

Our ref: ALMM\SIHU\07 2025 5720
Partner: Alice Muhlebach
Direct line: +61 3 9679 3492
Email: alice.muhlebach@ashurst.com

Ashurst Australia
Level 26
181 William Street
Melbourne VIC 3000
Australia

GPO Box 9938
Melbourne VIC 3001
Australia

Tel +61 3 9679 3000
Fax +61 3 9679 3111
DX 388 Melbourne
www.ashurst.com

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BY EMAIL

Mr John Feil
Executive Director
National Competition Council
GPO Box 250
Melbourne VIC 3001

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Dear John

GLNG Operations Pty Ltd – Draft Recommendation: application for a no-coverage determination regarding the CRWP Loop

We refer to the NCC's draft recommendation in relation to GLNG Operations Pty Ltd's (**GLNG's**) application for a 15 year no-coverage determination concerning the Comet Ridge to Wallumbilla Pipeline Loop (**CRWP Loop**).

GLNG's submissions in relation to the basis on which the CRWP Loop is a "greenfields pipeline project", and the application of the pipeline coverage criteria in relation to the CRWP Loop, remain as set out in GLNG's application to the NCC dated 12 February 2015 (**Application**), and our subsequent letter to you dated 17 February 2015 (**Letter**).

Accordingly, GLNG does not agree with the NCC's "reservations about whether the [CRWP Loop] is structurally separate from any other pipeline" in section 149(a) of the National Gas Law (**NGL**) (paragraph 2.35), or with its observation that "if two pipelines can be regarded as structurally separate because they are separated by a compressor station or metering facility, or because other pipelines connect at the same location, this could significantly expand the scope of 15 year no-coverage applications and in ways that are inconsistent with the National Gas Objective" (paragraph 2.40). GLNG recognises that if the CRWP Loop is determined to be a "major extension" under section 149(b) of the NGL (which is the view adopted by the NCC in its draft recommendation), then the question whether the CRWP Loop is "structurally separate" will not determine the question whether the CRWP Loop is a "greenfields pipeline project". Further, GLNG maintains its submission that if the CRWP Loop is determined not to be "structurally separate" then it is a "major extension" within the meaning of section 149(b). However, given the significance of this interpretive point, GLNG makes the following brief observations on the NCC's draft recommendation regarding whether the CRWP Loop is "structurally separate" from existing pipelines.

- The phrase "structurally separate" in section 149(a) looks to the structural, physical features of a pipeline relative to other "existing" pipelines. The phrase "structurally separate" does not require assessment of non-structural features – for example, whether a pipeline is "structurally separate" does not depend on whether it covers a different route to existing pipelines; further, the word "structurally" does not invite or require an assessment of functional or other non-structural factors.
- As set out in the Application, the CRWP Loop does not directly connect to other pipeline infrastructure, and the operation of the CRWP Loop does not depend on any existing pipeline. The only means by which the CRWP Loop is able to connect to any other existing pipeline is through the use of non-pipeline infrastructure. These are the physical, "structural" features of the pipeline that are relevant to the application of section 149(a). Other non-structural features – such as the fact that the CRWP Loop is authorised under

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the same licence as the CRWP, or that the CRWP Loop and CRWP will be "complements" – are simply not relevant to an assessment of whether the CRWP Loop is "structurally separate" from existing pipelines.

- While section 149(a) clarifies that the route of the CRWP Loop is not determinative of whether it is structurally separate from existing pipelines, GLNG wishes to clarify that the NCC's statement that the CRWP and the CRWP Loop "appear to share end points connecting to ... the inlet to the GLNG GTP" (paragraph 2.35) is not correct. On this point, GLNG refers the NCC to the maps contained in Annexure 5 of the Application: map 29 shows the end point of the CRWP Loop at Pipeline Compressor Station 01 (or "PCS-01"), and map 31 shows the end point of the CRWP at Compressor Site 2 (or "CS2").
- Interpreting "structurally separate" as proposed by GLNG (which, as noted in the Application and the Letter, is the manner in which the NCC has previously interpreted this phrase), would give effect to rather than frustrate the National Gas Objective. This objective seeks "to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas". In particular:
 - Interpreting the phrase "structurally separate" to preclude the making of no-coverage applications in circumstances where gas from the pipeline the subject of the application was able to be transported to another pipeline by means of intervening, non-pipeline infrastructure would radically narrow the class of pipelines able to be the subject of a no-coverage application. It is rare for pipelines to be developed on an entirely standalone basis, without any connection to compression, metering or other non-pipeline infrastructure by which gas from one pipeline can ultimately be conveyed to another pipeline. Interpreting the phrase "structurally separate" in this way would therefore mean that few pipelines would be eligible even to be assessed against the coverage criteria, let alone to be the subject of a no-coverage determination if those criteria were determined not to be satisfied. There is nothing in the coverage regime, or in the National Gas Objective, which suggests that such a narrow interpretation reflects the Parliament's intention regarding the introduction of the no-coverage regime. Further, limiting the scope of the regime, and hence the availability of no-coverage determinations, would commensurately limit the extent to which no-coverage determinations could be sought to provide certainty about the regulatory settings that would apply in relation to new pipeline investments. This uncertainty would be more likely to undermine, than promote, efficient investment in new pipeline infrastructure (as contemplated in the National Gas Objective).
 - In contrast, the interpretation proposed by GLNG, and previously adopted by the NCC, would appropriately allow proponents of pipelines which were not part of the same structure as an existing pipeline to seek a no-coverage determination, with the outcome of that application to depend on the application of the coverage criteria in the context of that pipeline. It is appropriate that the question whether a no-coverage determination is made should depend on the application of the coverage criteria, since it is those criteria, rather than the definition of "greenfields pipeline project", which give meaningful effect to the National Gas Objective.

Yours sincerely

Alice Muhlebach
Partner

Bill Reid
Partner

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