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Sent: Friday, 14 December 2018 1:18 PM

Subject: gasTrading Spot Market™ January 2019 Invitation to Buyers

Good Afternoon All,

The year comes to a close again and, as we have done in the past, we plan to set the January gasTrading Spot Market™ before the start of the Christmas season break, in this instance by COB Friday 21 December 2018.

For the month of **January 2019** we anticipate having the quantities of gas set out below available for sale. You are invited to submit your offer, before **midday** (Perth Time) on **Tuesday the 18th of December**, if you propose to purchase all or part of this gas, quoting the volume of gas that you wish to purchase and the price at which you are prepared to complete the purchase. We will advise successful buyers by **start of business** (Perth Time) on **Wednesday the 19th of December** and complete contracts from the **19th to the 21st of December**.

Market Dynamics

As at the 14th of **December** we are on track to trade 124 TJ of gas (On Market) for the month of **December**. This volume is down a little on the final volumes traded in **November** (131 TJ) and is a little below the anticipated **December** sales volume of 131 TJ. The December trading volume reduction is essentially due to an unplanned plant turndown.

The lower trading volumes seen since March 2018 reflect the contraction of the spot market as gas sellers cut price, and offer greater off take flexibility, to capture increased market share. Aggressive marketing of gas at competitive prices, with increased flexibility in the offtake obligations, has seen a number of buyers leave the gasTrading Spot Market™ (at least temporarily) since the end of February 2017. The gasTrading Spot Market™ contraction seems to have turned around for the moment. The recent entry of a new gas buyer to the market has increased the traded volumes again in **December**. There have also been strong Off Market spot sales in **December**. Agora Gas was joined in the gasTrading Spot Market™ by a second gas seller in June and a third seller entered the market in November. Both new sellers remain active in the market.

We expect sales volumes to remain at current levels or to lift further in **January**. The period since the end of 2017 has marked a very dynamic phase for the market. At this time it is difficult to confidently predict how market demand might behave in the next few months. While the lower limit on the size of our near term spot sales is unknown the upside for traded volumes is limited only by demand, since substantial volumes of gas are available. There are indications that the price at which gas is supplied to the market may soften a little further. **Varanus Island** has planned maintenance on **10 January 2018** but no maintenance driven supply side disturbance in the market is foreshadowed at this time.

The offer price range in **December** was \$0.04 per GJ, from \$3.38 to \$3.41 per GJ, as buyers look for the bottom of the market price range. This is a return to the narrow offer price range than we have seen for most of this year and reflects the failure of the market's attempt in **October** to test prices near \$3.30 per GJ. There were three **December** price offers below the Back Up Gas Price. The Back Up Gas Price did not come into play in **December**. No contract was written in **December** below \$3.38 per GJ. The **December** Back Up Gas Price is \$3.41 per GJ.

The currently anticipated average **December** On Market price is \$3.40 per GJ (as at the 14th of **December**). This average is down slightly on the \$3.41 per GJ average **November** price and is equal to the **December** average price anticipated when the market was set at the start of the month.

Buyers and sellers active in the market continue to use the gasTrading Spot Market for everyday gas supply planning and for take or pay risk management. Recent shifts in the terms of other gas supply contracts have impacted on the level of buyer activity in the gasTrading Spot Market™. The availability of more flexible firm and spot contract terms are proof that the desire for market share, rather than certainty of sales volumes and price, is driving gas sellers in the current market. Where the demand side of the market moves in 2019 is an unknown at this time although there are signs that traded volumes may increase. Agora Gas will return to the market for Back Up Gas for **January** and there are signs that the Back Up Gas Price may soften a little further. We will publish the Back Up Gas Price for **January** with the Bidding Round Results Summary.

The table below summarises Agora Gas' On Market and Off Market spot gas sales since **December** 2017. The decline in Agora Gas' traded volumes since March 2018 reflects the shrinkage of the market and the sharp decline since June reflects the fact that a second seller entered the market in June. The entry of a third seller to the market in November has resulted in a further dilution of Agora's share of sales to the market (even though the volumes of gas traded in the market may be higher).

	On Market	Off Market	Total	
Month	(TJ)	(TJ)	(TJ)	Comment
Dec-17	372.300	2.000	374.300	
Jan-18	168.700	1.000	169.700	
Feb-18	192.755	1.000	193.755	
Mar-18	110.700	1.800	112.500	
Apr-18	105.000	1.500	106.500	
May-18	119.400	3.400	122.800	
Jun-18	69.843	0.000	69.843	
Jul-18	52.900	1.700	54.600	
Aug-18	53.280	2.200	55.480	
Sep-18	48.640	1.130	49.770	
Oct-18	53.700	2.100	55.800	
Nov-18	60.481	42.600	103.081	
Dec-18	20.600	37.600	58.200	<i>:to 14 December</i>

Agora Gas continues to seek out the most attractive sources of Back Up Gas to ensure the market remains liquid and competitively priced. Agora will return to the market for January Back Up Gas. Agora Gas is currently expected to be one of at least three gasTrading Spot Market™ sellers in **January**.

We will publish the summary results of the **January 2019 Bidding Round** on or before the **28th** of **December** on the web site link below.

Market Update

The results of the **December 2018 Bidding Round**, and the gasTrading Spot Market™ history to **November 2018**, can be found at <http://www.gastrading.com.au/spot-market/historical-prices-and-volume>

We have continued strong supply side support for the market. This support is currently looking for Buyer offer prices at and above \$3.40 per GJ. To understand buyer bidding behavior it may be helpful to note that gas is allocated first to the top of the bid stack and available supplies are allocated in a cascade down the bid stack.

The indicated volumes available for **January 2019** are up a little on the volumes offered in the **December 18** Invitation. However, given that a significant portion of this gas will still be procured for the market by Agora Gas' Off Market purchases, these volumes are very price sensitive and will increase or decrease in response to offers received from buyers. Additional gas volumes can be brought into the market above those quoted in the table.

In **December**, to the 14th, 100% of daily contract volumes were filled in all price quartiles of the market.

gasTrading continues to build its gasTrading Sport Market™ book out of the Northern Territory and Queensland and has signed up its first participants. Agora Gas made its first Northern Territory Off Market spot trades in November. If this market development interests you and we have not made contract please give Allan or me a call. If this market development might interest a related operation or an associate, please pass on this invitation.

Gas Available January 2019	
Date	Quantity TJ
1/01/2019	7.50
2/01/2019	7.50
3/01/2019	7.50
4/01/2019	7.50
5/01/2019	7.50
6/01/2019	7.50
7/01/2019	7.50
8/01/2019	7.50
9/01/2019	7.50
10/01/2019	7.50
11/01/2019	7.50
12/01/2019	7.50
13/01/2019	7.50
14/01/2019	7.50
15/01/2019	7.50
16/01/2019	7.50
17/01/2019	7.50
18/01/2019	7.50
19/01/2019	7.50
20/01/2019	7.50
21/01/2019	7.50
22/01/2019	7.50
23/01/2019	7.50
24/01/2019	7.50
25/01/2019	7.50
26/01/2019	7.50
27/01/2019	7.50
28/01/2019	7.50
29/01/2019	7.50
30/01/2019	7.50
31/01/2019	7.50

232.50

Regards
Mike Lauer