

Does vertical integration create value in Australian gas exploration and production?

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Abstract

Australia has for many years had an excess of gas supply. Over the last thirty years this has been the case in all domestic markets across Australia, and applies equally well to the export market for LNG. Historically it has also been the case that each of the main producing areas has been held under long tenure and dominated by just a few industry participants. In this environment many gas discoveries have remained undeveloped for many years. As Australia is more prospective for gas than oil, this has resulted in keen competition for the limited oil prospective areas, which in turn has forced many exploration and production companies to look overseas for growth.

In response to these industry conditions Origin has developed a strategy relying on an integrated position and based around a deep understanding of markets. Market understanding has driven the exploration focus – such that Origin explores predominantly for gas and looks where gas is easy to market rather than necessarily easy to find. Key advantages arising from the integrated position include:

- Accelerate time to development (for example, the Otway Gas Project)
- Market based solutions to production problems (BassGas Project)
- Specialist applications for stranded gas resources (Ladbroke Grove)
- Portfolio approach to securing markets then optimising production (Coal Seam Gas in Queensland)
- Indifference to type of hydrocarbons discovered (Perth Basin oil discoveries)

Through this strategy Origin has been able to remove its reliance on the Cooper Basin for the majority of its upstream income. Proved and probable reserves have been doubled over the last four years, and Origin is involved in a series of projects which in aggregate will almost double Origin's annual production.

Keywords: gas supply, exploration, production, Australia, gas markets, Origin.



Biography

Grant King was appointed Managing Director, Origin Energy Limited in January 2000 following the demerger of the Energy group from Boral Limited. Grant was appointed Managing Director of the Energy Group of Boral in 1994. He has extensive experience in the Australian oil and gas industry. He was formerly General Manager, AGL Gas Companies where he held a number of management positions over a 17 year period. Grant has a degree in Civil Engineering from the University of New South Wales and a Masters of Management from the University of Wollongong. He is a Director of Envestra Limited and a Councillor of the Australian Petroleum Production & Exploration Association Limited and an Advisory Council Member of the Australian Graduate School of Management.