OVERVIEW

The South Australian Government’s PACE Gas Grant Program is a new $24 million initiative designed to accelerate investment in gas projects in South Australia through targeted competitive grants.

Support will be limited to projects with the greatest likelihood of securing new and significant gas supplies to South Australian customers from South Australian gas fields by year-end 2019.

The aggregate of grants will stimulate investment in an optimised diversity of projects from competing gas producers in South Australia to increase energy efficiency and competition (as a priority) between gas-fired electricity producers in South Australia will be rated highly.

The lead targeted outcome will be significant gas supplies incremental to pre-existing forecast gas production profiles from South Australian gas fields.

Given success in accelerating significant incremental gas supplies in an otherwise tighter market, outcomes should also include less risk of gas supply shortfalls; and less risk of severe price spikes related to tight supplies during peak demand.

Supportable projects potentially include, but are not necessarily limited to:

- new technologies to lift existing and new well productivity;
- new gas exploration wells in proximity to existing gas infrastructure; and
- new gas processing and transport facilities.

Applicants must nominate how South Australian gas users (by the following priority - first electricity generators, followed by industry and then retail consumers) will be provided with a first right to agree commercial terms to contract at least the expected volumes of gas resulting from grant supported projects. Proposals that increase energy efficiency and competition (as a priority) between gas-fired electricity producers in South Australia will be rated highly.
**Call for submissions**
The State Government is now calling for proposals for program – PACE Gas.


**Funding**
The South Australian Government will fund up to 50% of applicant expenditure to a capped amount likely to be up to $6 million, with cash-call funding to be scheduled in the financial year ending 30 June 2017.

Where proponents submit more than one application they must demonstrate that they have the financial capacity to match co-payments for all applications in the event that more than one of their project bids are the highest ranked.

**Timing**
Proposals must be submitted no later than 4.00pm CDT, Friday 16 December 2016.

**Award Process**
Successful applications will be selected on the basis of the meeting the following Technical and Commercial Merit and Applicant Criteria.

**Technical and Commercial Merit Criteria**
PACE Gas will preferentially fund high quality, technically and commercially sound portfolio of projects with the most substantiated risk-weighted prospects of adding to gas supplies from South Australian gas fields within 36 months from 1 January 2017. All proposals will be assessed by an expert panel of DSD officers from within Energy Resources who will seek advice from independent industry experts.

Applications will be assessed on a case-by-case and aggregate grant program basis. Conforming grant applications must specify and address the following assessment criteria:

*Likelihood and Materiality of Success*

- Substantiation for, and details of unrisked gas supply forecasts and (risked) gas supply expectations for the grant project phase, including relevant production history (decline curves) and incremental, forecast and expected production profiles, and project cost profile(s). In short, applicants must provide a probabilistic assessment of the project gas reserve and supply profile, including the rationale for, and the assignment of uncertainty factors for salient below-ground and above-ground uncertainties.

- Substantiation for, and details of unrisked forecasts and (risked) expectations for any significant fully applicant-funded follow-up investment that will be stimulated by successful outcomes in the grant project phase, including forecast and expected production profiles for applicant-funded follow-up.

- Proposals that increase energy efficiency and competition (as a priority) between gas-fired electricity producers in South Australia will be rated highly material.

- All resource, reserve and supply forecasts and expectations should be consistent with the SPE's Petroleum Resource Management System. For reference – see: [http://www.spe.org/industry/reserves.php](http://www.spe.org/industry/reserves.php)
Supply of Incremental Gas

- Specification of how, given success in their projects, the State Government can be assured that gas supplies resulting from grant-supported projects will be an increase in gas supplies offered on commercial terms on a normal (as opposed to a stressed) market basis to local gas users, and not simply add-to or replace pre-existing contracts for supplies.

- The applicant is required to specify the volumes of gas already contracted to South Australian gas customers and how their projects will increase gas supplies offered on commercial terms to local gas users.

- Nomination of how South Australian gas users will be first offered, on commercial terms, at least the expected volumes of gas resulting from the grant program. The terms of grants will entail terms for the offering of at least expected (risked) volumes of grant program gas to South Australian recipients by the following priority: electricity generators will be the first priority; followed by industry; and then retail gas consumers.

Access to Infrastructure

- Substantiation for, and details of how and when incremental gas supplies are to be delivered from energy producers to consumers through existing or planned gas processing and transport infrastructure being proposed.

Measurement of Outcomes

- Specification of how grant project expectations can be calibrated and how outcomes can be measured. This can include, but not just be limited to the results of relevant results from Extended Production Testing, Decline Curve Analyses, records of gas sales to South Australian gas consumers, etc.

Applicant Criteria

The following key criteria must be satisfied for a proposal to be progress to be considered eligible for the PACE Gas Grant Program.

Tenure

The applicant must represent a project within a current South Australian licence (i.e. Petroleum Exploration Licence (PEL), Petroleum Retention Licence (PRL) or Petroleum Production Licence (PPL). Grant supported projects can be claimed to meet existing minimum work program or expenditure requirements.

Shovel-readiness

The operations must have a relevant, current Statement of Environmental Objectives (SEO) and the applicant must demonstrate all reasonably necessary access to land and facilities.

Financial Capacity

The applicant(s) must demonstrate sufficient capacity to match the funds sought through the PACE Gas Grant Program for the proposed project.
The Minister is expected to announce the successful PACE Gas Grant applicants, together with details of the successful grant applications in late January / early February 2017. All proponents will be notified of their success or failure to win Grant funding via phone and email, in due course.

Commercially sensitive information included in the successful applications will not be released and unsuccessful grant applications will be held confidential. Proponents will then be formally notified in writing in due course.

An agreement in the form of a funding deed will be executed prior to the grant of funds. The Deed will include: reporting requirements; agreed criteria to measure delivery of project outcomes and to ensure that all commitments are met and will provide repayment clauses in the event that the proponent does not meet agreed milestones outlined in the Schedule of the Funding Deed. Force Majeure situations will be defined in the Funding Deed.

All Funding Agreements will be written in the name of the registered PEL, PRL or PPL Holder. Funding will need to be committed, if not distributed, by the close of the 2016-17 year. Funding deeds will be established with grant winners.

**Important dates for PACE Gas**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>24 October 2016</td>
<td>Call for PACE Gas Project Proposals</td>
</tr>
<tr>
<td>16 December 2016</td>
<td>Closing date for Project Proposals</td>
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<tr>
<td>In late January/early February 2017</td>
<td>Announcement of successful proposals</td>
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<tr>
<td>In late February/early March 2017</td>
<td>Funding Deeds issued and executed. Funding can be distributed from this date</td>
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<tr>
<td>30 June 2017</td>
<td>Funding schedule agreed in full by this date</td>
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<tr>
<td>February 2017 to February 2020</td>
<td>Minimum bi-monthly progress and financial reports are submitted</td>
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<tr>
<td>February 2020</td>
<td>PACE Gas program fully implemented – followed by final review and audit of outcomes</td>
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*Dates are subject to change

All comments, inquiries and applications for PACE Gas grants may be addressed to:

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