

# Gas Wholesale Market Update

Oct 2022

Dan Quinn



**EnergyAustralia**  
LIGHT THE WAY

# Domestic Gas Spot Price – all time highs

## South East Coast Domestic Spot Price

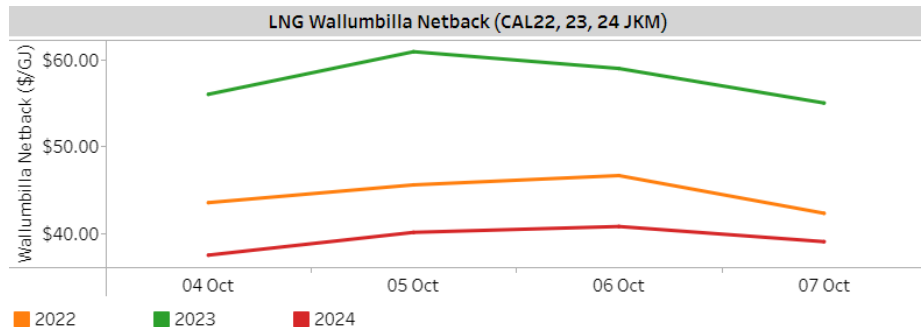
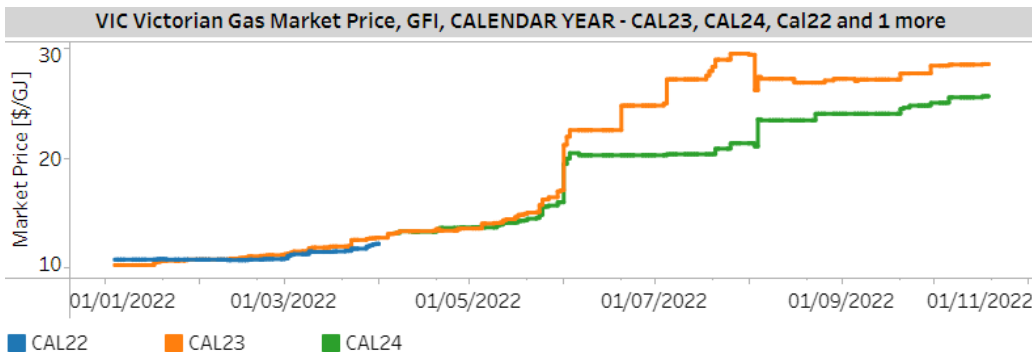


- VIC spot price hit administered price cap in June.
- VIC spot now \$20/GJ (high for low demand shoulder period)

### Why?

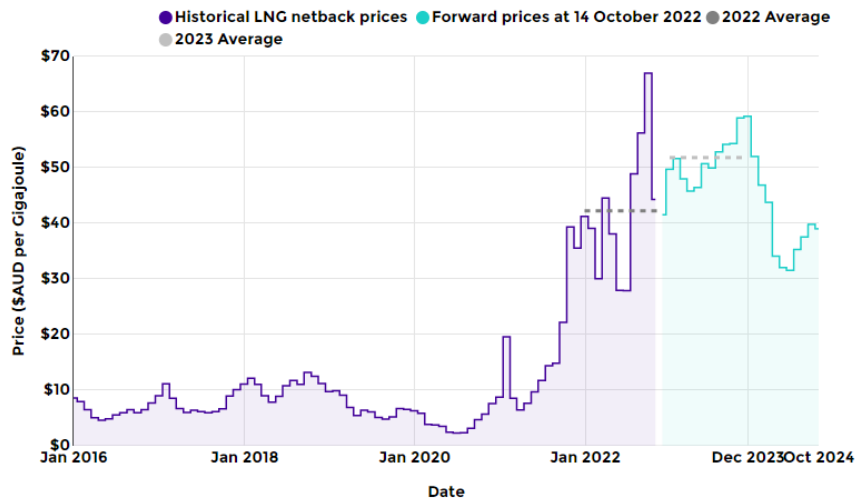
- 1) *Gas fired power generation of electricity extremely high in 2022.*
  - 2) *Gas storage at Iona must be filled prior to winter 2022.*
  - 3) *LNG exporters can sell to very high international markets (e.g. JKM)*
  - 4) *Marginal gas prices paid to producers increasing with rising Brent AUD Oil price.*
- Gas is being valued at scarcity – not to the same extreme as June/July 2021 but spot definitely lifting. (20-day moving average now \$12.8/GJ).
  - The east coast spot market is increasingly linked to external markets (e.g. electricity and international commodities)

## Gas forward markets



- Cal-23 & Cal-24 VIC Gas futures have risen rapidly since the beginning of winter 2022.
- Liquidity is limited in futures market
- ACCC LNG netback prices at Wallumbilla QLD are  
>\$40/GJ Cal-22  
>\$50/GJ Cal-23
- Higher international LNG pricing, Higher Oil prices, unpredictable Electricity generation, low Iona storage levels, expected tightness in gas Supply/Demand is affecting the forward price for **new wholesale contracts.**
- Wholesale supply for 2023 is very tight, improving slightly in 24/25 as less is contracted (not necessarily more supply)

## International prices



- International JKM prices have accelerated rapidly and been highly volatile. The forward curve is in strong backwardation but trading above \$50/GJ for Cal-23.
- Many factors have caused this lift in JKM price including;
  - Strong demand recovery post-Covid.
  - Rising Oil prices (LNG gas is sold linked to Oil Price)
  - Ukraine war, and less gas being supplied from Russia
- Gap between LNG prices and domestic markets decreasing, as domestic market getting more reliant on marginal supply.
- Transport one of the key barriers to price linkage, along with price

## Key market influences

- Financial stress on some retailers – “ROLR events”
- ADGSM Heads of Agreement
- Increasing role of AEMO
- Increased reporting and transparency obligations on market participants
- New capacity markets for DWGM
- International energy market turmoil – Ukraine war
- New long term supply competing to come to market (e.g domestic fields, or LNG import terminals)