

## **Vopak Victoria Energy Terminal – Submission in response to APA VTS rule 80 application for South West Pipeline**

### **Executive Summary**

This submission responds to APA VTS Australia (Operations) Pty Limited's April 2026 Addendum to its Rule 80 application and the Australian Energy Regulator's May 2026 Position Paper.

The Addendum represents a material improvement on APA's original proposal. In particular, the inclusion of early works for South West Pipeline (SWP) and Brooklyn Lara Pipeline (BLP) looping demonstrates a more realistic assessment of Victoria's emerging gas supply challenge and the infrastructure pathway required to support future supply.

However, Vopak considers that the AER's assessment should distinguish between near term measures that may assist with the Winter 2029 supply risk and the enduring infrastructure pathway required to address the post-2030 supply outlook. Compression may provide a near term uplift but it does not remove the need for timely BLP looping. APA's stakeholder engagement materials identify BLP looping as the principal pathway for facilitating Geelong region LNG import supply from Winter 2030 onwards.

In Vopak's view, the BLP pathway should therefore be assessed as the primary post 2030 infrastructure solution for supporting future supply, efficient investment and long-term consumer outcomes, with compression treated as a near term measure rather than a substitute for timely BLP augmentation. Vopak supports the inclusion of looping early works in the revised proposal, particularly the BLP early works required to preserve a credible pathway for future LNG import supply from the Geelong region. However, three material issues remain unresolved.

First, APA has not demonstrated that the BLP looping program contemplated by the Addendum is sufficiently defined to support the future capacity outcomes that the program is intended to facilitate. APA's own stakeholder engagement materials distinguish between the proposed compression works as a near term response to the Winter 2029 supply risk and BLP looping as the augmentation pathway for facilitating LNG imports from the Geelong region from Winter 2030 onwards, with the potential to increase VTS injection capacity to more than 1,100 TJ/day. However, APA has not provided the supporting analysis necessary to demonstrate that the proposed BLP looping scope, including the approximately 44 kilometres identified in the Addendum, is capable of preserving or delivering that future capacity outcome.

Second, APA continues to make progression of future looping investment dependent on project commitment milestones that are not clearly defined and do not provide market participants with confidence that sufficient SWP capacity will be available when future supply is required. While APA has acknowledged the need for future infrastructure, the proposed framework creates a circular dependency between SWP augmentation investment and supply investment. New supply projects require confidence that sufficient SWP capacity will be available when operations commence, while APA proposes to defer pipeline investment until those same projects have committed capital. This sequencing risks delaying efficient investment outcomes and is difficult to reconcile with the National Gas Objective's requirement to support investment in anticipation of reasonably foreseeable demand.

Third, APA seeks approval for expenditure that market participants will rely upon when making investment decisions while retaining substantial discretion over the timing and delivery of the underlying work program. The Addendum provides no enforceable commitment that the BLP early works program will proceed in accordance with the stated timetable. As a result, expenditure is being advanced on the basis of future benefits without corresponding accountability for delivery.

These issues are not procedural matters. They go directly to whether the proposed expenditure is prudent, efficient and consistent with the National Gas Objective. They also go directly to whether future supply projects, market participants and consumers can reasonably rely on the infrastructure pathway presented in APA's application.

Vopak supports the direction of APA's revised proposal and recognises the progress reflected in the Addendum. The remaining issues are relevant to assessment of whether the anticipated benefits of the proposed expenditure can be delivered in a timely and efficient manner. Greater clarity in these areas would provide market participants with increased confidence regarding the investment pathway contemplated by the Addendum.

## **1. Background**

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### **1.1 Vopak Victoria Energy Terminal**

Vopak is developing the Vopak Victoria Energy Terminal (VVET), a proposed floating LNG import terminal located offshore from Avalon in Port Phillip Bay.

The project is designed to deliver approximately 630 to 750 TJ/day of regasified natural gas into the Victorian Transmission System (VTS) through a connection to the SWP. Subject to regulatory approvals and final investment decisions, VVET is intended to provide a new source of gas supply to the Victorian market from 2029 onwards.

VVET is one of several supply developments being considered in response to the well-documented decline in southern gas production. AEMO's planning publications continue to identify increasing supply risks as existing production sources decline and demand for flexible gas supply remains important to electricity reliability and industrial consumers.

The relevance of VVET to this Rule 80 process is not that it is a particular project seeking regulatory support. Rather, it is representative of the type of new supply infrastructure that Victoria is expected to require over the coming decade. The AER's Position Paper recognises that new supply developments, including LNG import infrastructure, are likely to play an important role in maintaining reliability and security of supply as legacy production declines.

The ability of projects such as VVET to contribute to Victoria's future supply mix depends not only on the development of the supply asset itself, but also on the timely delivery of the pipeline infrastructure required to transport gas to market. The AER's final determination therefore has broader significance than the approval of individual expenditure items. It will influence the confidence with which future supply proponents can rely on the pipeline investment framework underpinning Victoria's gas market.

### **1.2 The Rule 80 Framework**

In assessing APA's application, the AER must be satisfied that the proposed expenditure is prudent, efficient and consistent with the National Gas Objective (NGO).

The NGO supports efficient investment where it is in the long-term interests of consumers, including investment that anticipates reasonably foreseeable demand. From a consumer

perspective, delayed or mis-sequenced augmentation risks higher supply costs, reduced reliability and less efficient investment than would be achieved through a coordinated infrastructure pathway.

Prudent and efficient investment requires more than recognising that additional infrastructure may be needed. It requires demonstrating that the proposed expenditure is capable of delivering the outcomes claimed, that the investment framework supports timely and coordinated market development, and that market participants who are expected to rely on the approved expenditure have a reasonable basis for doing so.

APA's revised proposal introduces early works for future looping as a step toward meeting Victoria's longer-term supply requirements. The question for this determination is not whether that direction is appropriate but whether the proposed expenditure delivers on that intent. A determination that approves expenditure without resolving scope adequacy, the conditions under which future augmentation would proceed and the non-binding nature of APA's delivery commitments does not promote efficient investment in Victoria's gas supply infrastructure. That is the standard the NGO sets. On three counts, APA's revised proposal has not met it.

This submission addresses three aspects of APA's revised proposal relevant to that assessment: whether the proposed BLP early works program is appropriately scoped to support the future supply outcomes relied upon by APA; whether APA's proposed framework supports efficient investment in anticipation of reasonably foreseeable demand; and whether the proposed delivery arrangements provide sufficient certainty and accountability for market participants who are expected to rely on the program.

## **2. Assessment of APA's April 2026 Addendum**

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### **2.1 Improvements Acknowledged**

The Addendum represents a constructive and meaningful step forward.

In particular, Vopak supports APA's proposal to undertake early works associated with both SWP and BLP looping. The inclusion of these activities recognises an important reality: regulatory approvals, environmental assessments, landowner engagement and access arrangements often determine the critical path for pipeline development. Deferring these activities until future supply projects have reached final investment decision would materially increase the risk that required infrastructure is not available when it is needed.

The proposed expenditure of approximately \$16 million for SWP looping early works and \$15.1 million for BLP looping early works is therefore a sensible response to the lead times associated with major pipeline development. Vopak's support for the inclusion of these early works does not amount to an endorsement of the proposed cost estimates, which should be assessed by the AER for prudence, efficiency and reasonableness. If approved and progressed in a timely manner, these activities would improve the likelihood that future augmentation options remain available should they be required.

Similarly, the revised delivery timeline reflects a more realistic alignment with the supply outlook identified by AEMO. The revised timing better corresponds with the period in which Victoria is expected to experience increasing supply pressure and provides a more credible basis for future planning.

Collectively, these changes strengthen APA's proposal and represent a positive step toward addressing Victoria's longer-term gas supply requirements.

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However, support for these elements does not remove the need to consider whether the proposed expenditure is sufficient to deliver the outcomes on which the Addendum relies. Three material issues remain unresolved and warrant further consideration by the AER.

## 2.2 Confidence in a Deliverable BLP Capacity Pathway

### Timing confidence

A central premise of the Addendum is that future BLP looping will support LNG import supply from the Geelong region into the Victorian market. APA has identified BLP looping from Lara to Rockbank as the augmentation pathway associated with facilitating Geelong region LNG imports from Winter 2030 onwards, with the potential to increase VTS injection capacity to more than 1,100 TJ/day.

That timing distinction is material. If new LNG import supply is required to be available from Winter 2029, a BLP augmentation pathway framed around Winter 2030 onwards does not provide the capacity certainty required to support a project's investment decision or commercial operations date. It reinforces the need for the proposed early works program to be linked to a clear, deliverable and time bound capacity pathway, rather than an undefined future augmentation option.

### Capacity confidence

The proposed BLP early works expenditure is justified on the basis that it preserves this future augmentation pathway. However, APA has not demonstrated that the looping program contemplated by the Addendum is capable of accommodating the scale of new supply that it is intended to support or that it can deliver the future capacity outcome on which the Addendum relies.

The Addendum refers to approximately 44 kilometres of BLP looping and states that the proposed early works are based on assumptions regarding the level of looping required in addition to compression. However, APA has not provided sufficient information to assess whether those assumptions are adequate.

In particular, APA has not demonstrated:

- the capacity of the BLP under the proposed compression enhanced SWP configuration;
- the incremental capacity required to accommodate a Geelong-region LNG import terminal operating alongside existing Iona and Otway supply sources; or
- whether the looping scope currently contemplated by APA is capable of delivering the future capacity outcome relied upon in the Addendum.

The issue is not whether additional looping may ultimately be required or whether the precise length of looping should be determined at this stage. The issue is whether the proposed expenditure is founded on a BLP looping program that gives market participants confidence that sufficient capacity can be approved, funded, constructed and available when required.

## Overall confidence on scope and schedule

This is particularly important because the proposed early works are not independent activities. Environmental approvals, land access negotiations, cultural heritage assessments and engineering studies will be shaped by the physical infrastructure they are intended to support. If the underlying looping scope changes materially at a later date, there is a risk that elements of the approvals pathway may need to be revisited.

Such an outcome could affect both project cost and delivery timing. APA's current program anticipates completion of the approvals and access phase by approximately January 2028. That timeline already leaves limited contingency relative to the period in which additional Victorian supply may be required. A material change in the underlying looping scope following the AER's determination could place further pressure on an already constrained delivery schedule.

Greater clarity regarding the assumptions underpinning the proposed BLP looping scope is therefore required. Without that clarity, the early works program may preserve an option, but it does not provide sufficient confidence that the capacity pathway relied upon by future LNG import supply projects will be capable of being delivered when needed.

### 2.3 Circular Dependency in APA's Investment Framework

The Addendum recognises that additional pipeline infrastructure may be required to support future LNG supply into Victoria. However, APA proposes that development of future BLP looping beyond the early works phase should be contingent upon a terminal project reaching Final Investment Decision (FID) or achieving "a similar commitment level".

APA's proposed reliance on project FID as the practical basis for progressing future augmentation does not resolve investment uncertainty. It shifts that uncertainty onto future supply proponents by requiring them to commit capital before they have confidence that sufficient pipeline capacity will be available when required. This creates a sequencing problem in which APA waits for supply commitment before progressing pipeline investment, while future supply proponents require confidence in pipeline capacity before committing capital. The result is a circular dependency that risks delaying both pipeline augmentation and new supply investment.

Large scale energy infrastructure projects are typically developed in parallel. Supply projects require confidence that supporting infrastructure will be available when operations commence, while infrastructure providers require confidence that future utilisation is reasonably foreseeable. Neither investment occurs independently of the other.

An LNG import terminal of the scale contemplated in Victoria requires significant capital investment, long lead procurement commitments, regulatory approvals and construction periods extending over multiple years. Investors considering such projects will naturally seek confidence that the pipeline infrastructure required to deliver gas to market will be available when needed. Under APA's proposed framework, that confidence is deferred until after project commitment.

Importantly, the issue is not whether APA should proceed immediately with full BLP construction. Rather, the issue is whether the proposed investment framework appropriately supports efficient investment in anticipation of reasonably foreseeable demand.

The evidence supporting future Victorian supply requirements is already substantial. AEMO's planning publications identify increasing supply risks from the end of this decade. Existing southern production continues to decline. LNG import infrastructure has been identified by governments, market participants and APA itself as a potential source of future supply. The inclusion of BLP early works within the Addendum reflects APA's acknowledgement that future augmentation may be required to accommodate such developments.

If future augmentation is already recognised as reasonably foreseeable, it is unclear why progression should depend upon a project-specific commercial milestone rather than objective indicators of future system requirements.

The relevant planning question is whether additional SWP capacity is reasonably foreseeable and likely to be required to support Victoria's future gas supply needs. That assessment is distinct from the commercial decisions of individual project proponents. While project commitment may provide additional confidence regarding timing and utilisation, it does not alter the underlying infrastructure need that APA has already recognised through the proposed early works program.

Vopak notes that APA's next access arrangement proposal (AA7), due to be submitted to the AER on 1 December 2026, is expected to provide further visibility regarding the longer-term investment pathway for the VTS. However, AA7 does not remove the need for sufficient clarity in this Rule 80 process. Future supply proponents considering investment decisions before the end of 2026 require confidence now regarding the proposed BLP augmentation pathway, including the criteria for progression and expected delivery timing. In that context, greater clarity in the AER's final determination would assist market participants in understanding whether future BLP augmentation can progress in time to support new sources of supply.

## **2.4 Delivery Accountability for BLP Early Works**

Vopak supports APA's proposal to commence early works associated with future BLP augmentation. However, support for those activities should be accompanied by appropriate accountability regarding their delivery.

The Addendum describes a program that is expected to commence following AER approval and subsequent APA Board approval. While this provides an indicative pathway forward, it does not create an enforceable commitment regarding commencement, progress or completion of the proposed activities.

The rationale for approving the proposed expenditure is that the early works program preserves future augmentation options and reduces the risk that pipeline infrastructure delivery becomes constrained by regulatory approvals, environmental assessments or land access requirements.

Market participants are therefore expected to rely on the timely delivery of that program when considering future investment decisions. Future sources of gas supply require confidence that sufficient SWP capacity will be available within the timeframe contemplated by those investments. The value of the early works program therefore lies not only in preserving future augmentation options, but also in providing market participants with confidence that those options remain capable of being delivered when required.

Yet the framework proposed by APA allows expenditure to be approved on the basis of future benefits without corresponding obligations regarding delivery. This is particularly relevant where market participants may rely on the anticipated timing of those activities when making their own investment decisions.

The proposed expenditure is intended to support future supply development and improve long-term system capability. Where that expenditure is approved on the basis that it preserves a future BLP capacity pathway, delivery confidence is relevant to whether the anticipated benefits of the expenditure can be realised. This is particularly important where the BLP early works program is expected to support future LNG import supply from the Geelong region and the post-2030 supply outlook.

In Vopak's view, the AER's final determination should provide clear expectations regarding the delivery assumptions, timing and future progression of the BLP early works program. This would improve market confidence that the capacity pathway relied upon in the Addendum can be delivered in a manner that supports efficient investment and long-term supply reliability.

### **3. The National Gas Objective**

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The issues identified in Section 2 are relevant because they influence whether the proposed expenditure is likely to support efficient market development and reliable long-term supply outcomes.

The Addendum represents a positive step forward. However, questions regarding scope adequacy, investment sequencing and delivery accountability remain important when considering whether the proposal is capable of delivering the benefits on which it is premised.

Ultimately, the relevance of these issues extends beyond individual projects or pipeline investments. The purpose of the proposed expenditure is to ensure that future supply options remain capable of contributing to the Victorian market when required. To the extent that the proposed framework creates uncertainty regarding the scope, timing or delivery of future augmentation, it may also affect the confidence with which future supply investments are able to progress. In Vopak's view, greater clarity regarding the augmentation pathway would support more efficient investment outcomes, strengthen long-term supply reliability and improve the likelihood that consumers benefit from timely access to new sources of gas supply.

Viewed through that lens, three considerations are particularly relevant.

#### **3.1 Security and reliability of supply**

Victoria's supply outlook is structurally deteriorating, not cyclically. AEMO's 2026 GSOO projects maximum daily production from southern gas fields falling to approximately 50% of actual 2026 production by 2029. Longford daily winter capacity is forecast to decline from approximately 679 TJ/day in 2025 to approximately 303 TJ/day in 2029, trending toward zero by 2034. These figures reflect expected production decline from mature fields and do not represent a downside scenario.

In that environment, the security and reliability of Victorian gas supply depends on both the timely development of new sources of supply and sufficient SWP capacity to deliver that supply to meet Melbourne demand. New LNG import infrastructure has the potential to be a major contributor to that outcome.

A regulatory framework that makes BLP looping investment conditional on supply source FID, when supply source FID is itself dependent on confidence that sufficient SWP capacity will be available when required, does not promote security and reliability of supply. Instead, it risks deferring both infrastructure and supply investment for the same reason and over the same timeframe.

The AER's Position Paper encouraged APA to work with AEMO and the Victorian Government to ensure future planning and investment outcomes are timely. Greater visibility

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regarding the pathway for future augmentation would support that objective and provide market participants with increased confidence that future supply and pipeline investments can progress in a coordinated manner.

### **3.2 Efficient investment in anticipation of foreseeable demand**

The National Gas Objective (NGO) requires efficient investment in anticipation of reasonably foreseeable demand. Foreseeable demand is not limited to demand from committed supply projects. AEMO's 2026 GSOO, the Victorian Government's energy policy framework and the active development of LNG import proposals in the Geelong region all point to the likelihood that new LNG supply will be required to support Victoria's future gas market.

APA has effectively acknowledged this by proposing expenditure to preserve a future augmentation pathway intended to support LNG import development in the Geelong region.

The rationale for the BLP early works program therefore rests on the premise that future LNG related augmentation is sufficiently likely to justify investment today. Against that backdrop, it is unclear why development of future augmentation should remain contingent upon a project specific commercial milestone rather than objective indicators of future system requirements.

While project commitment may provide additional confidence regarding timing and utilisation, it does not alter the underlying infrastructure need that APA has already recognised through the proposed early works program.

### **3.3 Long term interests of consumers**

APA's proposed compression works to 615 TJ/day are intended to address the near-term Winter 2029 supply risk. They do not address the supply gap that AEMO projects from 2030 onwards as Gippsland decline continues and gas powered generation demand grows in response to coal plant closures at Yallourn and Eraring.

For the early 2030s, the issue is no longer whether compression can provide a near-term uplift. The relevant question is whether the system has a credible, timely and cost effective pathway to deliver sufficient SWP capacity for replacement sources of gas supply. Available information from APA indicates that BLP looping is the infrastructure pathway required to materially address the post 2030 supply requirement associated with Geelong region LNG import supply. Near term compression does not remove that requirement.

This is directly relevant to the long-term interests of consumers. Consumer benefit is unlikely to be maximised if near term compression is treated as a substitute for the infrastructure pathway capable of materially addressing the post 2030 supply requirement. The AER's assessment should therefore consider whether APA's proposed BLP early works program is supported by sufficient clarity on scope, timing and delivery accountability to preserve a credible and efficient pathway to that outcome.

The AER's Position Paper identified relevant future supply pathways for the early 2030s, including Queensland gas via the expanded northern interconnection, which may require increased storage and additional SWP capacity to manage winter peaks, and Geelong area LNG, which would feed into the Lara to Brooklyn pipeline and may require expansion of that pipeline to meet peak demand. Both of these supply pathways require infrastructure beyond the compression stage. APA's Addendum initiates early works for both, which is the right direction. However, if the early works are undersized, the criteria for progressing future augmentation remain unclear or there is insufficient visibility regarding delivery against the

stated schedule, the early works may not deliver the augmentation outcomes they are intended to enable.

If the underlying assumptions regarding scope, progression and delivery do not ultimately translate into timely augmentation outcomes, there is a risk that the infrastructure constraints currently being addressed for Winter 2029 re-emerge later in the next decade.

## **4. Timing**

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Vopak supports APA's request that the AER issue its final determination as soon as reasonably practicable. Timely regulatory decisions assist market participants in assessing future investment opportunities and reduce uncertainty regarding infrastructure development pathways.

At the same time, the value of the determination lies not only in its timing but also in the confidence it provides regarding the scope, delivery and investment framework associated with the proposed expenditure.

From that perspective, addressing the issues identified in this submission would provide greater long term value than simply accelerating the determination process in isolation. A timely determination supported by a clear and transparent investment framework would provide the strongest basis for future infrastructure and supply investments in Victoria.

## **5. Summary of submission**

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The issues raised in this submission relate to three areas.

First, APA has not demonstrated that the proposed BLP early works program provides market participants with sufficient confidence in a deliverable capacity pathway for future LNG import supply. Early works may preserve a future option, but they do not, of themselves, demonstrate that sufficient pipeline capacity will be approved, funded, constructed and available when future supply projects are ready to operate.

Second, APA has not sufficiently explained why progression of future BLP augmentation should remain contingent upon project specific commercial milestones where the Addendum itself proceeds on the basis that additional SWP capacity may be required to support future sources of gas supply. Greater clarity is required regarding the objective conditions under which future BLP augmentation would be expected to progress.

Third, APA has not demonstrated how market participants can have confidence in the timing and delivery of the proposed augmentation pathway where the basis for progressing BLP augmentation beyond early works remains unclear. Vopak considers that the AER's final determination should require APA to provide clear delivery commitments and objective criteria for future BLP progression, including commencement timing, key milestones and the basis on which future progression decisions would be made.

## **6. Conclusion**

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APA's Addendum represents a meaningful improvement on the original Rule 80 application. The inclusion of early works for SWP and BLP looping and the revised delivery timetable collectively reflect a more realistic assessment of Victoria's future gas supply requirements and the infrastructure needed to support them.

The remaining issues identified in this submission do not detract from that progress. Rather, they represent areas where additional clarity would improve confidence that the proposed expenditure will deliver the outcomes relied upon by consumers, market participants and future supply developments.

In particular, greater transparency regarding the assumptions underpinning the proposed BLP scope, clearer visibility of the circumstances in which future augmentation would progress, and greater accountability regarding delivery of the early works program would strengthen confidence in the overall investment pathway presented by APA.

Given the importance of BLP looping to the post-2030 capacity pathway identified in APA's own stakeholder engagement materials, it is important that confidence exists at the outset. Addressing uncertainty now is likely to be more efficient than attempting to resolve scope, timing or delivery issues after market participants have already relied on the proposed augmentation pathway.

Vopak appreciates the opportunity to provide this submission and would be pleased to discuss any aspect of it with the AER.