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ASX Market Announcements
Company Announcements Office
ASX Limited
SYDNEY NSW 2000

2023 Annual General Meeting of Shareholders – Chairman’s address

Dear Shareholder

The importance of new gas supply sources for the Australian east coast has been highlighted by the Government's release of its “Future Gas Strategy Consultation Paper”¹.

In releasing the strategy paper, the Resources Minister Madeleine King has warned that decreasing gas supply faster than demand will lead to ‘shortages, supply disruptions and high prices’, while also ‘worsening poverty and inequality’, launching a strong economic defence for the fuel source’s role in underpinning the nation’s clean energy transition.”²

The Australian Energy Market Operator (AEMO) also recently released its 2023 Electricity Statement of Opportunities (ESOO) report³, providing a 10-year reliability outlook that signals development needs for each state in the National Electricity Market (NEM). It is further evidence that urgent and ongoing investment is needed to maintain energy reliability, with AEMO warning of a “material risk” to Australia’s power supplies because of future gas shortfalls and a lack of investment in gas generation. It highlights “ongoing availability” of energy sources such as gas “will be critical to the reliability” of the NEM, along with over 1.5GW of new gas power generation capacity needed in New South Wales and Victoria by 2026/27 to meet current reliability standards³.

In the Government’s Future Gas Strategy Consultation Paper¹, a gas supply and demand graph is published combining the analysis of AEMO and the Australian Competition and Consumer Commission (ACCC) which shows a shortfall of supply to demand beginning in 2027 and widening significantly after that. The chart (See Fig 1 Gas supply is to decline on the east cost of Australia¹) is reproduced below and shows a forecast supply shortfall of approximately 800 PJ/Annum by 2034. This forecast shortfall is greater than the entire combined annual domestic gas use of Queensland, Victoria, New South Wales, South Australia and Tasmania (See Fig 2 Domestic gas use by jurisdiction¹).

¹ Future gas Strategy Consultation Paper, Department of Industry Science and Resources 03 10 2023

² “Cut gas supply and fuel poverty, says Resources Minister Madeleine King” The Australian 03 10 2023

³ 2023 Electricity Statement of Opportunities (ESOO) report Australian Energy Market Operator (AEMO)

Gas Supply is forecast to decline on the east coast of Australia.

Figure 1 – Gas supply is to decline on the east coast of Australia.

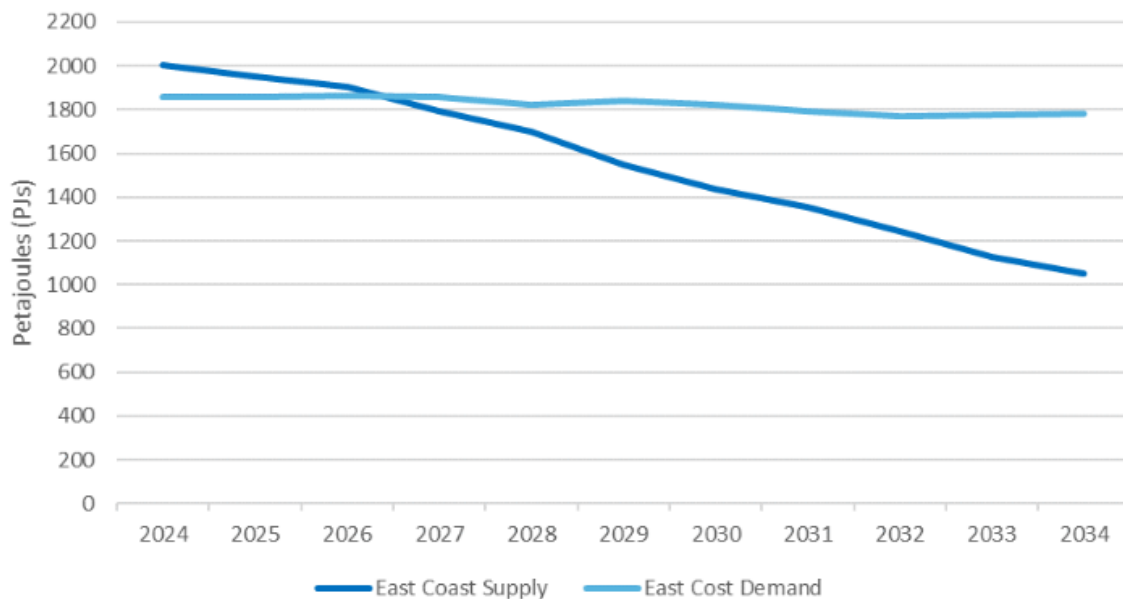
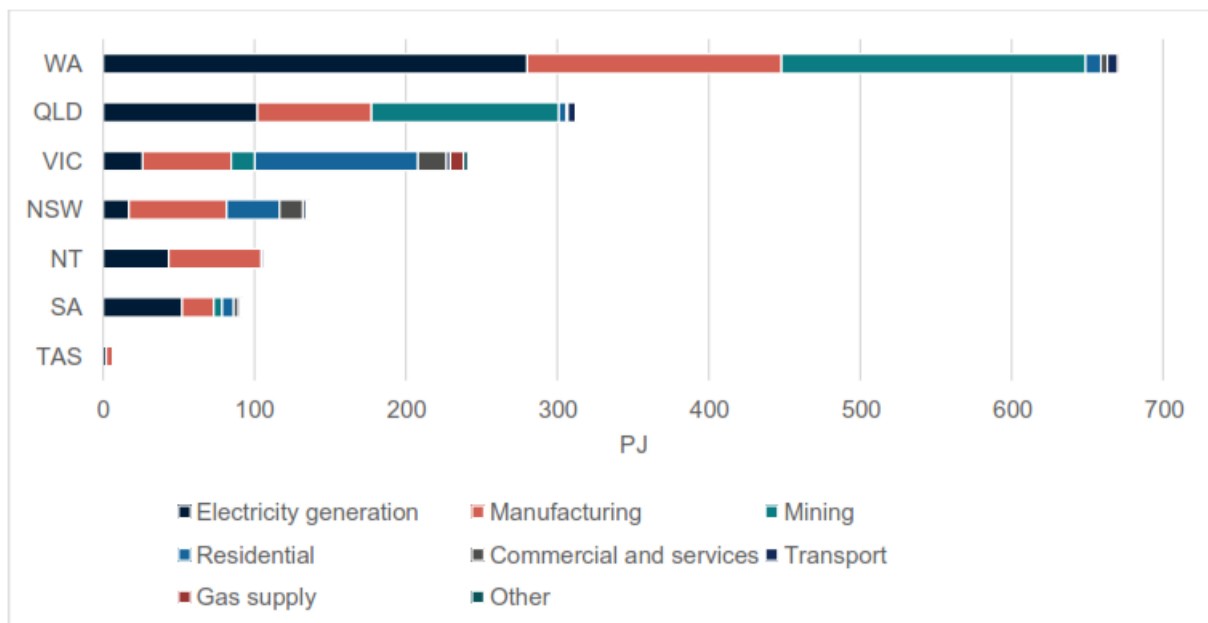


Figure 2 – Domestic gas use by jurisdiction 2020-2021.



Without the development of new gas resources eastern Australia, and particularly NSW, faces the very real prospect of supply shortfalls with consequent losses of jobs in gas-dependent industries, higher energy costs and disruptions to supply.

“Most of Australia’s gas production is located far from where most Australians live. This limits the ability to move gas from where it is produced to where it is consumed. New South Wales, the Australian Capital Territory, Tasmania, South Australia and Victoria are reliant on transport of gas to their markets. Their vulnerability arises from high demand, the forecast rapid decline of traditional supply from the Bass Strait and policies that discourage new local supply”.¹

“On the east coast, the gas transmission system was developed to transport gas from south to north. This is because a large proportion of the gas that Australians have used over the past fifty years was sourced from offshore gas fields in Victoria.”

Advent Energy Limited (in which MEC is a 38.27% shareholder) can potentially play a significant and direct role in NSW’s energy transition and help to reduce energy costs. Prospective gas resources have been identified in PEP-11 of 5.7 TCF⁴ across multiple structures along the continental shelf. The prospective resource, if proven, has the possibility of supplying NSW with the bulk of its gas needs for 20 years.

As the Australian Energy Producers has highlighted: Gas meets almost 30 per cent of Australia’s energy needs- More than 5 million Australian households use gas directly for heating and cooking. Gas is a critical component of products we rely on every day, including ammonia (for fertilisers) and the manufacture of bricks, glass, plastics and medical products.⁵

Potential gas production offshore from Newcastle, from the Pep 11 Permit and the potential to use that same area to permanently store captured carbon emissions, can both contribute to meeting the challenges of climate change and sustaining secure employment in the region.

Over the past year significant developments have also occurred via MEC investee company Advent into Clean Hydrogen Technologies.

Clean Hydrogen is developing its “Commercial System” where it will satisfy scale and commercial objectives resulting in the development of income from sale of Clean Hydrogen Products. Clean Hydrogen’s Commercial System means an end-to-end system which consumes and processes hydrocarbons, using Clean Hydrogen’s own thermocatalytic reactor process and Clean Hydrogen’s catalysts to produce hydrogen at commercial scale, enabling the sale of the Clean Hydrogen Products (being hydrogen and carbon black).

These factors provide support for a positive 2024.

Yours sincerely

David Breeze
Director

⁴ Berge 2010, Independent Expert Report - Permo Triassic, as released by MEC Resources to the ASX 22nd December 2010

⁵ A.E.P. (Australian Energy Producers) Factsheets 7 June 2023