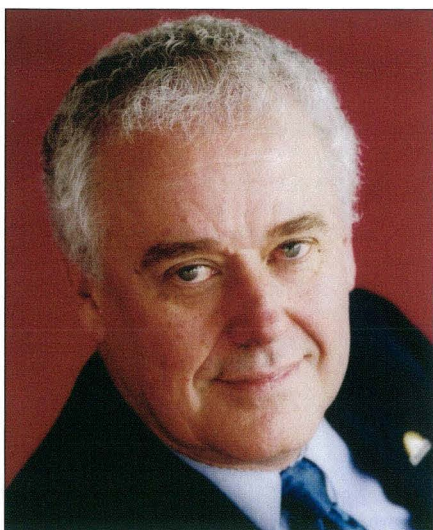


## Time Running Out For Future Energy Policy



Barry Jones

***Australia's "frail efforts" to develop a meaningful energy policy are in tatters and time is running out to install an energy policy that will produce long term benefits for all Australians.***

That's the blunt and urgent message given by Barry Jones, Executive Director of the Australian Petroleum Production and Exploration Association to politicians and bureaucrats recently. "APPEA has a very plain message to Australian governments, wake up and realise that effective energy policy cannot be developed in a bureaucratic silo that has no realistic contact with industry", he said.

He said while it was a "laudable objective" to aim for affordable, clean and secure energy supplies, governments would not achieve

these objectives by just "tinkering" with the structure of petroleum product taxes, putting ethanol into petrol, focusing primarily on retail and wholesale energy market competitiveness or subsidising industry development for renewable energy.

"Addressing such issues may be very important, but they do not make an energy policy", he said. Jones also warned that greenhouse policy must not be seen as energy policy. "Greenhouse policy is not even clean energy policy", he said. "Energy policy must consider issues of security, reliability and affordability, as well as environmental issues. And the relevant environmental issues are much more wide ranging than just the impacts of climate change. The greenhouse tail should not be wagging either the energy policy or the sustainable development dogs."

He said governments were ignoring the fact that very large investments needed to be made to deliver clean, reliable energy. "They do not understand that the exploration and development realities for oil and gas are fundamentally different to those for coal. They are mainly offshore, they are costly, they are larger and they are riskier", he said. "They therefore fail to recognise that getting the investment parameters right for finding and developing oil and gas is a critical underpinning of delivering a reliable, clean, affordable, energy supply."

Jones said it was still not too late for governments to "get it right" on energy policy. But he said the agenda needed to change fundamentally, with all governments needing to recognise that:

- Saying that national energy policy requires the development of Australian resources means they have to adequately fund pre-

competitive research to identify that resource endowment.

- The mining industry and the petroleum industry are fundamentally different. They must stop saying mining and petroleum developments are driven by the same policy parameters. They are not.
- Laws they have enacted in relation to the upstream oil and gas industry say that the right to explore carries with it the right to develop – if the parameters for exploration are wrong, development will not occur. But equally, if the parameters for development are wrong, exploration will not occur. Getting one or the other right is not enough.
- Taxation policy cannot be set in tablets of stone if they want to keep Australia as an internationally attractive destination for capital. The rest of the world is not frozen in an investment time warp. Australia cannot afford to be caught in one.
- Small and medium businesses are a critical part of the oil and gas industry. Small and medium companies are being driven out of business or forced offshore by higher and higher regulatory approval hurdles, costly, complex and over-lapping approval processes, governments shifting the burden of delivering community outcomes onto industry to ease the public purse, and governments ignoring the changed realities of capital markets."

Jones said these latter processes were undermining upstream competitiveness and innovation in Australia. "They are also creating a drain in talent and eliminating the willingness to take risks away from Australia", he said. "In short, by ignoring the role of small and medium business in the upstream oil and gas industry, governments are wrecking their capacity to deliver the energy policy outcomes they want."