing as part of its approval of the application to limit consumers' risks from the exercise of market power.

We also recognise that gaining a greenfields incentive determination may be a necessary, but not sufficient, condition for the pipeline to be built. Some form of Government underwriting would also be required – which we support. If the AER is not able to consider conditions on the granting the application then we hope that the Government would do so as part of any underwriting it might provide.

ASSESSING APA'S PROPOSAL

Our conclusion to support the application in principle is based on:

- Our view that LNG imports would bring unacceptable price levels and volatility to the east coast market
- The large reserves in Queensland that can be developed to supply southern markets. Importantly some of these reserves include a domestic supply obligation
- Expectation that the current Gas Market Review will result in a stronger obligation on LNG exporters to supply the domestic market at a competitive price that is not linked to LNG netback
- If Bulloo is not built then we do not foresee any alternative project to increase north-south transport capacity given the high barriers to entry for any new pipeline investor

<u>Conditions on the AER's approval</u>

Our concern is around the potential for APA to exercise market power. APA argues that provision of pipeline services will be subject to the constraints that apply to the existing MSP and other parts of the ECGG and believes it will continue to face strong competition from alternative pipelines and supply basins, substitutes for firm capacity contracts (e.g. swaps), LNG imports and countervailing power of large shippers.

We do not have the same confidence that even if these constraint are current now, that they will be maintained for the 15 years of the exemption. We do not think there has been any change to the situation identified by the AER's consultation in 2024 on the form of regulation review of the SWQP[1]:

[1] Discussion Paper p. 34

> *"Through the consultation process during the 2024 SWQP form of regulation review, we asked users about their countervailing market power in negotiations with APA. Based on these discussions, we formed our views that only the largest incumbent users on the SWQP may have some degree of countervailing market power. The degree to which this countervailing market power of the largest users benefits other users (and end-users) is not clear."*

The current limited availability of substitutes is likely to diminish over the 15 years:

- LNG entry is very unlikely – given both options to address southern supply (expanded pipeline capacity and LNG imports) require Government support, there will be only one winner
- New sources of supply in Victoria are likely to offset only a small part of the fall in Longford production
- Many of the shippers listed in Table 5.1 are not end-use customers and therefore we are unsure of what incentive they have to exercise what limited market power they might have; the only competitive pressure is likely to come from electrification reducing gas demand but the AEMO GSOO forecasts are that C&I and GPG demand will offset falling residential demand.

APA note that[2]:

> *"The Bulloo Interlink will form part of an open access grid, and APA does not expect any change (in real terms) to the costs faced by our customers for accessing the grid."*

and later[3]:

> *"Making a greenfields incentive determination for the Bulloo Interlink will have no impact on the direct access costs faced by pipeline users. The Bulloo Interlink will be subject to open access in the same way as the existing ECGG.*
>
> *As the Bulloo Interlink connects two pipelines (rather than directly connecting supply and load), there is not expected to be a stand-alone tariff for the Bulloo Interlink. APA's proposal is to provide gas transportation services between Wallumbilla and Wilton or Culcairn, using the Bulloo Interlink, to both new and existing shippers, at current posted rates.*
>
> *APA does not propose to increase tariffs between Wallumbilla and Wilton/Culcairn once the Bulloo Interlink is in service. That is, APA's tariffs for north-south gas transportation services are expected to be unchanged in real terms.*
>
> *Moreover, APA notes that it would not be able to increase prices for north-south supply due to the competitive constraints discussed above, despite the significant capital investment being made in the Bulloo Interlink.*
>
> *APA's incentive is to increase utilisation and ensure that the needs of shippers are met."*

[2] See p. 3 https://www.aer.gov.au/industry/registers/resources/reviews/bulloo-interlink-pipeline-greenfields-incentive-determination/initiation

[3] See p. 22

It is unclear what 'providing services at current posted rates' and 'tariffs expected to be unchanged in real terms' mean. Is that only for existing customers for the terms of their existing contracts? What about new customers? Does it apply over the whole 15 year exemption period for existing and new customers? We encourage the AER to seek clarification from APA.

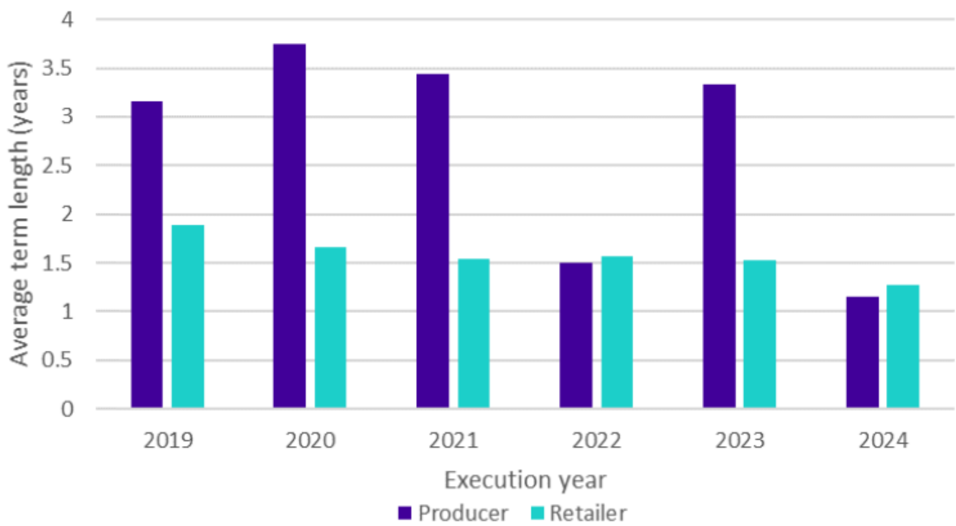
We understand the difficulty for APA to give a guarantee of these matters given the preliminary nature of their project costing and that even if APA are successful in their application, they will still require Government underwriting until they are able to negotiate sufficient long-term contracts.

We would recommend that the AER seek further information on these matters from APA and for the AER to consider whether it can set any conditions on future pricing as part of its approval of the application to limit consumers' risks from the exercise of market power.

Greenfields exemption only part of the investment decision

Gaining a greenfields exemption, while necessary, is unlikely to be sufficient to ensure Bulloo is built. APA needs long term transport contracts. The latest ACCC Gas Market Report provided data showing the relatively short and declining terms for C&I GSAs over recent years[4].

Chart E.2.2: Average C&I contract term lengths Producers and Retailers under long-term GSAs, 2019 to 2024



The reduction in GSA term is not surprising given the short length of the conditional Ministerial exemptions under the Mandatory Gas Code[5] and the timing of the current Gas Market Review. We hope that the review will lead to medium to long term certainty in the regulatory framework that will support producers offering medium to long term contracts that can then support medium to long term transport contracts.

[4] See p. 133 https://www.accc.gov.au/system/files/gas-inquiry-interim-june-2025.pdf
[5] https://www.accc.gov.au/public-registers/gas-registers/conditional-ministerial-exemptions-for-gas-suppliers

In its submission to the Review[6] the EUAA supported the Federal Government providing underwriting or other means of support for new or expanded pipeline infrastructure including APA's ECGEP. This support would reduce as transport contracts are signed. If the AER is not able to consider conditions on the granting of the application then we hope that the Government would do so as part of any underwriting it might provide.

WE DO NOT SEE IMPORTED LNG AS THE ANSWER

A key objective of the Federal Government's Gas Mandatory Code was to delink domestic gas prices from international gas prices. A joint press release by the Treasurer and Ministers for Resources, Climate Change and Energy and Industry and Science in December 2022 said[7]:

> *"The code will include a provision for reasonable pricing. This will provide a basis for producers and buyers to negotiate domestic wholesale gas contracts based on guidance on reasonable pricing from the ACCC, which will reflect the long-run costs of domestic production and an appropriate return on capital."*

Minister Bowen said in a November 2023 speech[8]:

> *"The code also imposes a price anchor of $12/GJ, to ensure Australia domestic gas prices are driven by Australian market fundamentals, not the ructions of international gas markets"*

The ACCC says that the purpose of the Mandatory Code was to[9]:

> *"…ensure adequate supply of wholesale gas to the domestic market at reasonable prices and on reasonable terms."*

We strongly support this objective which requires transport of gas via pipelines from Queensland and, potentially, the Northern Territory.

The Consultation Paper refers to a number of proposals for LNG import terminals and cites a study completed by Rystad Energy for Jemena arguing that LNG imports can meet southern demand an annual, seasonal and peak day basis and

> *"can be competitive with the delivered price of new northern supply (both range A$14-19/GJ) from both international and domestic sources"*

The options for imported LNG are spot and oil linked purchases from both the domestic (Queensland, NT and WA) and international markets. While we accept that imported LNG can potentially meet demand, the report provides little justification for the claim that (Slide 12):

> *"Starting 2026, spot LNG to Sydney is expected to range from A$14-19/GJ, with ~18% lower prices in June-August"*

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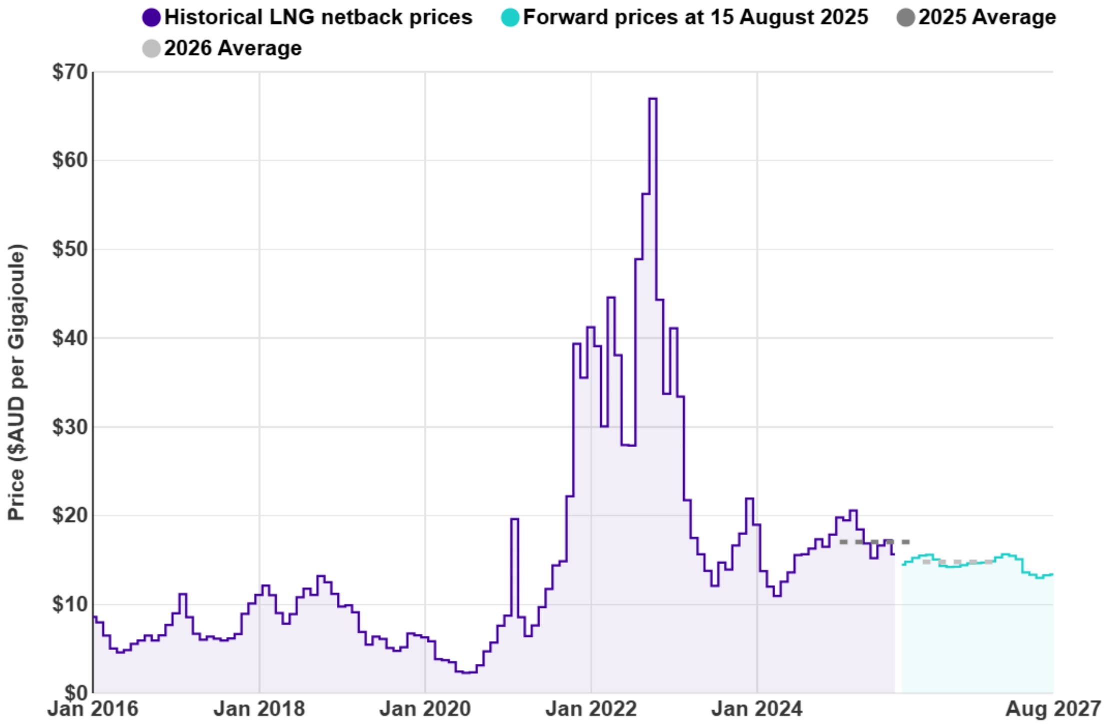
[6] https://euaa.com.au/delivering-a-domestic-gas-market-that-works-for-both-buyers-sellers-must-be-one-of-the-critical-measures-of-success-of-the-gas-market-review/
[7] https://minister.dcceew.gov.au/bowen/media-releases/responsible-and-meaningful-action-gas-prices
[8] https://minister.dcceew.gov.au/bowen/speeches/speech-aig-industry-meets-canberra-dinner
[9] https://www.accc.gov.au/business/industry-codes/gas-market-code

Even if that were the case, there is no discussion of what the price might be under a term contract, let alone whether term contracts would be available. The report provides no information on what the price might be over the next 10-15 years and the level of volatility and why LNG linked prices would work for C&I customers. Over the last decade the ACCC's historical LNG netback price series has fluctuated from $2.29 in July 2020 to $66.99 in October 2022[10].



Term contracts at non-oil/LNG netback linked prices are key to C&I customer demand and the sustainability of manufacturing industry in Australia. These customers require a level of certainty in their gas price over a number of years to not only sustain their current operations but to make the long term investment decisions to reinvest and expand. While gas fired generation might be able to operate on spot and oil linked gas prices given the market price cap (currently $20,300/MWh rising to $22,800 in 2026-27)[11], industrial customers cannot.

It was this wild fluctuation in LNG netback pricing that was a key reason for the Code objective to explicitly delink domestic from international prices. Allowing LNG imports would lock domestic pries into an LNG + pricing reflecting not only the costs of importing the gas but then re-gasifying it for domestic consumption.

We are encouraged to see State and Territory Energy Ministers at their August 2025 meeting continue to reject AEMO underwriting LNG imports with the cost paid for by domestic consumers in their electricity bills[12].

[10] https://www.accc.gov.au/inquiries-and-consultations/gas-inquiry-2017-30/lng-netback-price-series
[11] https://www.aemc.gov.au/sites/default/files/2023-12/Amending%20the%20MPC%20CPT%20APC%20rule%20change%20-%20Information%20sheet.pdf
[12] https://www.energy.gov.au/energy-and-climate-change-ministerial-council/meetings-and-communiques; https://www.afr.com/policy/energy-and-climate/gas-import-plan-shelved-as-states-consider-options-20250812-p5mmez

CONCLUDING REMARKS

We appreciate the discussions we have had with the AER and APA in preparing this submission. We support the application subject to getting confidence around limiting the ability of APA to exercise market power.

The EUAA welcomes further discussions around the issues raised in this submission. Do not hesitate to be in contact with EUAA Director of Policy and Regulation Mark Grenning, should you have any questions.

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