

Safe resources

TOGY talks to

Martin FERGUSON

Minister of Resources, Energy and Tourism



THE OIL & GAS YEAR: *Can you provide an introduction to the Department of Resources, Energy and Tourism and describe the extent of its responsibilities and the range of its authority?*

MARTIN FERGUSON: The department provides advice and policy support to the government regarding the country's resources, energy and tourism sectors. The department also develops and delivers policies to increase Australia's international competitiveness, consistent with the principles of environmental responsibility and sustainable development.

The department was established through the Administrative Arrangements Orders of December 3, 2007, and January 25, 2008. Functions were transferred from the former Departments of Industry, Tourism and Resources; Education, Science and Training; and Environment and Water Resources. Geoscience Australia, the National Offshore Petroleum Safety Authority and Tourism Australia transferred from the former Industry, Tourism and Resources Portfolio.

The department plays an important role in assisting the federal government to achieve its objectives by providing high-quality advice and services in order to improve the competitiveness and sustainability of the resources, energy and tourism industries.

Departmental priorities are based on the importance of enhancing the country's economic prosperity to ensure that Australia maintains its international competitiveness and responds to the increasing globalisation and technological development of the resources, energy and tourism industries. At the same time, the department is working to encourage small and medium-sized companies to enter these industries and share access to the benefits of economic growth. The department liaises closely with the private sector, including major corporations and business associations.

TOGY: *To what extent does the department rely on the development of the country's oil and gas resources to facilitate the creation of jobs and to ensure sustained economic growth?*

MF: The Australian government regards the development of the country's LNG industry (both in northwestern and northeastern Australia) as critical to both Asia-Pacific's energy security and Australia's economic development. For example, the proposed Gorgon project is a A\$50 billion (\$37.4 billion) project that will generate 6,000 jobs during the course of its construction.

TOGY: *Within five years, Australia could be exporting as much as 50 million tonnes of LNG per year. How critical is this trajectory to the economy?*

MF: Exports of Australia's energy resources, such as coal, uranium and LNG, as well as other key commodities, such as iron ore and copper, are set to increase throughout the coming years and continue to be a key driver of the economy.

TOGY: *Considering its geographic size, Australia is a largely under-explored and underdeveloped market for oil and gas resources. How is the department encouraging international companies to invest in Australian hydrocarbons?*

MF: Australia is relatively under-explored both onshore and offshore. The government has responsibility for offshore areas.

As announced in the most recent budget, the government will extend the designated frontier areas (DFAs) incentive in the petroleum resource rent tax (PRRT) by one year. This incentive allows an immediate 150 percent uplift on PRRT deductions for exploration expenditure incurred in designated offshore frontier areas.

The six DFAs include three large deepwater areas on the northern Exmouth Plateau offshore from Western Australia. The Exmouth Plateau is

Rich in natural resources, such as coal, uranium, iron ore and copper, as well as LNG and other hydrocarbons, Australia has grown at an average annual rate of 3.6 percent for over 15 years, with large export markets in Japan, China, the US, South Korea and New Zealand. Until now, the hydrocarbons industry has been largely untapped, but increased exports of resources are set to be a major economic driver. ■



The government sees the LNG sector as crucial to the energy security of the entire region

the deepwater frontier of the Carnarvon Basin, Australia's premier hydrocarbon province, containing major gas fields such as Jansz and Scarborough. Three out of the six deepwater exploration wells drilled in the area in 2008 resulted in significant gas discoveries.

The other three DFAs are in the central Great Australian Bight, off the South Australian coast, which is truly a new frontier with no nearby permits currently held.

TOGY: *Australia has had one of the world's safest mining and resources industries, but a few recent incidents have warranted attention, including a pipeline explosion on June 30, 2009, on Varanus Island. What needs to be done to improve safety?*

MF: Australia does in fact have a world-class safety record, but this is not to say that it cannot be improved. The report arising from the Varanus incident prepared for the Department of Industry and Resources was recently released by the Minister of Mines and Petroleum Norman Moore for public comment.

TOGY: *You have promised "rigorous scrutiny" to ensure that petroleum companies develop their energy resources rather than sitting on vast reserves. But you have yet to strip major companies of their retention leases. Is the department doing enough to hold companies accountable for developing the country's hydrocarbons?*

MF: On June 12, 2009, the government released a discussion paper on its retention lease policy. The aim of the paper was to better balance the national interest with the commercial interests of oil and gas producers. Submissions from stakeholders on an options paper were due by 14 August 2009 and are currently being considered by my department.

TOGY: *Despite its wealth of hydrocarbons, Australia does not have a considerable downstream*

sector. Will the department propose any measures to further monetise Australia's raw resources?

MF: Given the country's abundant coal and gas reserves there is the potential for large-scale synthetic fuel production and several synthetic fuel projects are under consideration. The government is committed to investigating options that draw upon our unique resources and competitive advantages such as the production of synthetic fuels from coal and gas.

As part of the government's review of the taxation system there will be an assessment of the barriers to investment in large-scale downstream gas processing projects, the particular hurdles faced by remote gas developers, and consideration of the future policy framework for new sunrise industry investment in Australia's gas sector, including new LNG, gas-to-liquids and domestic gas projects. The government's energy white paper, which is currently under development, will also be considering the numerous policy issues surrounding the development of coal-to-liquids and gas-to-liquids projects, and broader industry development.

TOGY: *Coal seam gas has shown enormous potential in transforming the economies of eastern Australian states. How is the department facilitating the harvesting of these resources?*

MF: The potential of Australia's coal seam gas is located onshore in Queensland and, accordingly, the government has a limited role. Nonetheless, the government will do all it can within its area of responsibility to facilitate these very significant investments.

TOGY: *In May 2009, the government delayed the introduction of an emissions trading scheme by one year, which many companies complained would create apparent obstacles for the industry, especially on LNG exports. Do you interpret this delay as a sign that the government understands its economic responsibilities?*

MF: The government recognises the contribution that LNG could make to both Australia's prosperity and the global challenge of reducing greenhouse gas emissions. The government continues to consult with industry regarding the detail associated with implementing its emissions trading scheme.

TOGY: *While the national government wants the country to take the initiative on climate change, energy companies are poised to instigate a major increase in the level of production. Are those two goals irreconcilable?*

MF: LNG will make a major contribution to greenhouse gas reduction by displacing higher emitting fuels that would be otherwise used. For every tonne of CO₂ emitted in Australia during production, LNG saves 4 tonnes of CO₂ when consumed in Japan and 9 tonnes when consumed in China. In a carbon-constrained world, Australian LNG is very important to maintain continued sustainable growth in Asia. ■