

NORTHERN LINK

FEASIBILITY STUDY

Northern Territory to east coast gas pipeline link

On 19 February 2014, APA Group (APA) announced a commitment of up to \$2 million to undertake a feasibility study for the development of a gas transmission pipeline and infrastructure upgrades to link APA's existing pipeline systems in the Northern Territory and the east coast. The feasibility study is expected to take up to two years.

This project will encourage gas exploration and production of known gas reserves in the Northern Territory and the Timor Sea to meet the growing Australian liquefied natural gas (LNG) production and domestic gas demand, including opening up new markets and introducing competition in the gas supply market with far reaching economic benefits.

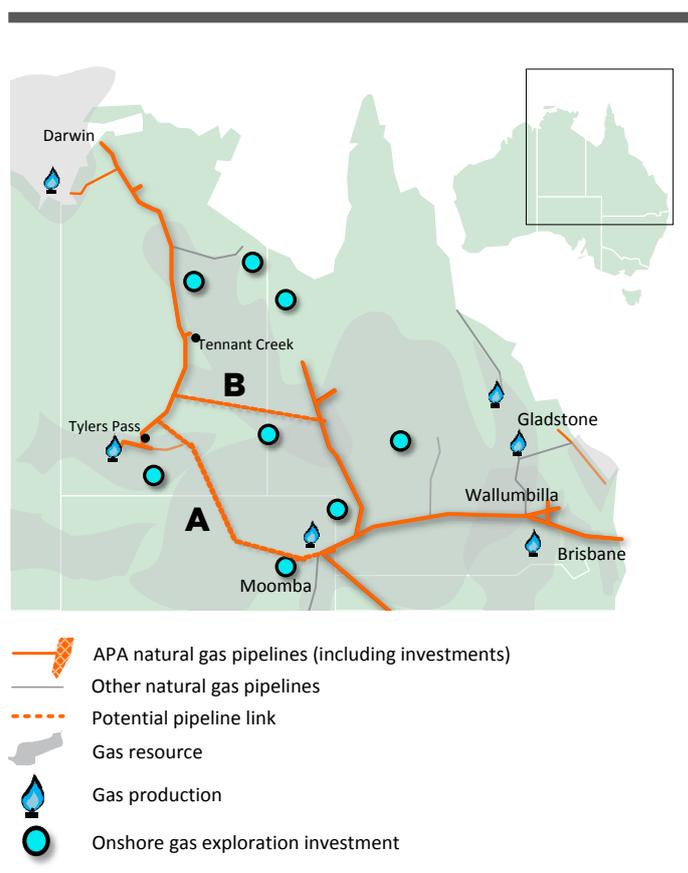
“Australia’s rapidly expanding gas industry is driving enormous investment in this country, creating more than a hundred thousand jobs and delivering about \$8 billion a year in tax revenue¹.” As a gas infrastructure owner, builder and operator, APA is well placed to assist in the development of a competitive gas market throughout Australia. Gas infrastructure also underpins and encourages further gas exploration, production and the growth of new industries.

SUPPLY AND DEMAND DYNAMICS

The east coast gas market is set for a significant transformation towards the end of 2014 with the first of three LNG export projects totalling \$70 billion of investment due to commence operations in Queensland. The LNG projects are forecast to drive a tripling in east coast gas demand from the current level of 700 PJ/a to 2,300PJ/a by 2016. Whilst Queensland coal seam gas will be the major source of supply for these LNG projects, some of the gas required is likely to come from the Cooper Basin and other regions, which have historically been a significant supply source for the domestic market. The demand for gas from the LNG projects, in addition to the issues around coal seam gas development in NSW and Victoria, is causing pressure on gas supplies which is likely to prevail in the medium term.

In the Northern Territory, current gas supply from the Bonaparte and Amadeus Basins is sufficient to meet existing demand for the medium term, but new supply is required to support growth opportunities and future market demand in the region.

The Northern Territory Government has estimated that the Northern Territory has in excess of 200 TCF of conventional and unconventional gas reserves, both on-shore and off-shore. This is an abundant supply which is potentially available to meet, and exceed, the supply constraints facing the gas market in the south east of Australia and the Northern Territory’s future demand. This provides an emerging opportunity which could make linking the Northern Territory with the south east gas market commercially viable and add substantial new reserves to be available for the demand centres in eastern Australia.



LINK OPTIONS

APA has undertaken a preliminary assessment of several possible routes by evaluating environmental considerations and determining construction cost estimates to ascertain the most efficient and effective connection between the Northern Territory and eastern Australia. Two routes have been mapped, however, further route selections will be considered as part of the feasibility study.

Option (A) 1,100km ~ \$1.3b (\$2014)

Amadeus Gas Pipeline (AGP) – approx. 150km north of Tylers Pass in the Northern Territory to Moomba in South Australia

Option (B) 700km ~ \$900m (\$2014)

Amadeus Gas Pipeline (AGP) – approx. 150km south of Tennant Creek in the Northern Territory to the Carpentaria Gas Pipeline in Queensland

1. APPEA.

BACKGROUND

APA is Australia's largest natural gas infrastructure business, owning and/or operating \$12 billion of energy assets which deliver approximately half the nation's gas usage.

Since listing on the Australian Stock Exchange in 2000, APA has more than doubled the size and reach of its gas infrastructure portfolio. Every major gas supply source in Australia is within reach of APA's infrastructure, enabling gas to be transported to where it is required.

Our most recent acquisition of the South West Queensland Pipeline in 2012 formed a connection between four existing APA pipelines creating APA's 7,000 kilometre east coast gas grid. The grid connects all major gas production and demand centres across the eastern Australian states and the Australian Capital Territory providing customers with seamless and flexible services.

In the Northern Territory, APA has almost 30 years of history and experience with the operating and ownership interest in the AGP which APA wholly acquired in 2011. The AGP transports gas to Darwin, Katherine, Alice Springs and other localities principally to fuel power generation in the Northern Territory. APA also has a 20 per cent interest in both the Bonaparte Gas Pipeline that delivers gas into the AGP from the offshore Blacktip gas field, and the Wickham Point Pipeline, which currently serves as an emergency supply of gas into the AGP but has the potential to supply existing and under construction LNG facilities.

Currently, there is significant gas exploration work across Australia creating potential future growth opportunities for further investment in transmission assets. This exploration work will assist in commercialising new gas supplies which will potentially alleviate the medium to long term gas supply issues in eastern Australia. The Northern Territory and South Australian governments have both expressed a strong interest in connecting Northern Territory gas supplies to eastern Australia, whilst Northern Territory based explorers and producers are also keen to access east coast markets.

The development of a linked and integrated gas transmission network between the Northern Territory and eastern Australia will facilitate this commercialisation process by providing gas producers with certainty that if they invest in exploration and production, APA will invest in new infrastructure to ensure pipeline accessibility anywhere across the north/east coast to bring their gas to market.

BENEFITS OF THE LINK

Connection of the proposed pipeline to APA's east coast gas grid would enable the seamless transport of gas from any gas source between the Timor Sea and Bass Strait to any east coast demand centre providing gas customers with flexibility and a seamless service. The proposed link opens up new market opportunities for existing and potential gas producers in the Northern Territory and provides commercial incentive to develop new sources of both conventional and unconventional gas. A link to alternate supplies of gas gives additional security of long term supply to all east coast States and Territories.

The interconnectivity offered by APA's gas pipeline grid provides the market with the most efficient end-to-end transport solution.

FEASIBILITY STUDY

The intent of the feasibility study is to gain a sound understanding of the gas production potential in the Northern Territory, including cost, as well as the actual demand from potential buyers of gas on the east coast. It will include detailed discussions with relevant parties including engagement with the applicable State and Territory governments. Thorough investigation of financial structuring including funding and ownership structure will be part of the study as well as the undertaking of land access, route selection and more detailed engineering studies.

The feasibility study is expected to be completed in FY2016. Subject to its outcome, APA has the means to fully develop this project to encourage development in the gas supply market to meet Australia's growing demand thus enabling long term security of supply utilising APA's vast infrastructure as an end-to-end, effective solution to emerging concerns over gas availability on the east coast and the Northern Territory.

APA ASSETS AND INVESTMENTS



FURTHER INFORMATION

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