Media release

Independent modelling reveals high cost of proposed gas reservation

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Independent economic analysis commissioned by Beach Energy and prepared by Kroll has found the costs of the Federal Government's proposed 20 per cent east coast gas reservation scheme far outweigh its benefits, acting as a handbrake on the economy and southern gas exploration, development and production.

Key findings of the Kroll report include;

- The gas market is well supplied until the early 2030s and the east coast does not face geological scarcity. Sufficient reserves exist for the next decade and beyond. The real issue is timely investment, approvals, infrastructure, and contracting - particularly in southern basins.
- A permanent 20 per cent reservation is mismatched to a conditional, seasonal, and operational problem. It risks suppressing price signals exactly when new southern supply, storage, and transport infrastructure is most needed.
- Despite short term lower gas prices for domestic consumers, the modelling shows net welfare losses of about **$2.9 billion** annually under a 20 per cent reservation (and $1.5 billion at 15 per cent), driven by foregone export revenue, lost producer surplus, and infrastructure inefficiencies.
- By 2030, the scheme is projected to reduce Australia's real GDP by **$653 million** annually (20 per cent case reservation case), with Queensland bearing the largest impact.
- The policy could worsen peak day shortfalls in the southern market and **bring them forward to 2027** by displacing southern production that is vital for winter demand peaks.

The report's findings show the reservation proposal would weaken the domestic gas industry that underpins Australia's energy security.

Beach Energy's position is the final policy must;

- Be prospective so as not to penalise domestic producers for their investments since the advent of the east coast LNG export industry.
- Be calibrated in scale to the market need to encourage investment in domestic gas exploration and development and not seek to oversupply the market.
- Be pro-competitive and not force gas sales at sub-economic prices.

- Incorporate a transparent and equitable mechanism that recognises the essential role of domestic producers in the east coast market.

"As currently drafted, the scheme undermines the objectives it is meant to serve," said Beach Energy Managing Director and CEO Brett Woods. "It reallocates gas rather than creating new supply, weakens investment in the southern basins where supply matters most, and carries a real economic cost without solving the winter reliability problem. There is a better way to deliver secure, affordable gas, and we want to work with the Government to get there."

The risk of $2.9 billion annual net welfare losses to the economy highlights how complex the gas system is and how carefully any changes should be considered. For example, the report reveals the cost to the economy of each gigajoule of gas reserved is more than $15, showing how a poorly designed gas reservation acts as a handbrake on jobs and living standards in Australia.

Importantly, the data shows the east coast gas market is not in structural annual shortage. Notwithstanding global energy shocks, domestic gas prices remain amongst the lowest quartile of developed economies and comfortably lower than our trading partners and manufacturing competitors in east Asia.

The real challenge for Australia is seasonal gas deliverability in the southern states which is best supported by more domestic gas exploration and development, strategic gas storage and infrastructure investment.

Beach Energy is calling on Government to carefully reconsider

"Australian households, farmers and businesses value energy security more than ever, but this policy risks delivering a handbrake on the economy and shrinking the oil and gas industry by reallocating gas rather than generating new supply," Mr Woods said.

About Beach Energy

Beach Energy is an ASX listed, oil and gas exploration and production company headquartered in Adelaide, South Australia. Founded in 1961, Beach today has oil and gas production in five basins across Australia and New Zealand and is a key supplier of gas into the Australian east coast gas market.

About the Kroll Report

Beach commissioned Kroll to prepare the Report for the purposes of providing independent economic modelling and policy analysis in relation to the design of a prospective domestic gas reservation framework to support Beach in its engagement in policy consultation and associated public disclosure in relation to that framework. Further details with respect to this engagement are set out in the transmittal letter attached to the Kroll Report on Beach's website.

Authorisation

This announcement has been authorised for release by Brett Woods, Managing Director and Chief Executive Officer, 80 Flinders Street, Adelaide, SA, 6000.

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