

The Petroleum Industry in Victoria - Issues and Directions

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A Brief History

In Victoria, first oil came out of the Lakes Entrance area in onshore Gippsland and Lake Bunga in 1924. It was the 1965 Barracouta discovery that ignited international interest followed two years later by oil at Kingfish-1 which revealed the largest by far accumulation in or around the continent (1.2 BBbls recoverable).

The world class offshore oil and gas accumulations within 200km of Melbourne in conjunction with some of the greatest thermal coal accumulations in the world in the Latrobe Valley have provided Victoria with expensive and plentiful energy for the last three decades. Gippsland alone is responsible for two thirds of Australia's cumulative oil production and has offset some \$145 Billion in exports for Australia.

Production from the fields which, for the most part, were discovered within a decade of Barracouta, peaked at 450 KBbl/d in the mid 1980's and has been in rapid decline since 1993. In recent years, work has largely focused on maximising the recovery from existing discoveries. The billion dollar investment in West Tuna and Bream concrete gravity structures combined with \$400 million in investment will shore up production for the next few years at between 175-200 KBbls/day.

Issues

Native Title

Native Title, for the most part, is perhaps less of an issue for the resource industries in Victoria than elsewhere in Australia as there is far less crown land. Several major pipelines however are proposed within Victoria and the act of acquisition of native title interests (if

any) for pipeline easements in areas of crown land has necessitated Native Title Act section 29 notification as part of the pipeline approval process. At the time of going to press, Victoria has five right to negotiate processes underway associated with pipeline projects in response to claims. The call on the resources of the proponents, government and claimants is substantial.

Replacement of Reserves

Although the elephants have been found in nearshore Gippsland, there is little doubt that as with other major world basins, Gippsland is far from played out. Additional reserves will be found within the deeper stratigraphic zones of the intra-Latrobe, deeper water offshore and in regions where complex velocity fields and coal seams complicate seismic imaging. Further offshore, as with so many of the world's established basins, there is ample scope for giants.

Gas production is increasing steadily (660 Mcf/d annualised, in 1995/6). Barracouta, Marlin and Snapper supply the bulk of gas with the remainder coming for that associated with oil production. The trend of increasing demand will accelerate once interstate pipelines are constructed and New South Wales markets are connect to Bass Strait. Industrial (eg., BHPP Steel at Port Kembla) and cogeneration plants (eg., Smithfield) are anticipated to be early customers, but direct access to smaller markets will ultimately be available through the gas reform process.

Meeting this increasing demand will require new as yet undiscovered reserves, possibly within the next decade. With the renegotiation of the long term Esso/BHPP contracts, new contracts for significant volumes of gas are already being offered.

Reform

Separation of the State owned gas utility in 1994 by the passage of the Gas Industry Act in 1994 into exploration and

production (GFE), transmission (GTC) and distribution and marketing (Gascor) arms set the stage for privatisation. The Act also provided for authorisation of conveyance of gas by others than GTC or Gascor. The sale of GFE to Cultus in 1995 for \$56 Million will be followed by the marketing and probable sale of the other two entities next year. The Gas Industry (Extension of Supply) Act 1995 provided the supporting legislation for accessing new markets in Victoria by permitting variation in previously set tariffs.

Direction

Current demand forecasts are widely disparate. AGA has proposed, in its 1997 study, that new gas reserves may be needed between 2002-2007, based on a fairly aggressive demand forecast, modified from ABARE.

What is certain is that there will be an integrated electricity and gas grid in the eastern states with larger customers having the scope to select the most cost-effective energy supply option. Also it is a near surety that additional oil and gas will be found in Gippsland. To the west, additional small to moderate gas prone discoveries will be made in the Otway, both on and offshore. The linking of communities by gas pipelines in Victoria and interstate will create niche opportunities for small to medium explorers onshore.

Offshore next generation of gas will be more difficult to exploit as it will be largely higher in CO₂, deeper stratigraphically or further from shore. Access to the existing facilities, ideally through commercial arrangement rather than direct government intervention, will be negotiated but treatment will be an issue. If AGA's 1995 predictions hold that it will take \$4.50/GJ gas to justify the transcontinental pipeline, there will be ample incentive to find gas in eastern basins for the foreseeable future.