

12 December 2022

Wholesale gas market – Government announcements

- **Proposed gas price cap not expected to apply to Cooper Energy 2023 sales**
- **Cooper Energy's recently signed OP3D gas sales agreement not impacted**
- **Government proposal undermines the incentive to explore and develop incremental gas at the very time it is most needed**

Late on Friday 9 December the Australian Government [announced](#) a package of measures intended to address high energy prices for end users. The measures include:

- a mandatory Code of Conduct for gas producers and customers, including pricing principles, to be in place by early 2023; and
- a 12 month price cap of \$12/GJ on the sale of wholesale gas by producers in certain circumstances during 2023.

Comments on the Government's [proposals](#) have been requested within three business days for the draft bill and within five business days for the proposed price cap.

The most competitive source of new supply for the South-east Australia region is from within South-east Australia itself. Therefore, Cooper Energy Ltd (ASX:COE) is focussed on producing, developing and exploring for gas in the Otway and Gippsland basins to help address this unmet demand.

Cooper Energy impacts

Cooper Energy is a signatory to the existing Voluntary Code of Conduct for the gas industry. The proposed mandatory Code, which remains open for consultation until February 2023, is intended to strengthen that existing voluntary Code and includes a reasonable pricing obligation linked to the marginal cost of supply into the domestic market.

AEMO's *2022 Gas Statement of Opportunities* considers the marginal cost of supply to be imported LNG.

Cooper Energy's existing producing assets together with our growth prospects are at the low end of the delivered gas cost curve and close to key demand markets.

Regarding the Government's proposed 2023 gas price cap, and consistent with the industry in aggregate, approximately 85% of Cooper Energy's gas sales for 2023 are under medium- and long-term gas sale agreements, with the remainder sold as spot volumes. These existing gas sale agreements are excluded from the cap, as is gas sold into the Victoria and Sydney spot gas markets.

The company's recently announced OP3D project [gas sales agreement](#) with AGL – one of several long term gas contracts recently agreed in the Australian gas market – is also not impacted.

The impact on Cooper Energy from the proposed gas price cap is therefore anticipated to be limited to the extent spot prices during 2023 are influenced by the one-year wholesale gas price cap.

Cooper Energy comments

AEMO forecast a gas supply shortfall in South-east Australia¹ of 83 PJ in 2025² and growing thereafter. This shortfall is equivalent to 36% of total forecast annual supply in 2025.

New and additional supply required to reduce this shortfall must come from new South-east Australia developments and discoveries and then Queensland coal seam gas, to prevent the market becoming overly reliant on imported LNG at a time of increased global LNG demand.

The level of investment in exploration and development required to reverse this growing domestic gas supply shortfall has already fallen well short of what is required. The pending shortfall in local gas supply, amidst continuing demand for gas for industry, households and electricity generation will place further upward pressure on prices and increase the risk of gas and electricity supply interruptions.

The Government's proposed intervention will create significant additional uncertainty and constraints on the gas exploration and production industry. This intervention is a significant disincentive for companies to explore and pursue new supply. Therefore, it is imperative that the price cap be restricted to 2023 only and that the mandatory Code of Conduct be very explicit in its support for market pricing not only to remove any uncertainty but, actively encourage gas exploration and development.

Commenting on Friday's announcement, Managing Director David Maxwell said "To maintain reliable supply and mitigate against gas and electricity supply interruptions and/or much higher prices because of a dependence on imported LNG, the Government must focus on supporting domestic gas suppliers, such as Cooper Energy, to develop new competitively priced gas supply. This is the logical path to reducing the supply deficit and managing gas prices."

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Cooper Energy Limited (ASX: COE) is an exploration and production company which generates revenue from gas supply to south-east Australia and low-cost Cooper Basin oil production. The company is an emerging player in the south-east Australian energy sector holding a portfolio of gas supply contracts and one of the most extensive portfolios of gas-focused acreage and assets, including well located reserves and resources in the Otway and Gippsland basins. These include the Sole gas field in the Gippsland Basin which recently became the first new offshore gas development in south-east Australia to commence production in several years, the Casino Henry operations in the offshore Otway Basin and undeveloped resources such as Manta and Annie.

This release contains forward looking statements. These statements are subject to risks associated with the oil and gas industry. Cooper Energy believes the expectations reflected in these statements are reasonable. A range of variables or changes in underlying assumptions may affect these statements and may cause actual results to differ. These variables or changes include but are not limited to price, demand, currency, geotechnical factors, drilling and production results, development progress, operating results, engineering estimates, reserve estimates, environmental risks, physical risks, regulatory developments, approvals and cost estimates.

¹ New South Wales, Victoria, Australian Capital Territory and Tasmania.

² AEMO Gas Statement of Opportunities, March 2022, figure 39.