To	Company Announcements Office	Facsimile	1300 135 638
Company	ASX Limited	Date	16 April 2021
From	Helen Hardy	Pages	3
Subject	Price review outcome and update on FY2021 guidance		

Please find attached a release on the above subject.

Regards

Authorised by:
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Company Secretary

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ASX/Media Release

16 April 2021

Price review outcome and update on FY2021 guidance

Origin Energy Limited (Origin) has provided the following update on earnings guidance for the year ended 30 June 2021 (FY2021). The update is driven by an adverse and unexpected outcome on a domestic gas contract price review and continued headwinds in Energy Markets' operating conditions, partially offset by continued strong performance and upgraded guidance for Australia Pacific LNG.

Price review outcome

Origin has been engaged in a price review for gas purchased from Beach Energy's Otway Basin fields, which was referred to arbitration. The arbitrator has now issued a partial award and on the basis of that decision the new gas price is likely to be materially above Origin's expectations and recent comparable wholesale contracts. The outcome is expected to result in an increase in Origin's cost of supply of $30-$40 million for FY2021, increasing further to $60-$80 million in FY2022 consistent with an expected increase in volume (see table below).

The pricing outcome is binding over FY2021-FY2023 with limited rights to appeal. Origin will now assess the timing and extent to which this increased cost of supply can be mitigated.

Origin CEO, Frank Calabria said, "We are disappointed in this decision which we believe is wrong, and entirely inconsistent with our prior experience in the gas market. This will result in a gas price that does not reflect market prices, and it is therefore a very poor outcome."

Summary of Otway Basin gas supply agreement

Contract term	June 2033
Share of Beach Energy production	100% less existing Otway JV gas commitments
Estimated FY2021 volumes	~13 PJs
Estimated FY2022 volumes	20-30 PJs
Price	Fixed price, as to be determined in the current price review arbitration which applies from 1 July 2020, until the next price review on 1 July 2023 and every 3 years thereafter

Separately, Origin expects a further 8 PJs of gas supply to undergo a price review in FY2022 related to a contract with Beach Energy from the Cooper Basin.

Updated FY2021 guidance

The following guidance is provided on the basis that market conditions and the regulatory environment do not materially change, adversely impacting on operations, and noting that considerable uncertainty continues in relation to the potential ongoing impacts of COVID-19.

Origin has revised Energy Markets Underlying EBITDA guidance for FY2021, which is now expected to be in the range of $940-$1,020 million.

In addition to the arbitration outcome, continued subdued energy demand and wholesale pricing, along with a lower than expected contribution from Octopus Energy, have also affected the near-term outlook. Octopus continues its impressive growth trajectory, with UK customers growing at more than 100,000 per month and expanding into new international markets.

In Integrated Gas, Origin expects the cash distribution from Australia Pacific LNG to be greater than $650 million, driven by continued strong production and capital and operating cost discipline, resulting in a lower distribution breakeven of US$22-25/boe.

	FY2020	FY2021 – existing guidance	FY2021 – updated guidance
Energy Markets EBITDA A$m	$1,459	$1,000-1,140	$940–1,020
Cash distribution from APLNG A$m	$1,275	$575-675[1]	>$650[1]
APLNG distribution breakeven $/boe[2]	US$29	US$24-28	US$22-25

1) Assuming an average AUD/USD rate of 0.74 and that all APLNG debt covenants are met
2) Operating costs excludes purchases and reflects royalties payable at the breakeven oil price. FY20 FX rate: 0.67 AUD/USD, excludes Ironbark acquisition costs; FY21 FX rate: 0.74 AUD/USD

FY2022 outlook

As previously foreshadowed, challenging operating conditions in Energy Markets are expected to persist in FY2022. Electricity gross profit is expected to be lower, primarily due to a ~$20/MWh reduction in forward electricity prices compared to a relatively fixed cost supply on ~16 TWh. Natural Gas gross profit is expected to decline, due to higher procurement costs as a result of price reviews and increases in the JKM index, as well as lower volumes and prices on commercial and industrial sales reflecting current subdued domestic market conditions. Origin continues to target significant capital and operating cost savings and mitigating actions, including the roll out of the new retail operating model and Kraken platform over FY2022-2024.

In Integrated Gas, Origin continues to target Australia Pacific LNG total capex + opex[i] <A$3.5/GJ and given the lag in oil-linked LNG sales contracts, the company expects to benefit from a higher realised oil price in FY2022.

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[i] Operating costs excludes purchases and reflects royalties payable at the breakeven oil price.