

INQUIRY INTO ELECTRICITY SUPPLY, DEMAND AND PRICES IN NEW SOUTH WALES

Organisation: Gulf Energy Limited

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The Gas Crisis

“Increasing gas supply in Australia is vital for our energy future and vital for industries and jobs.”

Malcom Turnbull (National Press Club Speech, 1 February 2017)

We're Not Fracking Idiots

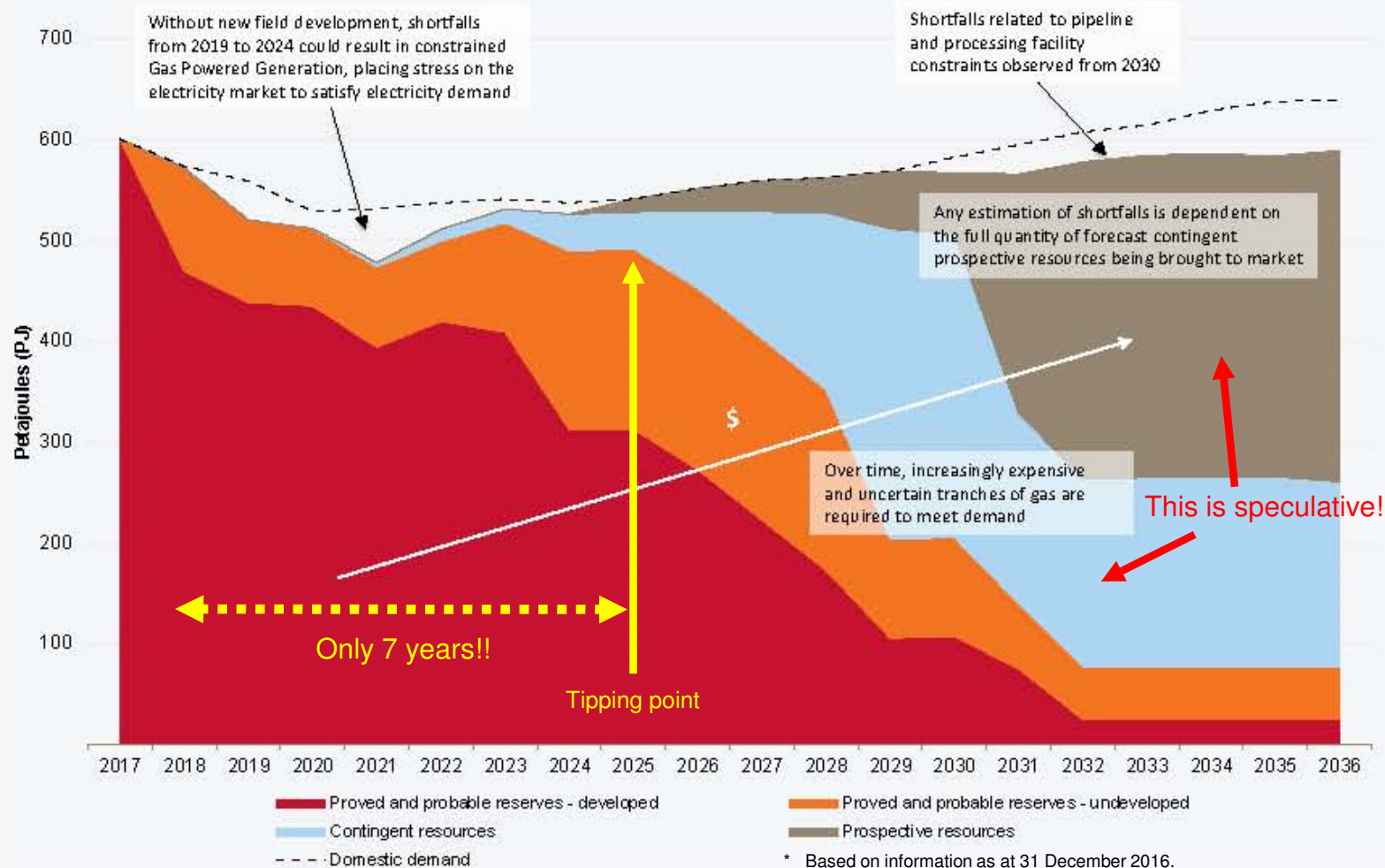


- A major part of our east coast gas reserves are being exported overseas by a small group of companies.
- As part of this, domestic gas supplies are being diverted to satisfy overseas gas contracts.
- This is causing an east coast domestic gas supply crisis ("engineered" by the gas exporters?).
- The result - a surge in east coast energy prices (some of which looks like opportunistic "price-gouging").
- Restrictions on coal seam gas production, especially fracking are sensibly protecting the environment, agriculture and social amenity.
- Australia is a gas rich country.
- Need to make gas supply to east coast domestic market our priority, ahead of export (freeze gas export contracts?).
- "We have to look at all options to shake up the sector".

The Problem Could Be Worse Than We Think!

Eastern and south-eastern Australia domestic gas production (excluding LNG), 2017-36

Source: Aust. Energy Market Operator - Gas Statement of Opportunities for Eastern and South-Eastern Australia 2017*





What's Needed?

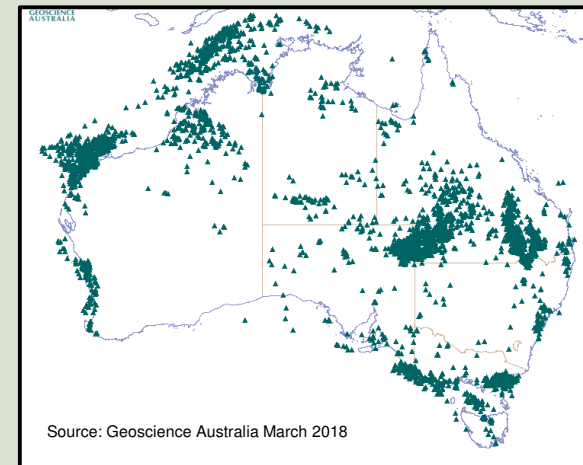
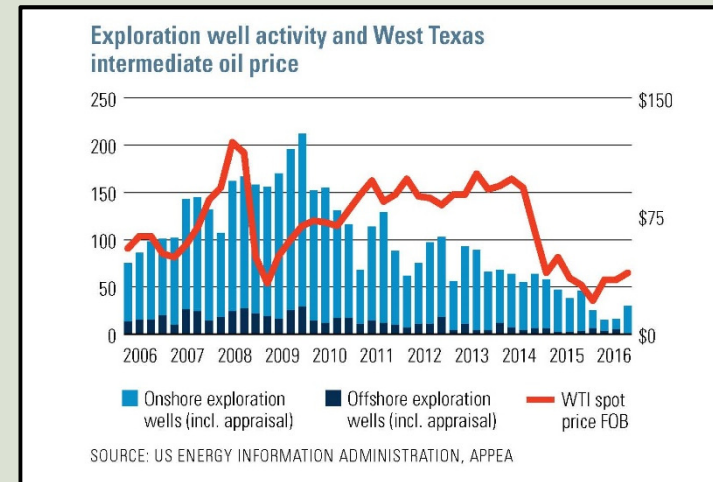
“Coming together is beginning; keeping together is progress; working together is success.”

Henry Ford, industrialist (1863-1947)

Make the 'Pie' Bigger

The current debate is based on the gas we believe we have. *We need to increase the amount of gas by finding new gas deposits.*

- Gas is the 'transition fuel' from the carbon present to the non-carbon future.
 - You can only find more conventional gas by drilling more exploration wells.
 - Exploration drilling (especially for conventional gas) has dropped alarmingly since 2009.
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- Australia is 'under drilled' compared with comparable sized countries. Vast parts of Australia remain essentially unexplored.
 - Not only is Australia underexplored, the exploration drilling rate is plunging and most of the few exploration wells are **NOT** being drilled in new areas.



Encourage Investment & Exploration

- **Objective: Encourage investment in exploration for new conventional gas deposits.**
- **How? Implement policies that attract investment:**
 - Make exploration for conventional gas in new areas a priority.
 - Flow through of tax credits (deductions) to those investing in companies seeking new petroleum deposits.
 - Extra tax deductions for investments in explorers pursuing new petroleum plays, outside established petroleum producing areas.
 - Tax benefits would only apply to investments in Australian companies exploring new conventional plays looking for new petroleum reserves.
 - New gas found must supply local market first (on reasonable terms).
 - Reduced fees, charges, delays on petroleum exploration and development activities.
- **The benefits:**
 - Revitalised, more robust Australian petroleum exploration and development industry. Australia becomes less dependent on the whims of foreign petroleum companies.
 - More new explorers => increased exploration drilling => more new sources of conventional gas being found.
 - More gas => more suppliers => more competition => lower energy prices.
 - Avoids sovereign risk issue for future potential investors.
 - No coal seam/'tight' gas fracking environmental issues.





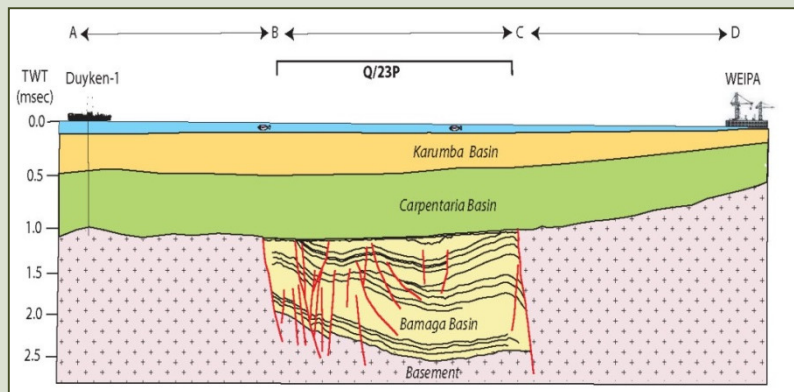
Solving New South Wales' Gas Problem

"Several times in the past we have thought that we were running out of gas, whereas actually we were only running out of ideas."

Parke A. Dickey, geologist (1910-1995)

Bamaga Basin: Exciting Giant 'New Basin' Opportunity Missed by Others

- Bamaga Basin's presence only confirmed in 2012 by GULF. Overlooked before then.
- Q/23P covers the Bamaga Basin's prospective parts.
- Bamaga Basin sediments are believed to be of an age known for prolific petroleum generation.
- GULF has delineated at least 11 traps capable of trapping **VERY LARGE** volumes of gas.
- Q/23P's potential is **independently endorsed by leading international experts Gaffney Cline & Associates¹ and Dr Marita Bradshaw².**



- 1 Gaffney Cline & Associates, a leading global independent industry expert in matters relating to petroleum exploration, development and production.
- 2 Dr Marita Bradshaw, formerly Group Leader Petroleum Prospectivity & Promotion with Geoscience Australia.

Gulf of Carpentaria: Basins & well control



A Public-Private 'Partnership'

The Partnership Roles

GULF's Role:

- Access capital for exploration and development.
- Drill the high potential targets as soon as possible (target: 2019).
- Develop discoveries quickly, economically and responsibly (target: first gas production mid-2020s?).
- Supply gas (CNG/LNG) to NSW by sea – avoid pipeline and regulatory 'choke points'.

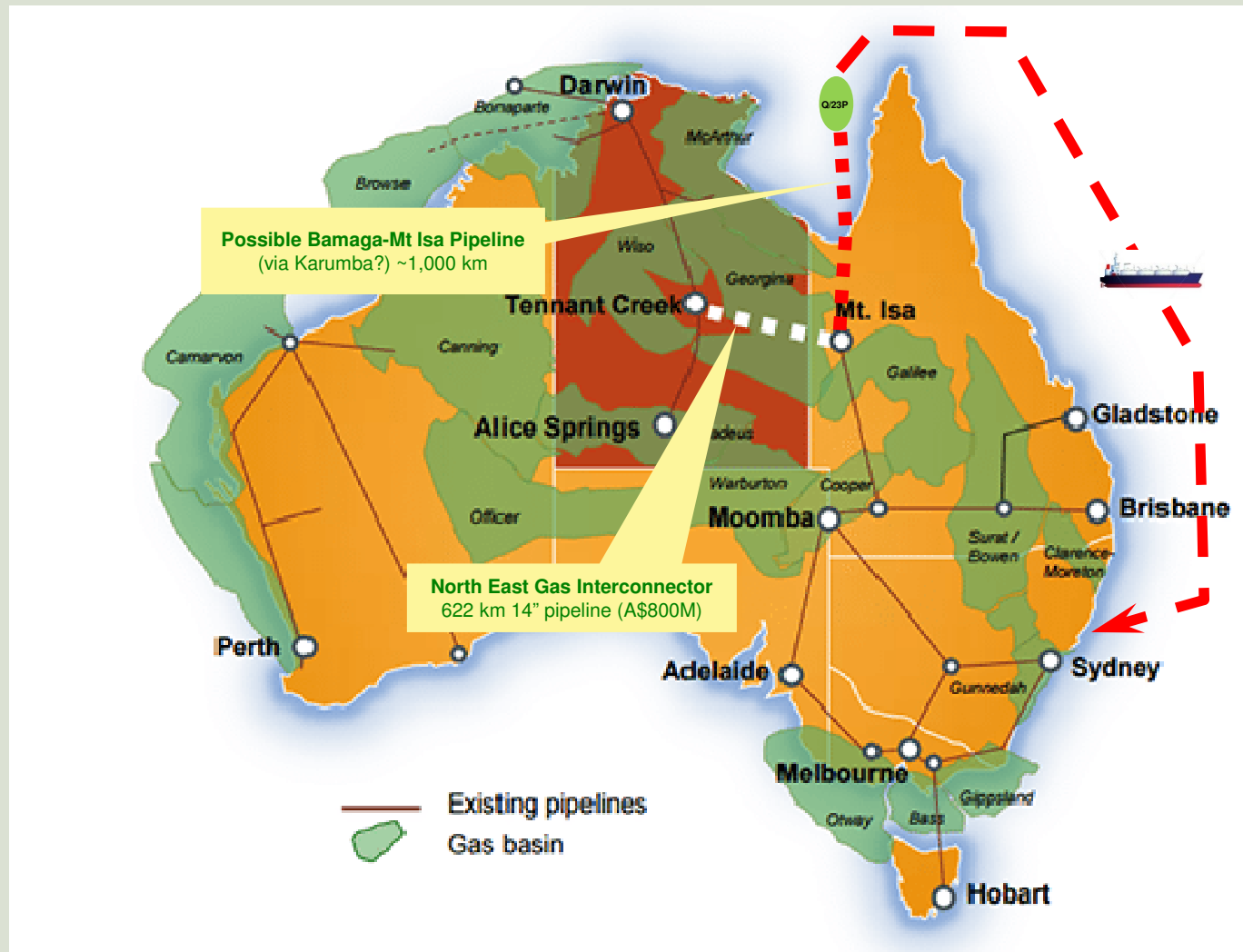


NSW Government's Role:

- Helping GULF develop key relationships with –
 - Federal Government.
 - Investors and financiers.
- Take control of NSW's energy security - support GULF's fund raising efforts through a conditional arrangement to buy gas from Q/23P production.



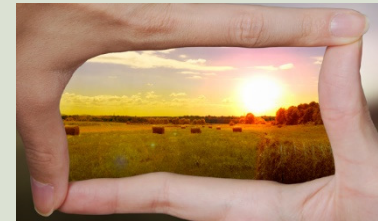
Concept: Gas to New South Wales, by Sea

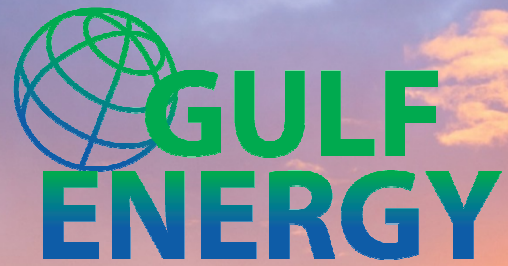


Many Benefits For New South Wales

Success in the Bamaga Basin will offer NSW these benefits:

- **Gas security: access to major new gas supply source to fill the supply chasm** (target: first gas production mid-2020s?)
- **Lower cost energy** compared with many/most of the near term alternatives.
- **Bypass gas transportation ‘choke points’** (i.e. onshore pipelines) – gas transportation by sea.
- **Prevent economic and social dislocation.**
- **Better managed and smoother transition** to a carbon free energy future. Gas is the ‘transition fuel’.
- **Environmentally more attractive, and politically more sellable**, than coal or unconventional gas (fracking).
- **Jobs and investment** for gasification plants (CNG/LNG to gas) in NSW.
- Gasification hubs in Wollongong and Newcastle could **spur development and expansion** of these cities, taking population and infrastructure pressures off Sydney.





Managed Risk. Extraordinary Potential.

For more information please contact:

Wolfgang Fischer, Managing Director

Email: contact@gulfenergy.com.au

Website: www.gulfenergy.com.au