



20 June 2025

To: Department of Climate Change, Energy, the Environment and Water

Re: APLNG GSS

Thank you for the opportunity for the Institute for Energy Economics and Financial Analysis (IEEFA) to provide input to Government's consideration of Australia Pacific LNG Pty Limited's (APLNG) Gas Security Supply (GSS) Project (EPBC 2020/8856).

IEEFA is an independent energy finance think tank that examines issues related to energy markets, trends and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy.

The economic benefits of gas exploration and developments exist alongside potential economic impacts on other industries, such as agriculture, and on local communities. Ensuring that gas developments yield net economic benefits for communities, and for Australia as a whole, is crucial in assessing proposed gas developments.

As such, it is vital that proposed gas development applications reflect robust, up to date estimates of their economic benefits and costs.

This submission focuses on the economic assessment outlined in APLNG's GSS application, and in Appendix L.

Kind regards,

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Draft Public Environment Report

APLNG's Draft Public Environment Report sets out the economic rationale underpinning the proposed GSS project, including:

- Forecasts from the Australian Energy Market Operator (AEMO) and the Australian Competition and Consumer Commission (ACCC) of gas shortages in eastern Australia, notionally anticipated before 2030.¹
- International Energy Agency (IEA) forecasts (from its World Energy Outlook 2022) that gas demand in China will grow by as much as 20% to 2050 under its Stated Policies Scenario (STEPS), and by as much as 10% to 2030 under its Announced Pledges Scenario.²
- The consistent growth in forecast Chinese gas demand (under IEA demand scenarios) reflects assumed displacement of coal by gas in China's electricity sector.³

IEEFA acknowledges the potential for gas shortages in eastern Australia, further noting that the tightness of that gas market is in part driven by LNG exports exceeding levels required to service long-term sale and purchase agreements (SPAs).⁴ This likely reflects a strong economic incentive for LNG exporters to maximise production and plant utilisation – for example, APLNG's plant utilisation has generally been in line with nameplate capacity in recent years.⁵

While IEEFA accepts there is a need for additional domestic supply, it is not clear how much additional domestic supply will flow from the GSS project. In the decade since Queensland commenced LNG exports, eastern Australia's gas demand has fallen materially, in part due to price increases stemming from the linkage to international LNG prices.⁶

Without clarity of the volumes of gas the GSS project would supply to domestic markets, it is difficult to assess the impact of the project on the likelihood of gas shortages.

IEEFA also agrees that Chinese gas demand is likely to increase in coming years. However, it is not necessarily the case that rising Chinese gas demand will translate on an equal basis into rising LNG demand. China is the fourth-largest gas producer globally, and is a major importer of pipeline gas from Russia and Central Asia, meaning LNG imports face competition from cheaper domestic production and pipeline imports.⁷

¹ APLNG. [Australia Pacific LNG Pty Limited's \(APLNG\) Gas Security Supply \(GSS\) Project \(EPBC 2020/8856\): Draft Public Environment Report](#). Pages 220-221.

² Ibid. Pages 221-222.

³ Ibid. Page 222.

⁴ IEEFA. [Australian Gas and LNG Tracker](#).

⁵ Ibid.

⁶ IEEFA. [LNG exports prompt fall in eastern Australia's gas demand](#). December 2024. Page 5.

⁷ Bloomberg. [Global LNG suppliers wager that China's demand slump is fleeting](#). May 2025.



China's LNG imports have fallen in recent years, with imports in 2024 below 2021 levels.⁸ Imports in 2025 are even lower than in 2024, with Bloomberg forecasting an 11% fall.⁹ This affects Queensland, with Kpler shiptracking data showing LNG exports from Gladstone to China are down 12% year on year from January to May 2025.

In recent years, the share of LNG in China's gas supply mix has also fallen, with the share in the first half of 2024 lower than in 2018.¹⁰

In the electricity sector, LNG also faces fierce competition from coal and renewable energy, in part reflecting the relatively high cost of LNG. Despite the popular narrative that gas will displace coal, the share of gas in China's electricity sector has grown only marginally over the past decade, increasing from 2.3% in 2014 to 3% in 2024. In that time, the share of coal fell from 72.5% to 58.2% while the combined share of wind and solar increased from 3.2% to 18.1%.¹¹

The evidence clearly shows that renewables are displacing coal, rather than gas, which again reflects the high cost of LNG.¹²

More generally, IEEFA notes that the IEA's World Energy Outlook 2024 predicts a global LNG glut before 2030 due to surging new supply from several countries.¹³ The IEA's forecasting suggests that existing and under-construction LNG projects will be sufficient to meet global demand until 2040 even under the STEPS scenario (aligned with 2.4°C of global warming), and more than sufficient to meet all future demand under other scenarios.¹⁴

Absorbing this new supply will likely require a combination of lower LNG prices, higher industrial demand and a slower energy transition (with gas potentially displacing renewable energy).¹⁵ Specifically, the IEA notes that LNG prices would likely need to fall to US\$3-\$5 per million British thermal units (MMBtu), well below contemporary prices and the costs of LNG from many projects.¹⁶ This is also well below the long-term LNG netback prices assumed in the economic analysis outlined in Appendix L.

APLNG's recent LNG SPA price review outcome, under which its LNG sales price fell, indicates that LNG market pricing is already shifting in anticipation of new supply.¹⁷ The potential for falling prices has implications for the economic benefits arising from the GSS project, as discussed in the next section.

⁸ IEEFA. [Australian Gas and LNG Tracker](#).

⁹ Bloomberg. [Global LNG suppliers wager that China's demand slump is fleeting](#). May 2025.

¹⁰ IEEFA. [Australian Gas and LNG Tracker](#).

¹¹ Ibid.

¹² IEEFA. [LNG is not displacing coal in China's power mix](#). June 2024. Page 15

¹³ IEEFA. [Australian Gas and LNG Tracker](#).

¹⁴ IEA. [World Energy Outlook 2024](#). October 2024. Page 51.

¹⁵ Ibid. Pages 53-54.

¹⁶ Ibid. Page 52.

¹⁷ IEEFA. [APLNG's LNG price cut a sign of changing LNG market](#). May 2025.



Appendix L: Economic Assessment

Appendix L to APLNG's Draft Public Environment Report sets out estimates of the economic benefits of GSS project, based on a consultant report by Bull & Bear Economics. However, IEEFA notes that a key assumption used to estimate the benefits is out of date and no longer valid.

The value of gas production (section 2.2.2.1) is a key parameter for estimating the overall economic benefits of the GSS project. This, in turn, will be influenced by assumptions about the gas or LNG sales price achieved for gas extracted from the project.

The economic assessment uses "LNG netback prices" as a proxy to estimate the value of gas production. As noted in Appendix L, the assessment uses the ACCC's LNG netback price series, at 16 January 2023, to estimate the likely netback price of LNG exports. Based on average LNG netback prices over the period from January 2016 to January 2023, the analysis assumes a long-term LNG netback price of \$15 per gigajoule (GJ).

However, IEEFA notes that with the exception of 2021 and 2022, LNG netback prices have remained below \$15/GJ since January 2016. Aside from a short period in January 2021, LNG netback prices rose above \$15/GJ only in late 2021, when Russia limited pipeline gas exports to Europe, prompting European buyers to turn to LNG markets. The war in Ukraine led to further declines in Russian gas supply, driving up LNG demand and, with it, competition between buyers in Asia and Europe.¹⁸ As a consequence, LNG prices reached record levels, which was reflected in record high LNG netback prices in Australia.

In other words, LNG netback prices in 2022 reflected the unprecedented impact of the global energy crisis, and should not be viewed as an indication of likely pricing over a longer period. For example, the IEA estimates that delivered LNG costs for new projects is about US\$8/MMBtu,¹⁹ which would be equivalent to about AU\$10.40/GJ (using data from the ACCC's most recent update of the LNG netback price series), well below the assumed \$15/GJ.²⁰

With a surge in new LNG supply set to hit markets in the next few years, and the prospect of new LNG projects in future, it is likely that long-term LNG pricing will be influenced by the costs of new LNG supply. If this were the case, the estimated economic benefits of the GSS project, as outlined in Appendix L, are likely to be overstated.

¹⁸ IEEFA. [Global LNG Outlook 2024-28](#). April 2024. Page 5.

¹⁹ IEA. [World Energy Outlook 2024](#). October 2024. Page 51.

²⁰ ACCC. [LNG netback price series](#). 16 June 2025.