

Summary of the 5th IEA Unconventional Gas Forum, 24 February 2017, Brisbane

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Clearly on the strength of the global resource base, unconventional gas is here to stay and represents significant growth potential. Nevertheless, price challenges dominate and a “low price” outlook continues to dominate. A supply-price, oscillation in the medium to long term looks inevitable since new investments have ground to a halt. They’ll pick up again sometime after price rises and there’ll be an unsustainable spurt of investment (again) driven by individual reserves replacement pressures. In this rise CBM investments (except perhaps for brown field additions into existing contracts) will be last cab off the rank through lack of liquids.

During the session of social and environment, we heard, that social licence was not a matter to be won in the local communities (only) but, at least in the Australian setting, in the major cities. The way that licence is won in the local communities (deep, relationships with rich, evidence based communications) cannot work as distance grows and ‘word count’ and engagement time become limited. In, fact I think ‘political licence to operate’ (PLtO) might be a better moniker than SLtO. We also heard a salutary lesson on over-simplifying a story and of the persistence of negative first impressions. Our Canadian colleagues have recognised the key element that regulations play and explained the innovation of an International Centre of Regulatory Excellence (ICORE), which we here at UQ will follow up with great interest.

The two sessions on supply and markets (domestic and international) were revealing of very context-specific dynamics. We saw a need for direct incentives for unconventional gas in China, we saw gas prices collapse in the USA and Canada and Australian gas prices rise sharply (vs a long slow expected rise without CBM) as the previously isolated east coast gas market became linked to JCCC in the region. Perhaps the most startling difference was seen in the international trade changes. Cargoes have passed from the US through the Panama Canal. West coast USA or Canadian, LNG remains a possibility (though with highly uncertain timelines), the Atlantic Basin dynamic is changed, middle east LNG shifted east and Australia LNG going to 30+ countries rather than the traditional 4 or 5 main markets. In response to a long-forecast LNG over-supply, the demand side has responded by a rapid growth in re-gasification facilities (including floating re-gas). Molecules from Queensland have ended up in Abu-Dhabi, a country which produces and re-injects a significant amount of methane. The warning flags are out that our ability to forecast is severely tested.

Finally, the field visit to APLNG’s Condabri operations was an eye opener to many. The degree to which the “digital field” has taken hold is impressive. Electrification of field operations complete with real time monitoring of 1000’s wells, valves, manifolds, water plants, drilling rigs, compressors etc. opens new possibilities. The sheer amount of data being generated is already leading to optimisation and there is a general feeling that in these unconventional gas operations, new data analytics will help drive down the cost curve.