PRELIMINARY GAS PRICE PROJECTIONS for the 2021 GSOO

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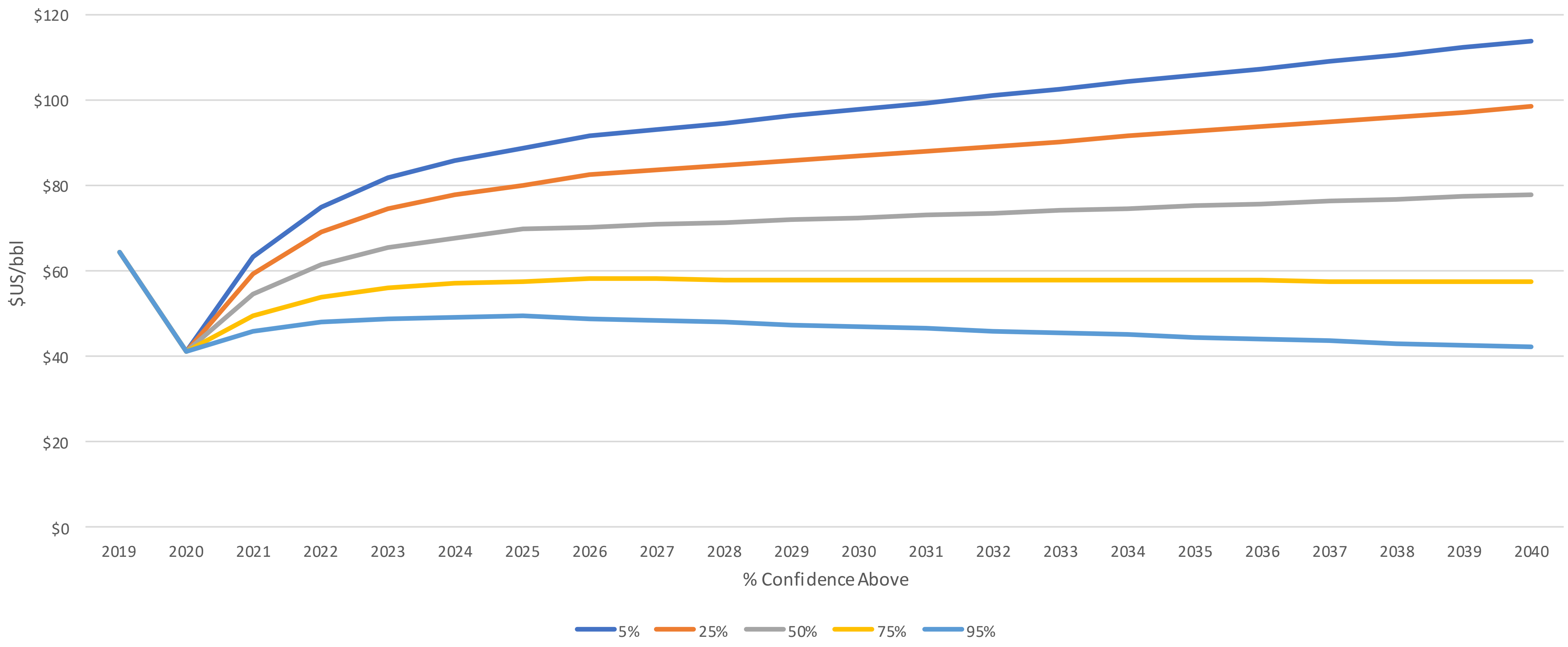
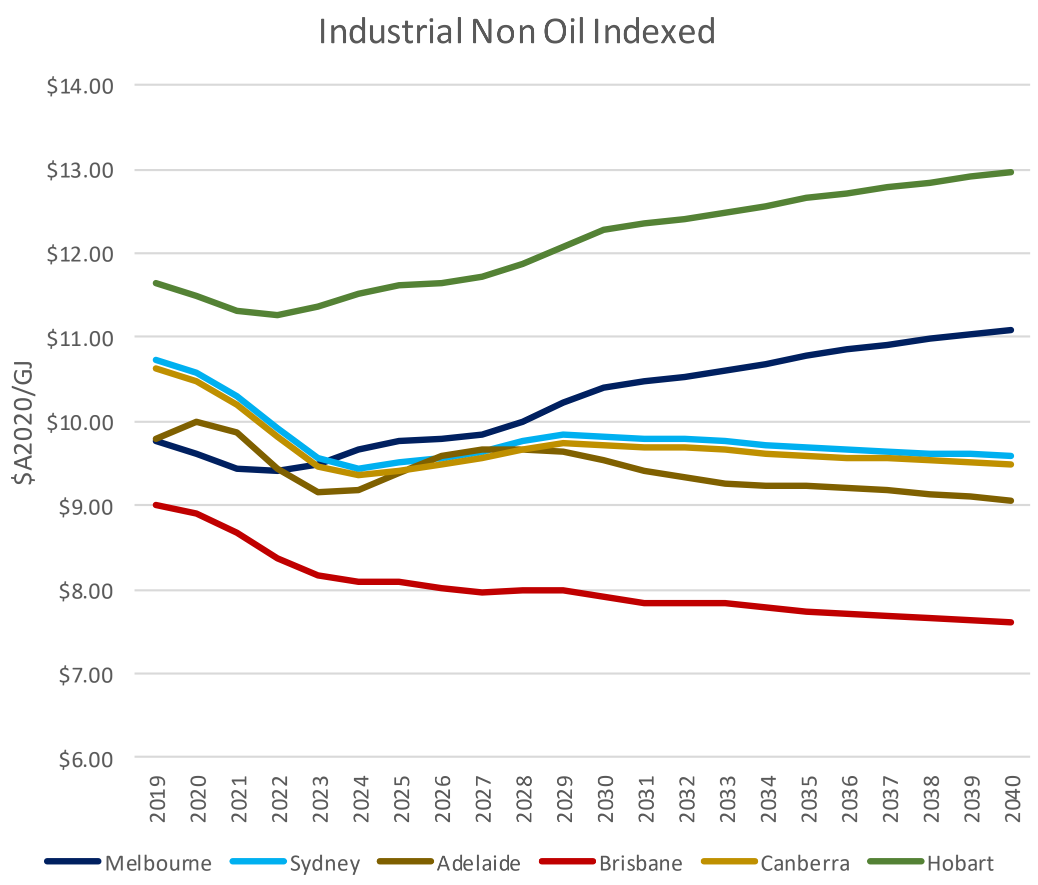
Applied Methodology

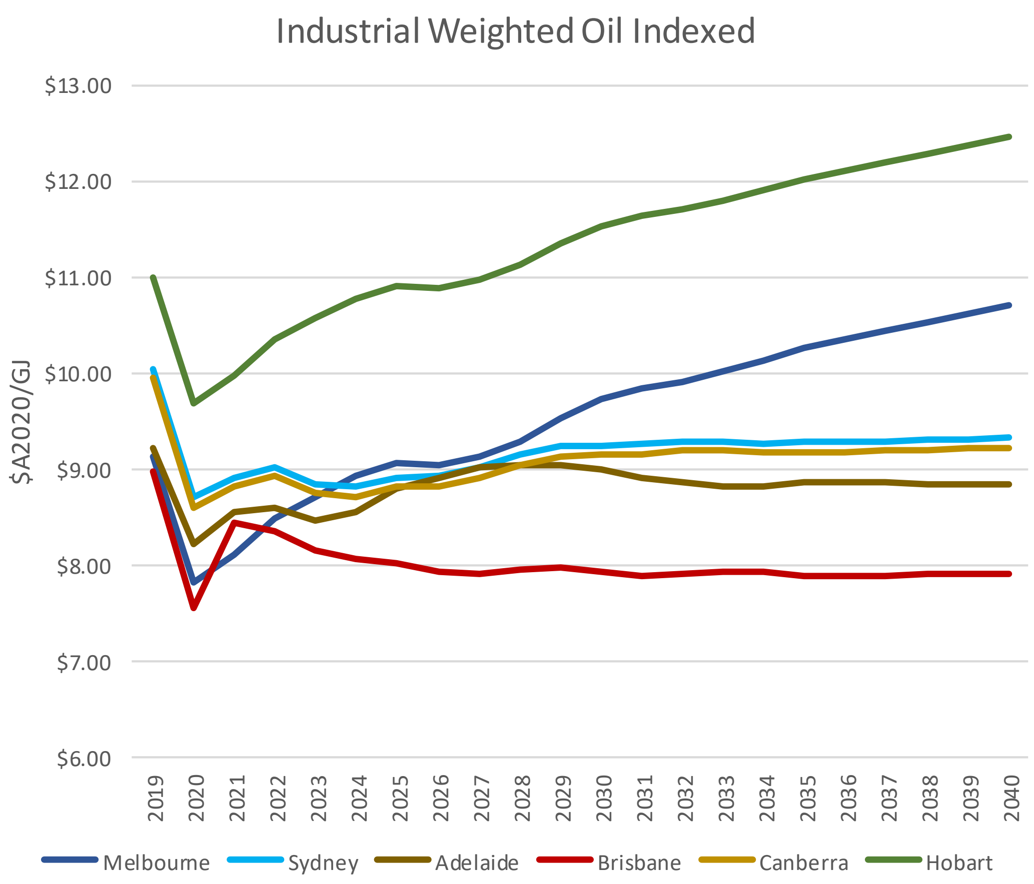
- Methodology captures the realities of the Eastern Australian gas market
- Prices are the outcome of demand-supply balance
- Prices set in the New Contracts market, which brings incremental gas to market
- Initial contract prices benchmarked to ACCC Gas Inquiry data
- New Contract Demand = Gap between GSOO forecast and previously contracted gas
- Potential Supply = Uncontracted capacity, based on reserves, development timing
- Supply Cost = 2P undeveloped or 2C
- Distributed market solution – producers compete to maximise profits across 10 zonal markets
- LNG market represented – Queensland exporters compete with global suppliers
- Oil indexation – reductions assumed

Oil Price Projections –EIA Data

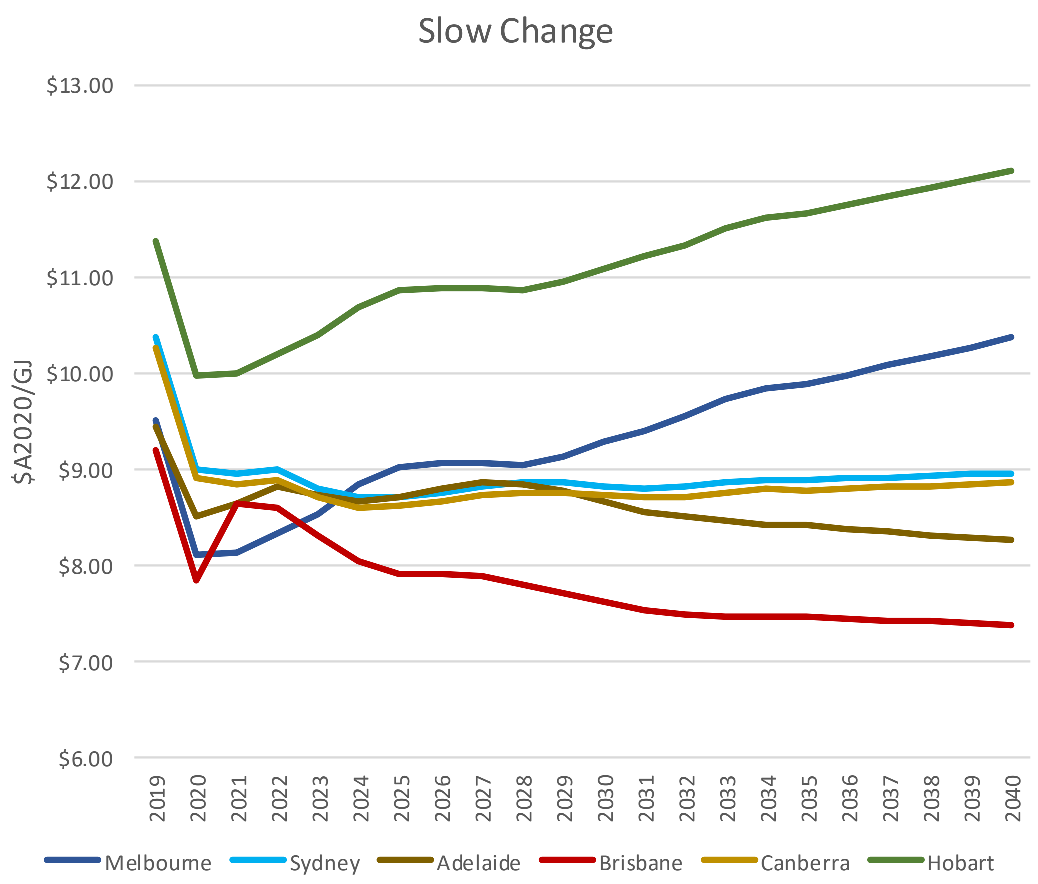


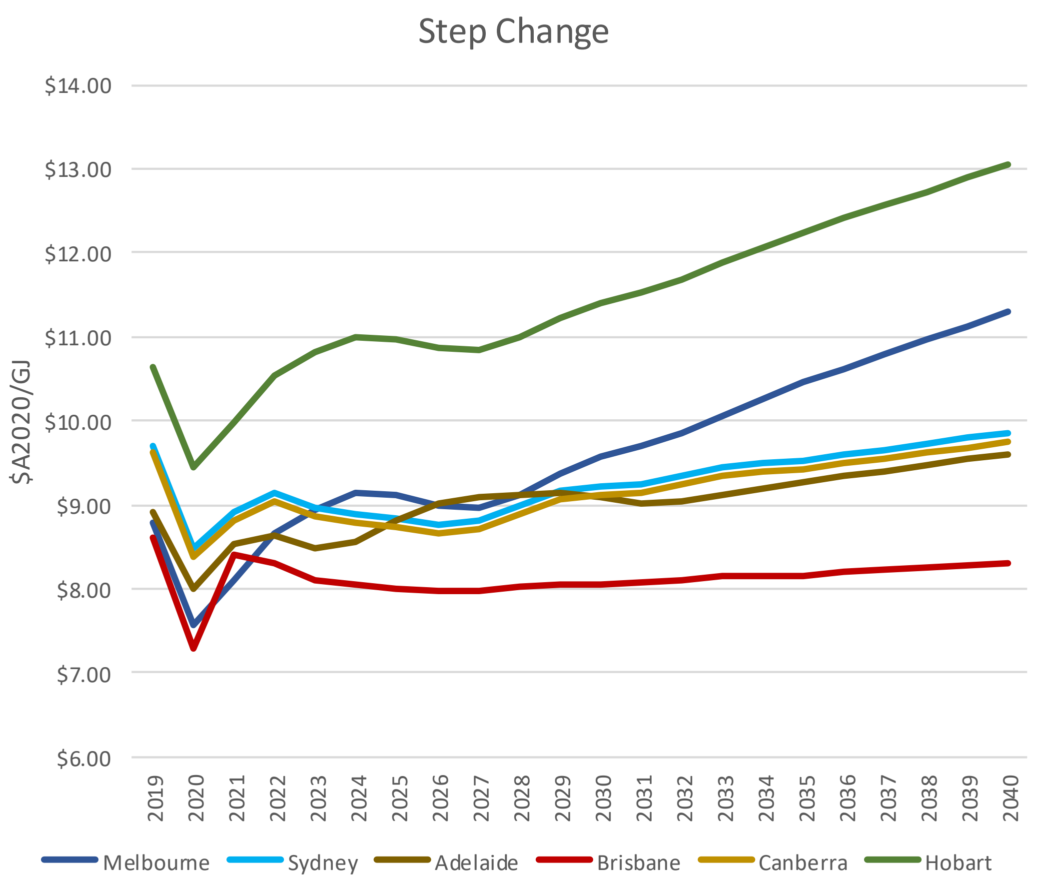
Central Scenario





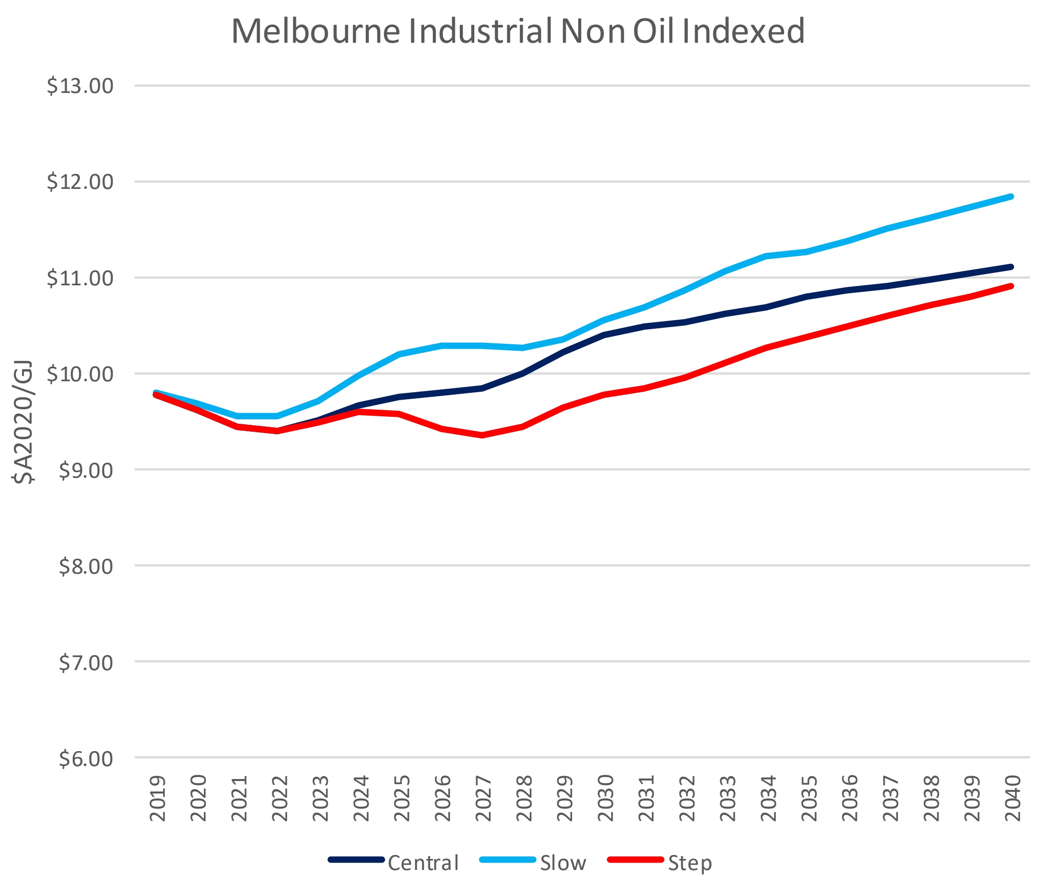
Slow & Step Change Scenarios (weighted oil indexed)

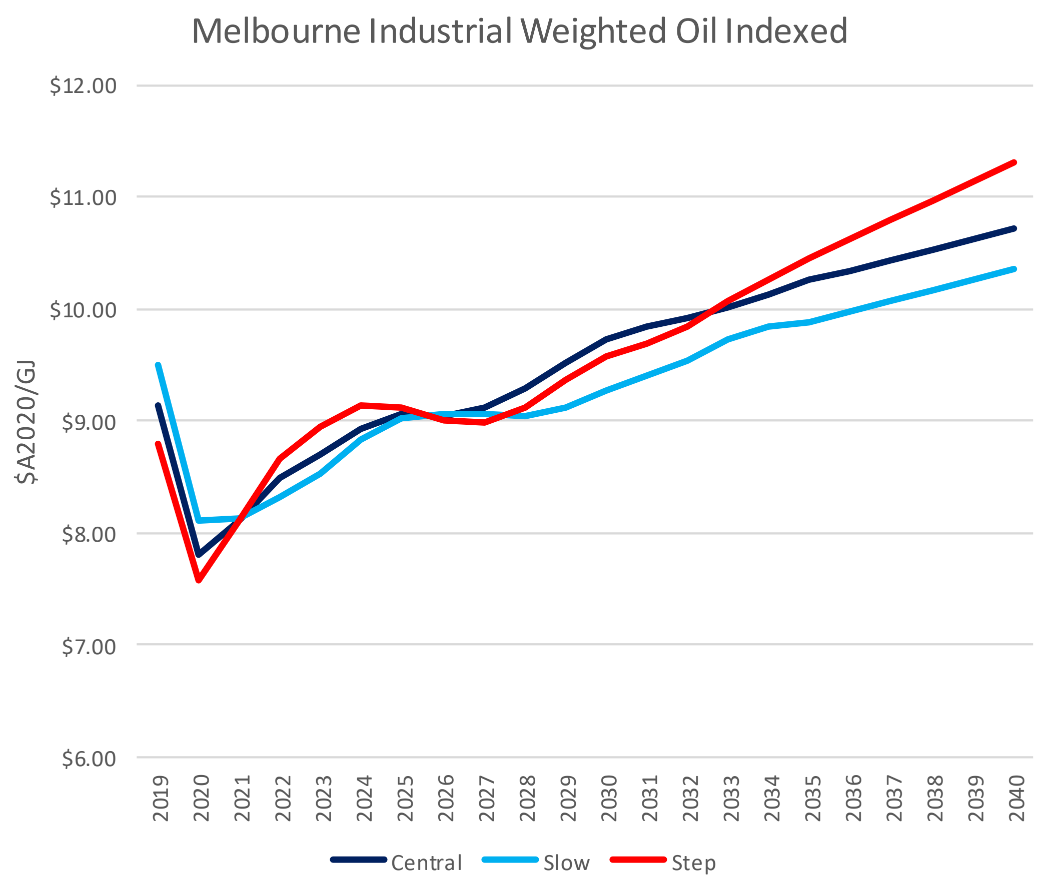




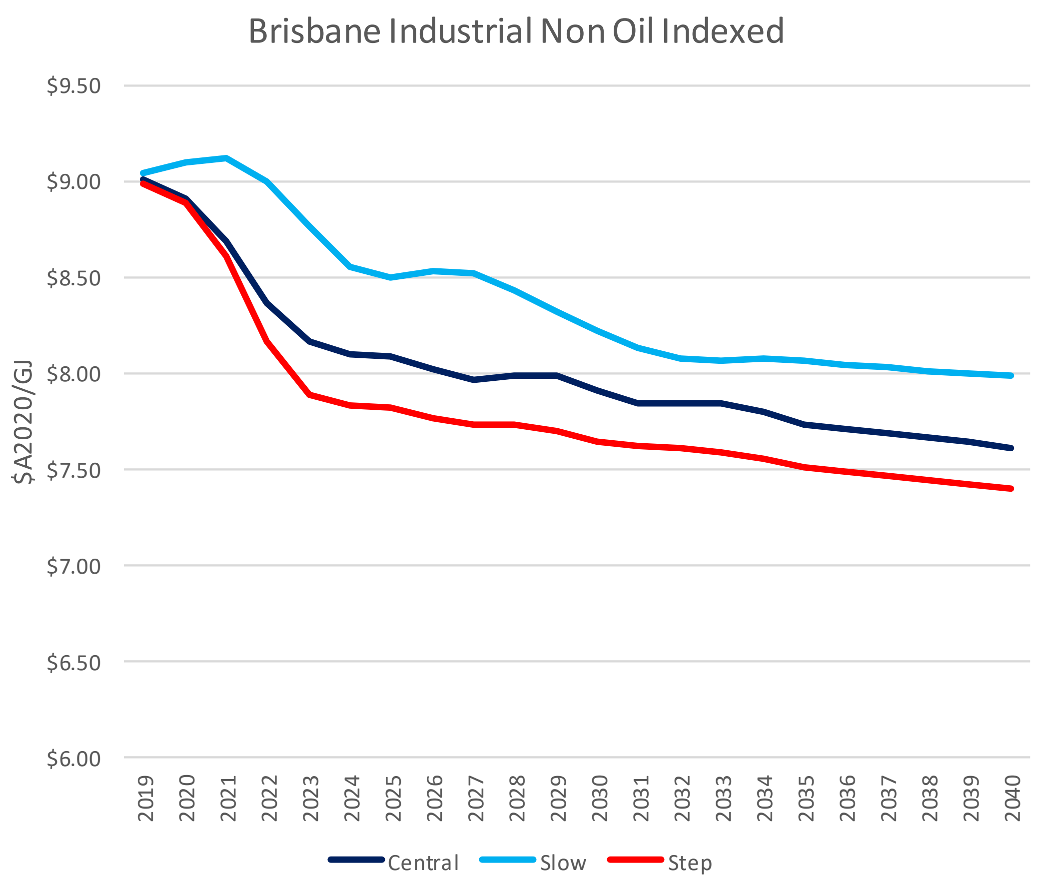
Appendices

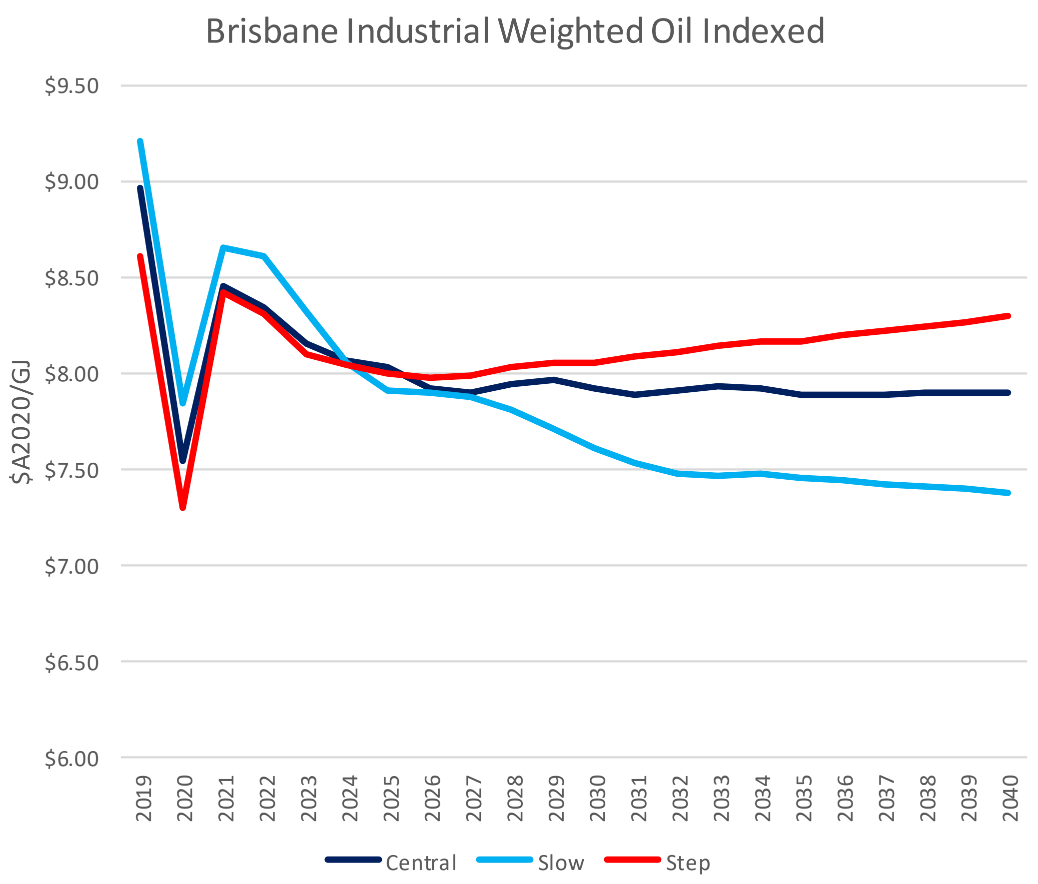
Scenario Comparison - Melbourne





Scenario Comparison - Brisbane





Notes on Outcomes

- Pre Oil Indexation
  - Melbourne prices rise as southern gas supply declines.
  - Brisbane prices fall due to the HoA, increasing supply and reducing costs.
  - Adelaide and Sydney prices fall between Melbourne and Brisbane and are relatively flat in all scenarios after 2025
- Weighted Oil Indexed
  - Oil indexation is assumed to trend down to 50% of contracted volume by 2025
  - The indexes used tend to reverse the scenario relativities compared to non-indexed prices

Notes on Modelling

- Industrial = High load factor
- R&C prices = Industrial + Load Factor Adjustment (Pipeline & Storage)
- GPG prices = R&C + Site specific adjustments