

## Government, Industry Plan For Secure Energy Future

Australia could be exporting more than 50 MMt of LNG while also supporting a much expanded domestic gas market which fires up to 70% of the country's new energy generation capacity within nine years.

That's the industry ambition laid out in a new government-industry strategy announced by Australian Resources Minister, Ian Macfarlane, at an Australian Petroleum Production and Exploration Association (APPEA) conference in Perth recently.

The new strategy outlines a plan to:

- Ensure natural gas is used for up to 70% of all new energy capacity
- Increase LNG production to more than 50 MMt
- Double the use of natural gas as a feedstock for resource processing

Work has started on the national strategy at a state/territory, federal government and industry level, with an issues paper to be released in the coming months on the measures needed to see Australia move to a natural gas-fuelled economy over the next decade.

Macfarlane, who has spent much time encouraging new markets, including China, Mexico and California, to consider the safe and competitively priced option of importing Australian LNG said there was a new need to also squarely focus on growing the domestic gas market.

"The underlying priority is to see Australia claim its rightful place as one of the world's top five LNG exporters – we are currently still outside the top 10 despite our vast reserves

– but that has to be backed by a solid domestic usage program," Macfarlane said. "APPEA is stepping up to the mark with this new alliance which will be an industry-led strategy to dramatically alter the ways and quantities in which natural gas is used for the Australian domestic market."

"The key is the industry, and particularly APPEA's, enthusiasm for this strategy because it will have to involve changing business and community attitudes about energy production and opening doors which are currently closed, but not locked, to natural gas options. This new alliance is about keeping the home fires burning in a figurative sense through the use of natural gas, in a very real sense. It's not pie-in-the-sky policy, it's industry-led ambitions which will secure our national energy future as much as the future of our LNG exporters and producers."

APPEA Chief Executive Officer, Belinda Robinson, said a key objective of the strategy was to maximise the long-term economic contribution of the upstream oil and gas sector to Australia.

"In 2003-04 Australia imported \$1.5 billion more crude and condensate than it exported. This net import bill more than doubled to \$3.7 billion in 2004-05", Robinson said. "Without many more discoveries, that net oil import bill, based on current oil prices, could rise to \$20 billion by 2015, resulting in lost taxation revenue of up to \$3 billion per annum, equivalent to the total amount the Australian government currently spends on government schools. Impediments to attracting greater exploration need to be further addressed."

Robinson said the Australian government had taken some important first steps, particularly by providing substantial funding for Geoscience Australia from 2003 -2007 for the all-important

pre-competitive geological information which companies need in order to make exploration risk assessments. Other governments have taken similar initiatives.

"But Australia remains very lightly explored. We simply don't know what petroleum resources we have out there until we go looking", she said. "Generating that interest is central to this industry-led initiative. Australia has a world class LNG industry and is well-positioned for further strong growth as energy consumers seek out less greenhouse intensive energy options."

"When used for electricity production, gas produces around half the greenhouse gas emissions of other fossil fuels. Australia has a great capacity to supply international markets hungry for clean energy with lower greenhouse gas emissions. Greater use of gas for power generation in Australia will also help to improve Australia's greenhouse performance".

Robinson said a first step in the government-industry collaborative process would involve finalising and distributing an issues paper for public comment by the end of March.

"The industry is aiming to publish a final strategy document by the end of 2006 that will build on the Australian Government's Energy White Paper, the LNG Action Agenda and a number of recent positive policy initiatives by all governments to translate our aspirations for this industry into a successful platform for continuing Australian prosperity", she said.

A leadership group, chaired by Dr Agu Kantsler of Woodside Energy, has been established, comprising representatives from industry, the Australian government, officials supporting the Ministerial Council on Mineral and Petroleum Resources and leading research organisations. ■