

Offshore WA, Victoria Exploration Can Benefit From UK Shelf Model

Oil and gas exploration offshore Western Australia and Victoria can benefit by adopting the innovative approach that has revitalised operations in the UK Continental Shelf, according to the British High Commissioner to Australia, Helen Liddell.

Liddell said operators on the UK Continental Shelf have had to introduce change that had generated a climate of innovation and technological advance and could be of value offshore Western Australia and Victoria.

Liddell said it was premature to write off the UK Continental Shelf (UKCS) which she said was the classic Mark Twain conundrum of rumours of its demise being greatly exaggerated. "UKCS is a mature region, and although some have been overly hasty to write it off, look at the statistics", she said. "By the end of 2006, cumulative oil and gas production will have reached 36.5 Bboe, with as much as 15-20 billion barrels still remaining.

"Exploration and appraisal drilling over the last three years is 50% up on the previous three and the ratio of successful wells continues to be encouraging, the 10,000th well drilled here is well past. It is true that forecasts suggest the UK will be importing 80% of our total gas requirements by 2020. That means that we have even greater pressure to tap our existing indigenous resources and that is driving up initiative and drive."

Liddell said a recent energy review in the UK had identified three key areas that the industry will concentrate on: brownfield development, which she said is already very attractive to independent oil companies, an area west of Shetland and the commercial framework within which it works.

"In the brownfields, we know from experience that new approaches can maximise these fields, maybe not with headline grabbing major projects, but through paying attention to the smaller details", she said. "These include getting maintenance and reliability right, studying then sorting out over and under-performing wells, selecting the right infill wells and keeping costs down. This takes high skill and it is a growing sector of the industry and one with great international application and it is delivering."

Liddell said mature fields investment had risen by over 40% over the last three years, with a similar increase in development drilling. "During all my years as energy minister, the

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area west of Shetland was the 'Holy Grail'", she said. "Now all of the key operators in the region are part of a taskforce to meet infrastructure needs."

"Everyone knows the potential but there are real challenges to development, key among them to gather a critical mass of discovered resources able to sustain the large investment for gas infrastructure that would be critical to opening up the area. Just as we learned with the Oil and Gas Industry Task Force, when the industry works together, great things can be achieved. It is possible for firms to work together without hampering commercial interests."

But she said for all of this to work, there must be a dynamic commercial framework. The industry is already signed up to commercial and infrastructure codes

of practice that can speed up deals and improve transparency.

"When we surveyed commercial deals in 2005, it was found that there had been real improvements in behaviour, including a willingness to stick to timetables and even negotiators empowered to take decisions", Liddell said. "There is still a way to go, there are still cases of poor communication and attempts to tie negotiations to other deals, but progress is clearly there."

Liddell said an oil price at or above \$50US bbl may change the arithmetic for the entire industry. "It means that there are very valuable projects out there both for fabrication and in the supply chain and that is why this event is so important", she said.

"The UK industry looked into the abyss and has come back strengthened, innovative and world class, and where else to put that experience to good use but here in Australia, where the domestic industry is buoyant. British business likes working in Australia and with Australians.

"Business costs are lower here compared with other countries in this region and taxation and royalty arrangements in place are internationally competitive. The policy and legal framework is stable and attractive and that is very valuable where every part of the energy business has to be alert to the risks to security of supply. Regulatory requirements are transparent, predictable and practical for every stage of the operation.

Liddell said there were many opportunities for UK companies to pre-qualify on major projects, form joint ventures and tap into the global supply chain. "This is a great country to do business. It is hard for British business not to feel at home here." ■