

## Offshore Exploration High Priority For Energy Security: PM

Encouraging further petroleum exploration in frontier offshore areas is a high priority for the federal government as it tries to underpin energy security for Australia, according to Prime Minister John Howard.

In a speech to the Committee For Economic Development of Australia in Sydney on 17 July, Howard said Australia can and should supply the domestic and world economies with low cost energy comprising a mix of conventional sources like oil, gas and coal, and alternatives such as biofuels, solar and nuclear power.

"While known oil reserves are declining, Australia remains relatively unexplored, particularly for petroleum in frontier offshore areas", Howard said. "We continue to examine what further can be done, knowing that offshore frontier exploration is a high cost, high risk undertaking."

Howard said Australia's gas reserves are particularly important given the adaptability of this fuel in stationary energy markets and as a potential alternative to petroleum in transport applications. "We have significant reserves of natural gas and, on industry estimates, could be the world's second largest LNG exporter by 2015."

"Likewise our deposits of coal, both black and brown, offer great potential for conversion to transport fuels such as diesel and hydrogen. We are the world's largest coal exporter and we account for about 30 per cent of world trade in that commodity."

He said renewable energy sources will play an increasing role in Australia's energy mix. But pragmatism, rationality and flexibility also call for realistic expectations about this role for the foreseeable future. "The cost of delivering low emission electricity from renewables remains very high, with difficulties surrounding base load power demands. Coal, oil and gas will continue to meet the bulk of Australia's energy needs."

"If we look globally, the same picture emerges. The IEA expects coal, oil and gas to account for about 83% of the forecast increase in primary, global, energy demand over the period from 2003 to 2030. If one

accepts these projections, that would mean an increase in the share of global energy demand accounted for by fossil fuels. "

Howard said abundant resources, extensive infrastructure and good access to world markets underpinned a high level of energy security. "But in such a large and sparsely populated country, this cannot be taken

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for granted. Global concerns about energy security have risen sharply due to the very sharp rise in oil prices. Man's constant hunger for energy and all that this involves will profoundly shape geo-politics this century; perhaps more so than it did last century."

"I think we all agree that reliable, low cost energy makes our lives easier, underpins the competitiveness of our industries, generates investment and jobs, and provides a major source of export income", he said.

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"To illustrate, in 2006/7 our energy exports will grow to about \$45 billion and that's more than three times what we earned last year from meat, grains, and wool combined. Australia can and should supply the domestic and world economies with low cost energy. And making the most of our great comparative advantage in energy is not just in Australia's interests, but it also will contribute to the global economic welfare as well."

He said energy security is assuming a strategic significance, once reserved for territorial security, and the global environmental challenges from energy production and use are amongst the most pressing facing the

country. "The IEAE estimates that global energy demand will grow by more than 50% between 2003 and 2030. Most of this growth will come from countries like China and India."

"Australia consumes about a third of the energy it produces, and we export the balance. We are one of only a few net exporters of energy in the developed world. And our relative proximity to these huge and growing markets in Asia is an obvious asset."

Howard said Australia was home to close to 40% of the world's low cost uranium reserves. "We also have extensive renewable energy resources. Hydro, wind and solar represent a small but growing part of our energy mix and other potential sources such as hot dry rocks are yet to be tapped."

He said the federal government was aiming at three goals to attain energy security; prosperity, security and sustainability. "To achieve these goals we need an energy policy framework that is pragmatic, rational, as well as being flexible. We must build Australia's energy advantage based on proven strengths. We must avoid putting all of the eggs in one basket. And we must invest in leading edge, clean energy technology while being pragmatic about what technologies help reach our goals."

Howard said Australia must change the way it produces and uses energy because of the challenge presented by greenhouse gas emissions. "The Energy White Paper outlined a suite of measures aimed at lowering the cost of a broad range of low emission technologies. The flagship is our \$500 million Low Emission Technology Demonstration Fund designed to leverage large scale demonstration of clean fossil and renewable technologies."

The fund has received 30 applications seeking government funding of \$2.6 billion in support of a potential \$13 billion of investment. They cover innovative technologies for post combustion capture of CO<sup>2</sup>, coal gasification, brown coal dewatering, solar thermal and photovoltaics, geothermal and biomass. An expert panel will report shortly on the successful projects. ■