

GAS STATEMENT OF OPPORTUNITIES

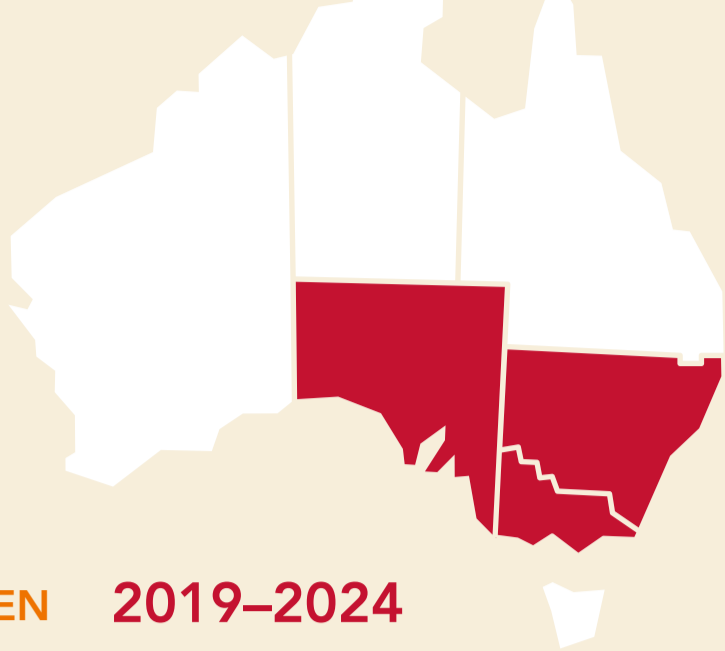
2017

The 2017 Gas Statement of Opportunities (GSOO) uses the demand forecast scenarios from AEMO's 2016 National Gas Forecasting Report, as well as production and supply information provided by industry, to report on annual consumption over a 20-year outlook period to 2036 and the adequacy of eastern and south eastern Australian gas markets to supply maximum demand.

FORECAST GAS AND ELECTRICITY SHORTFALLS

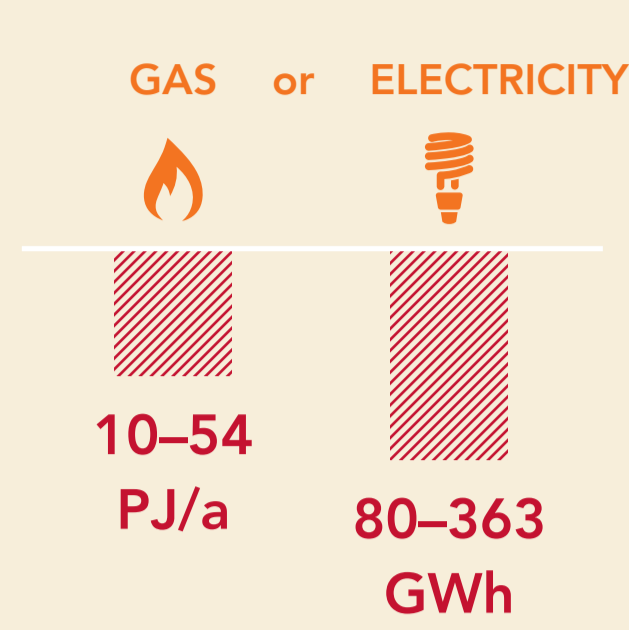
Additional gas production will be required to meet the needs of gas-powered generation and residential, commercial and industrial gas consumers.

The short falls may occur...



WHEN 2019–2024
WHERE Across South Australia, New South Wales, and Victoria

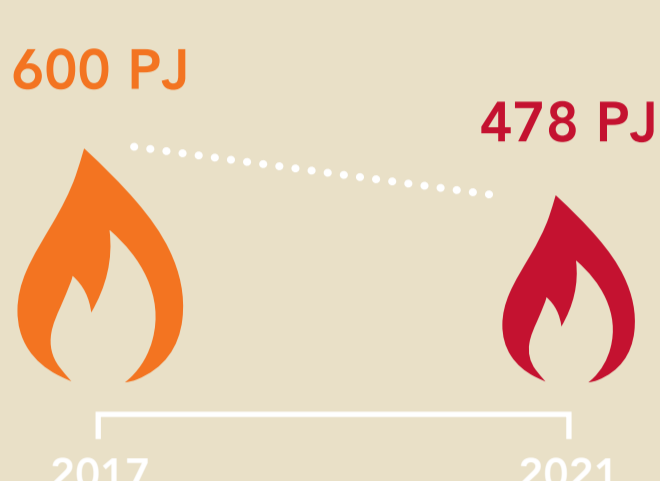
Projected shortfalls:



DOMESTIC GAS PRODUCTION IS DECLINING

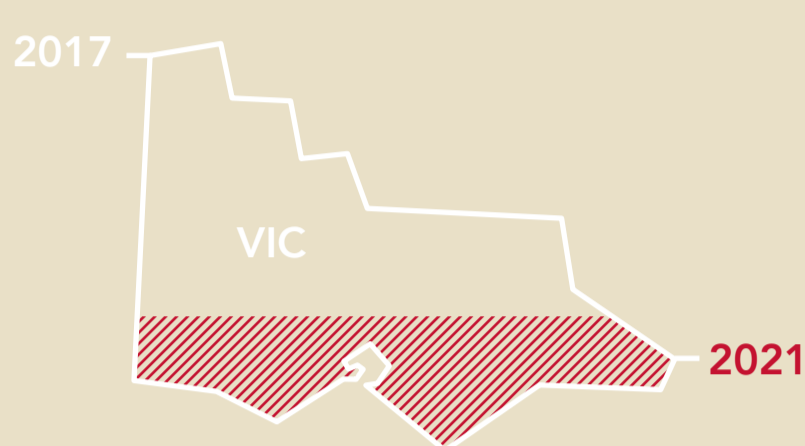
Information from producers indicates domestic gas production is in decline.

Forecast decline:



Approximately a **20%** decrease.

Production decline is most apparent in offshore Victoria.



Victorian production is forecast to reduce by **38%** between 2017–2021.

To meet forecast gas demand, increased supply from existing fields and/or exploration and development of new fields is required.

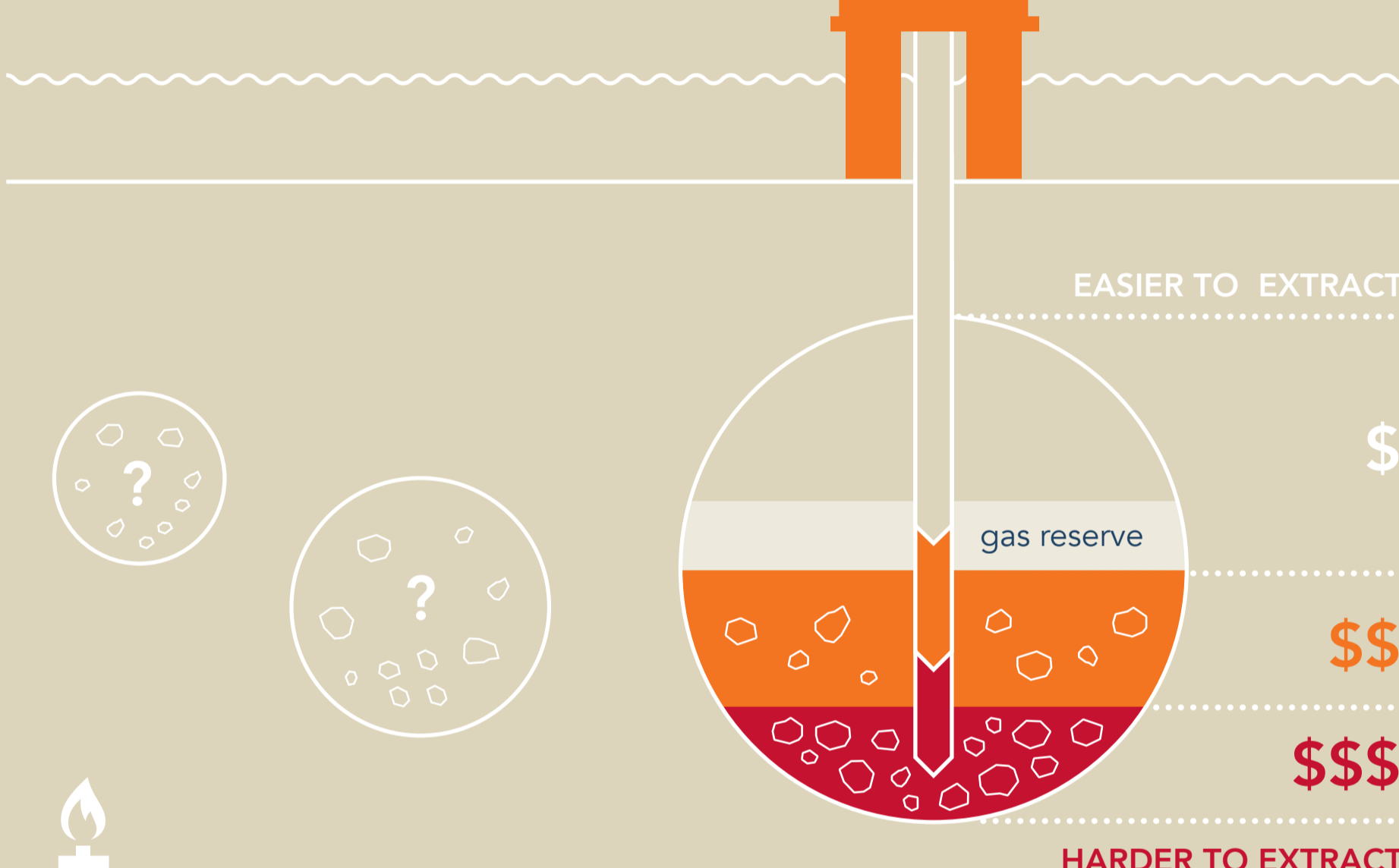


Yet...

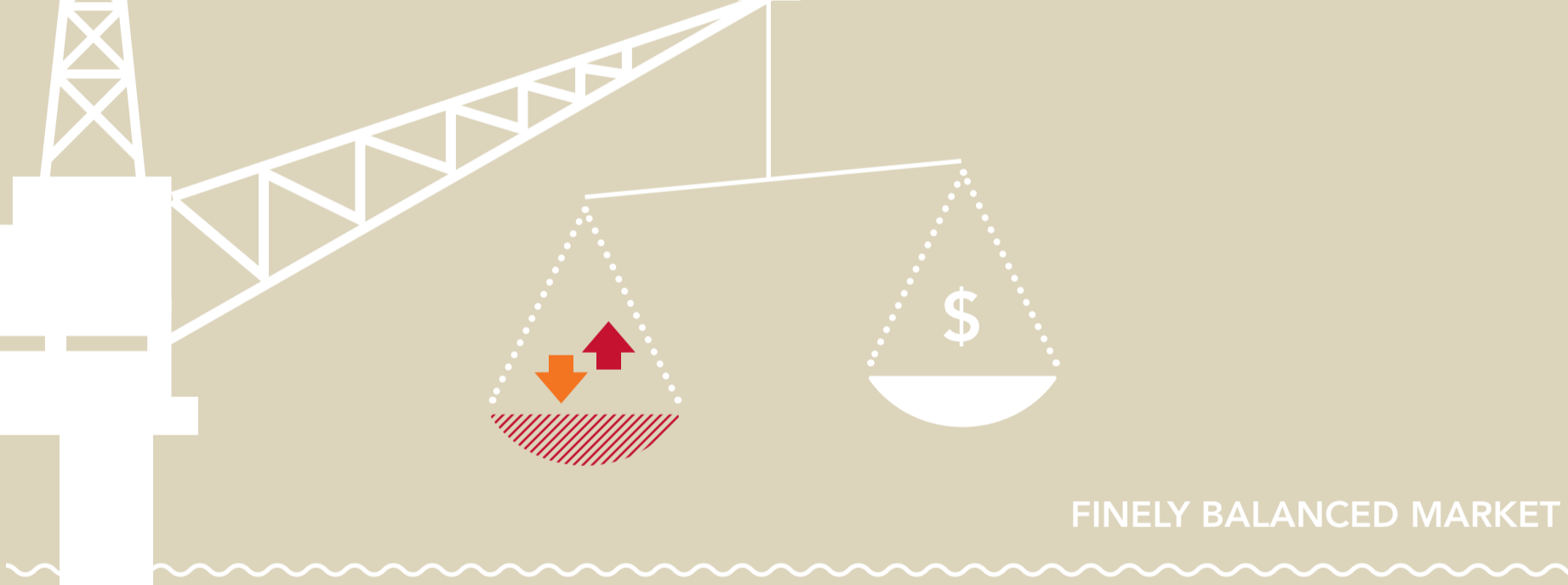
the number of oil and gas wells drilled in Australia has effectively **halved** since 2014.

WHAT ARE THE IMPACTS ON ENERGY SECURITY AND CONSUMERS?

Even if more gas is produced, this may not translate to lower gas prices. Existing, low cost gas reserves are in decline and sourcing and extracting new gas is more difficult and costly.



High gas prices may have negative impacts:

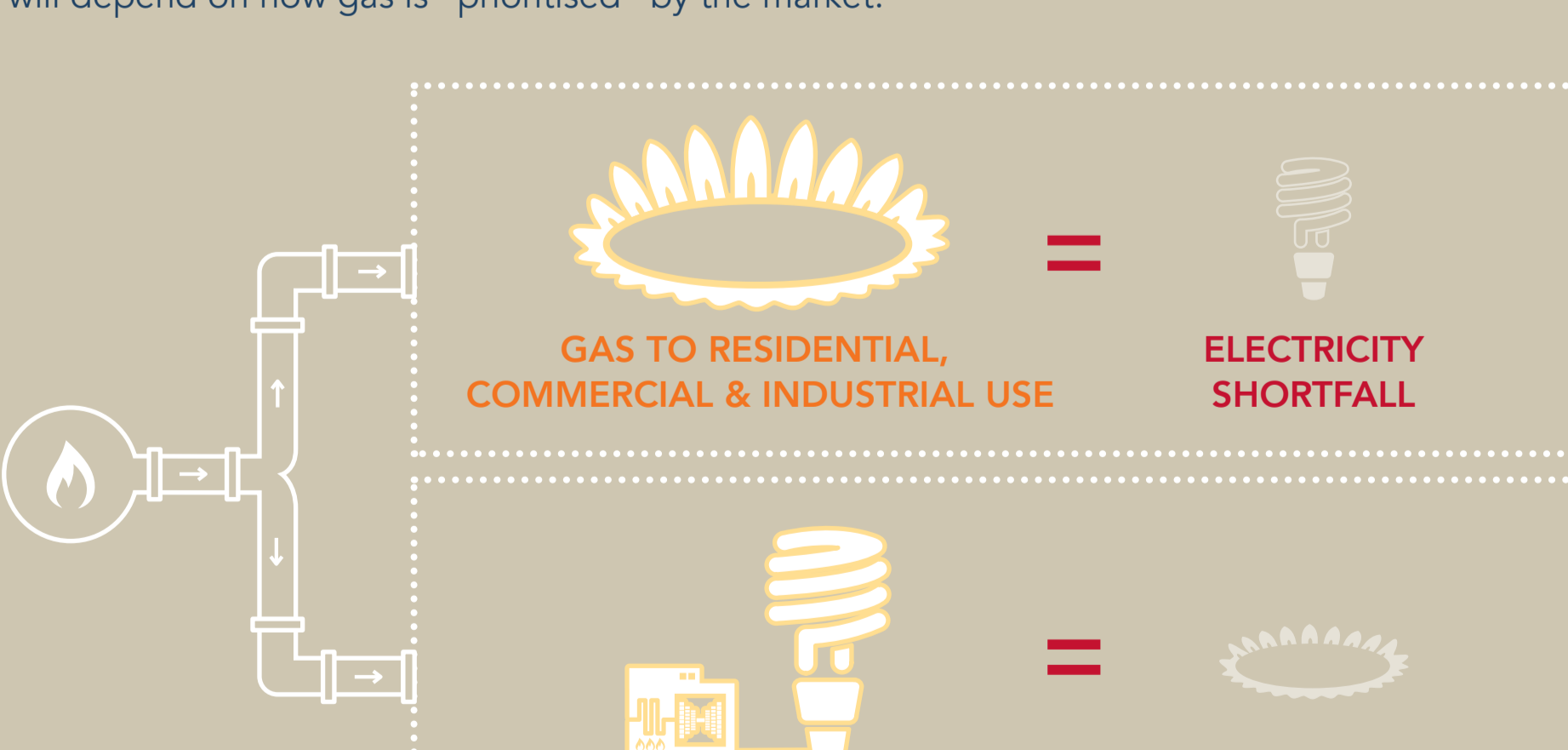


- ↑ GAS PRICE**
The forecast gas supply shortfall will likely result in the price of gas rising. Financial viability of some industrial and commercial loads may be threatened, reducing forecast demand.
- ↓ CONSUMPTION**
Commercial and industrial sectors may reduce their annual consumption of gas.
- ↓ ELECTRICITY SUPPLY**
Without gas development to support GPG, electricity shortfalls could occur. Increasing gas prices will drive rises in electricity prices, threatening the viability of vulnerable electricity loads.
- ↓ GAS STORAGE**
Declining gas production will require the expansion of gas pipelines to ensure underground storage can be filled to meet Victoria's winter gas demand.

INTERDEPENDENCIES – WHY GAS AND ELECTRICITY GO TOGETHER

Reliable electricity supply requires reliable gas supply. Its availability and price also impacts the price and supply of electricity.

Unless additional gas is produced, there could be either a gas or electricity shortfall between 2019 and 2024. Which scenario occurs will depend on how gas is "prioritised" by the market.



The convergence of energy markets demands a single energy view – gas and electricity markets can no longer be viewed in isolation. Holistic planning is required across the entire supply chain to deliver energy security.

This interdependence will only increase as gas plays a pivotal role as a transition fuel in Australia's lower emissions future.

