



Annual Report 2012—2013



APPEA: the voice of Australia's oil and gas industry

The Australian Petroleum Production and Exploration Association is the peak national body representing Australia's oil and gas exploration and production industry.

At 30 June 2013, APPEA had 85 full member companies and 269 associate members. The full members are oil and gas explorers and producers active in Australia. APPEA members account for an estimated 98 per cent of the nation's petroleum production. APPEA's associate members are companies that provide a wide range of goods and services to the upstream oil and gas industry.

APPEA works with Australian governments to help promote the development of the nation's oil and gas resources in a manner that maximises the return to the Australian industry and community.

APPEA aims to secure regulatory and commercial conditions that enable member companies to operate safely, sustainably, and profitably. It also seeks to increase community and government understanding of the upstream petroleum industry by publishing information about the sector's activities and economic importance to the nation.

In addition, APPEA hosts several conferences each year to exchange ideas and contribute to the development of the industry's policy positions.

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From the Chairman

The oil and gas sector is one of the main drivers of Australia's prosperity and its importance to the nation is set to continue.

In the past decade, Australia's liquefied natural gas sector has attracted more than \$200 billion in investment. This represents 30 cents in every dollar of private sector investment currently committed in this country.

Since Australia's first LNG shipments began in 1989, Australia has produced more than 350 million tonnes of LNG – generating more than \$70 billion in taxes and royalties.

This investment is continuing today, and not just in LNG but across the entire oil and gas industry. In 2013 alone, the industry will invest more than \$30 billion in capital expenditure, and a further \$3 billion running our existing fields.

If the next wave of additional projects proceeds, our sector will account for nearly two-thirds of all committed investment across all Australian industries between now and 2020.

Our industry is currently paying about \$8.8 billion dollars annually in corporate taxes and production royalties. By 2020, the tax paid is forecast to increase to \$13 billion dollars – about one-third of these year's Federal budget deficit. At a time when government revenues are under pressure, this is good news for all Australians.

Our long-term commitment to unlocking this nation's oil and gas resources has already paid huge dividends for Australia, and clearly we can do even more for the nation.

Yet, our ongoing success is not guaranteed. The industry has enormous opportunities and significant advantages, but it also faces serious headwinds.

These challenges include growing costs in the Australian business environment, the emergence of lean and hungry new global competitors, and overlapping and complex regulation of our operations.

They also include the need to continue building trust with communities and to continually improve the safety of our operations.

Connecting with communities

From coal seam gas fields in the east to offshore seismic surveys in the west, our industry faces voices seeking to slow or even halt further investments. We cannot convince everyone. Some individuals and organisations believe developing fossil fuels must be stopped at all costs. However, these groups represent a minority.

In 2012-13, APPEA reached out to Australians to make the case for natural gas. Late in the 2012-13 financial year, APPEA laid the groundwork for a major campaign launched at the end of July. The Our Natural Advantage campaign demonstrates that natural gas is a critical part of Australian life, and an extraordinary driver of our nation's current and future prosperity. It also informs politicians and energy consumers that up to 150,000 jobs and \$180 billion in investment will be foregone if Australia's next wave of investment fails to proceed.

Our Natural Advantage sends a clear message: that the natural gas industry operates safely and in an environmentally and socially responsible manner. It makes it clear that developing new gas supplies is absolutely critical if Australia wants to put downward pressure on energy prices, meaningfully reduce greenhouse gas emissions, and bring on the next wave of Australia's prosperity.

The campaign asks Australians to influence their economic future by using the campaign website to sign a petition and sign-up for campaign updates. By September 2013, more than 10,000 people had registered their support.

This is an important campaign, but it is only part of our activity in reaching out to individuals and communities.

Finding common ground requires more than just rhetoric. We must continue to ensure the impact of our operations on water, on air quality and on marine life is truly minimised. We must continue working to understand the training required to provide real opportunities for local employment. We must continue to listen to communities to understand their concerns. And we must protect the community's interests as well as our own.

This will require us to work hard, be patient, and to keep the commitments that we make. Respect and goodwill can take years, sometimes even decades, to develop. We are in this for the long term and we must demonstrate the key values that we talk about.

Safety

One of those key values is safety. Safety is the responsibility of everyone in this industry. It is the responsibility of individuals at the front line, of their team-mates who work alongside them, of their direct line managers, and ultimately their organisation's leaders.

Since the devastating Macondo incident in the Gulf of Mexico, and the Montara incident off northern Australia, there has been a demonstrable increase in international collaboration and in local application of the best global solutions.

For example, a number of APPEA member companies have made a \$20 million joint commitment to develop a local first response intervention capability, and specialised well intervention and site clean-up equipment are due for delivery to Fremantle before the end of 2013.

We must also focus on developing and sharing knowledge locally. There have been fatalities in both the onshore and offshore sectors. This is unacceptable and we must continue to identify, share and apply the lessons from these tragedies and from high-potential incidents.

Our industry is growing rapidly, expanding its onshore operations and pushing into deeper waters. These changes create new safety challenges. With rapid development our industry must also manage the introduction of many thousands of new people from different sectors and from other countries. This means myriad safety cultures and experiences must be managed. This requires not just little steps and continuous improvement but also large leaps in performance.

In 2012, the APPEA CEO Safety Forum endorsed three projects – the Common Safety Training Program, Vehicle Safety and Process Safety. Over the past 12 months we have achieved significant progress in all three of these projects.

APPEA members have rolled out the Common Safety Training Program to our offshore production and drilling workforces. Not only does this deliver a minimum standard of safety competency and behaviour, but it takes place in the workplace itself. This has led to significant improvements in safety behaviour and culture for our offshore workers. This program will now be rolled out for supervisors across the industry – maintaining our focus on improving our leaders' ability to deliver safety performance.



APPEA Chairman, David Knox.

And we have sharpened our focus on process safety, or keeping the product in the pipes. The newly established quarterly Process Safety Forum not only looks back at what has happened and shares information across the industry, but also looks forward to help prevent incidents. We also recently launched the IChemE Process Safety Centre, which will provide a multi-industry centre of excellence in process safety.

The next challenge is to involve our workforce more deeply in safety leadership. Whether it be engaging teams, making decisions on the frontline, or engaging with our regulators effectively, we need all workers involved. There will be a strong emphasis on this over the next year.

For our industry to continue to grow, there must be a widespread acceptance that it is operating safely and in a socially and environmentally responsible manner.

We need to maintain our strong emphasis on enhancing safety performance and building community trust.

Through safe, sustainable investments and operations, the industry will create wealth and opportunities for all Australians. We will also meet the need for energy from both Australia and Asia.

Finally, on behalf of the APPEA executive team and Board, I would like to thank all of our members for their active support.

From the Chief Executive

In 2012-13, APPEA implemented major changes, modernising its structures, processes and practices to better serve members' needs.

APPEA hired new staff across the country, established a new office in Sydney and began working to set up a Darwin office, which started operating shortly after the end of the financial year.

APPEA staff were busier than ever and achieved much in a difficult political environment. For some insight into this, I urge members to read the *Key achievements and Major submissions and reports* sections of this document.

All of this work was necessary because the Australian oil and gas industry is in a period of unprecedented change and transformation.

In 2012-13, several new oil and domestic gas projects entered production. In addition, the country's third liquefied natural gas project – Pluto – posted its first full year of production and Australia passed Indonesia to become the world's third-largest LNG exporter.

Given the number of projects being built, Australia remains on track to become the world's largest LNG exporter before the end of the decade.

The market opportunity

The Australian oil and gas industry was responsible for the creation of about 100,000 jobs across the country in 2012.

Deloitte Access Economics estimates that the industry put about \$30 billion into the national economy in the 2011-12.

The industry's contribution to national prosperity, regional development and energy security will grow even further.

Based on projects committed and under construction, by 2020 the Australian industry will contribute \$65 billion a year to the national economy. This calculation is based only on projects that are already approved or considered highly likely to proceed. The industry's contribution could be even greater if further projects under evaluation ultimately proceed.

The cost and competitiveness challenge

But this will only happen if more large oil and gas projects are approved and built, and there are real reasons to fear that this may not happen.

Genuine threats are now emerging to the LNG industry's plans for further investment and development.

The industry faces an uncertain global economic environment, rising operating costs and growing international competition.

While Australia is on track to become the world's largest LNG exporter, we cannot be sure for how long it will hold this title.

Strong competitors are emerging in North America and East Africa, rivals that share our proximity to Asian markets.

At this point in our history, Australia needs a policy environment that encourages investment and enhances national competitiveness.

Australia's regulatory and approval processes for oil and gas projects have become increasingly inefficient and restrictive. Costs have risen and productivity growth has stalled even as we face strong competition from emerging competitors.

Australia's attractiveness as a place to invest is under enormous pressure.

Unless the new Australian Parliament can work with industry to rectify this, the next generation of Australian LNG projects may never be built.

Policy priorities

To maximise investment, jobs growth and tax revenue, the Australian Government must commit to policies that pursue more export sales while also delivering more gas domestically to households and businesses.

The next Parliament must:

1. Deliver a stable, predictable and competitive taxation regime that encourages investment and avoids shocks or surprises.
2. Remove duplication of green tape and red tape across jurisdictions. It is adding to the time required to develop and deliver projects, adding to costs and the risks faced by investors.
3. Facilitate development of a skilled workforce for Australian energy projects through more flexibility in labour markets and continuing access to overseas skilled labour.
4. Resist calls for energy policy interventions that force non-commercial outcomes – and encourage state and territory governments to do the same.
5. Deliver regulation based on sound scientific principles, real-life operational practices and transparent assessment – and show leadership to state and territory governments to do the same.

Australia's oil and gas industry has the potential to deliver enormous economic benefit in the coming decades, however Parliament must pursue policies that ensure the industry can foster the next wave of jobs and investment. Making the case for natural gas

As our Chairman has noted in his report, in 2012-13 APPEA reached out to Australians to make the case for natural gas through the Our Natural Advantage campaign.

The campaign demonstrates not just the economic benefits of development of Australia's natural gas resources but also that natural gas as an energy source is fundamentally beneficial to human life.

It is only through developing affordable, plentiful and reliable energy that the necessities of life – clean and sufficient water, air and food – can be reliably supplied. By producing the most abundant, affordable and reliable energy source in natural gas (and oil), our industry makes every other industry more productive.

Our Natural Advantage aims to depart from what has been an essentially "defensive" posture in response to attacks on the growth of our industry. It refutes the central idea of our industry's critics that hydrocarbon-based energy sources like gas (and oil) are bad for Australia and the world.

There is a good reason why natural gas is the fastest growing major global energy source. Through the application of technology, financial strength and ingenuity, the Australian oil and

gas industry supplies the cleanest, most plentiful, most reliable energy source ever developed.

We should feel proud to be part of this industry and proud of its essential role in Australia and the world.

Thank you

Finally, I would like to thank the staff of APPEA for their dedication and commitment; the APPEA Board for its support of the organisation in a challenging and fast-moving external environment; the various political leaders, government officials and third party organisations with whom we worked through the year; and all our member companies for their active participation and engagement throughout the year.

To take just one example – APPEA 2013 in Brisbane was the largest and most impactful APPEA conference ever. That can only happen with the active support of our member companies. We thank you and plan to build on that support and aim ever higher in 2014.



APPEA Chief Executive, David Byers.

Key achievements in 2012-13

In 2012-13, APPEA made substantial progress in several areas of advocacy.

Access to resources

- Achieved a successful outcome in the final recommendations of the Business Tax Working Group, which was examining potential changes to the company income tax system.
- Obtained a commitment (and subsequent legislative change) from the Federal Government to address the negative consequences arising from a decision of the Full Federal Court in relation to the operation of the petroleum resource rent tax regime.
- Participated in the Productivity Commission's review of non-financial impediments to resource exploration. The draft report of the Commission supported many of the industry's concerns and advocated reducing the regulatory burden.
- Successfully lobbied the Queensland government for the introduction of a risk-based approval regime for exploration activity. Approval times and costs in that state are expected to be significantly reduced.

Access to markets

- Successfully advocated for maintaining a market-based approach to energy policy through the Energy White Paper. The Federal Government and state governments on the east coast and the Northern Territory have publicly rejected market interventions such as a domestic gas reservation policy, and South Australia has indicated it would be reluctant to interfere with the operations of the gas market. In Western Australia, efforts continued to secure a review of the WA Domestic Gas Policy in 2014.
- Secured several improvements to the operation of the Clean Energy Act 2011 and prevented adverse changes that would have increased liabilities for oil and gas companies under the carbon pricing mechanism.

Excellence in health, safety and environmental management

- Worked closely with member companies and the Australian Marine Oil Spill Centre and the Federal Government to improve offshore well integrity, preparedness and response capability in the event of loss of control at an offshore well. In particular, APPEA coordinated the establishment of a consortium of 13 member companies to acquire, maintain and deploy subsea first response equipment. In the event of a loss of control, this Subsea First Response Toolkit will clean the seabed around a subsea well and make it safe as quickly as possible.
- Worked closely with the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) on oil spill contingency planning and preparedness, and supported our members in improving their systems and processes.
- Advocated the case for environmental regulatory reform and removal of duplication and overlapping approval requirements between NOPSEMA and the Department of Sustainability, Environment, Water, Population and Communities (now called the Department of the Environment), as well as between federal and state governments.
- Continued to engage with the Federal Government on finalising the Commonwealth Marine Reserves network.
- Strengthened partnerships with respected scientific bodies such as the CSIRO and peak farming bodies. This included an agreement with Queensland farmers' association, AgForce, to conduct co-branded information sessions to landholders on natural gas from coal seams and produced water.
- Successfully advocated for a Queensland Government CSG Water Management Policy for the beneficial use of produced water, rather than treating water as a waste product.
- Made significant progress in the reporting of High Potential Incident Alerts, including a process for sharing information about hydrocarbon releases.
- Developed a vehicle safety guideline providing toolkit solutions for key risks.

Left: The Pluto LNG terminal. Photo courtesy Woodside Energy.

The operating environment

Australia's oil and gas industry faces considerable opportunities and continues to grow. However, it is also dealing with a changing political and regulatory environment.

Global petroleum demand

Despite economic uncertainty, the worldwide outlook for oil and gas demand remains strong.

In its *World Energy Outlook 2013*, the International Energy Agency (IEA) has noted that that new technologies are unlocking previously inaccessible oil resources in tight and ultra-deepwater reservoirs, as well as improving recovery rates in existing fields. This development is increasing estimates of the amount of oil that remains to be produced. But the IEA cautions that "this does not mean that the world is on the cusp of a new era of oil abundance" and these new sources of oil are expensive to develop.

In this report, the IEA canvasses several scenarios. Under the scenario it considers most likely, it forecasts oil prices will continue to rise and will reach \$128 per barrel (in pre-2012 dollars) by 2035. But the IEA also notes that energy efficiency improvements are curbing oil demand growth and it predicts that the share of natural gas in transport energy today will reach 5.6 per cent by 2035, up from 3.8 per cent in 2012.

Global demand for oil will continue to grow, but at a slower pace than previously. However, oil is set to remain central to the global transport sector and as a feedstock for petrochemicals, and it will remain a very valuable commodity.

According to the *2013 BP Statistic Review of World Energy*, global gas consumption grew by 2.2 per cent in 2012. Growth was particularly strong in Asia – demand increased by 10.3 per cent in Japan, 9.9 per cent in China and 7.8 per cent in South Korea.

Gas demand is expected to continue over the next two decades with gas forecast to be the strongest-growing major energy source. The IEA has projected world gas demand to grow at an average rate of 2.4 per cent a year to 2018 (*Medium-Term Gas Market Report*, June 2013), while BP expects growth of 2.1 per cent a year to 2030 – nearly double the rate of aggregate energy demand growth (*Energy Outlook 2030*, BP 2012).

This year-on-year growth translates to a cumulative growth of more than 50 per cent between 2010 and 2035, creating huge opportunities for LNG exporting countries. The world LNG market is expected to increase from 243 million tonnes per annum (mtpa) in 2011 to around 450 mtpa in 2025 with most of the increased production being shipped into Asia (Woodside Investor Briefing 2012).

Competitiveness concerns

However, the Australian LNG industry faces challenges with increasing supply competition from other countries, as well as high and rapidly increasing project development costs in Australia.

The IEA's *2012 World Energy Outlook* noted North America is at the forefront of a "sweeping transformation in oil and gas production that will affect all regions of the world". Canada and the US have greatly increased their natural gas production and are planning major LNG projects, which could be exporting their first cargoes by 2018.

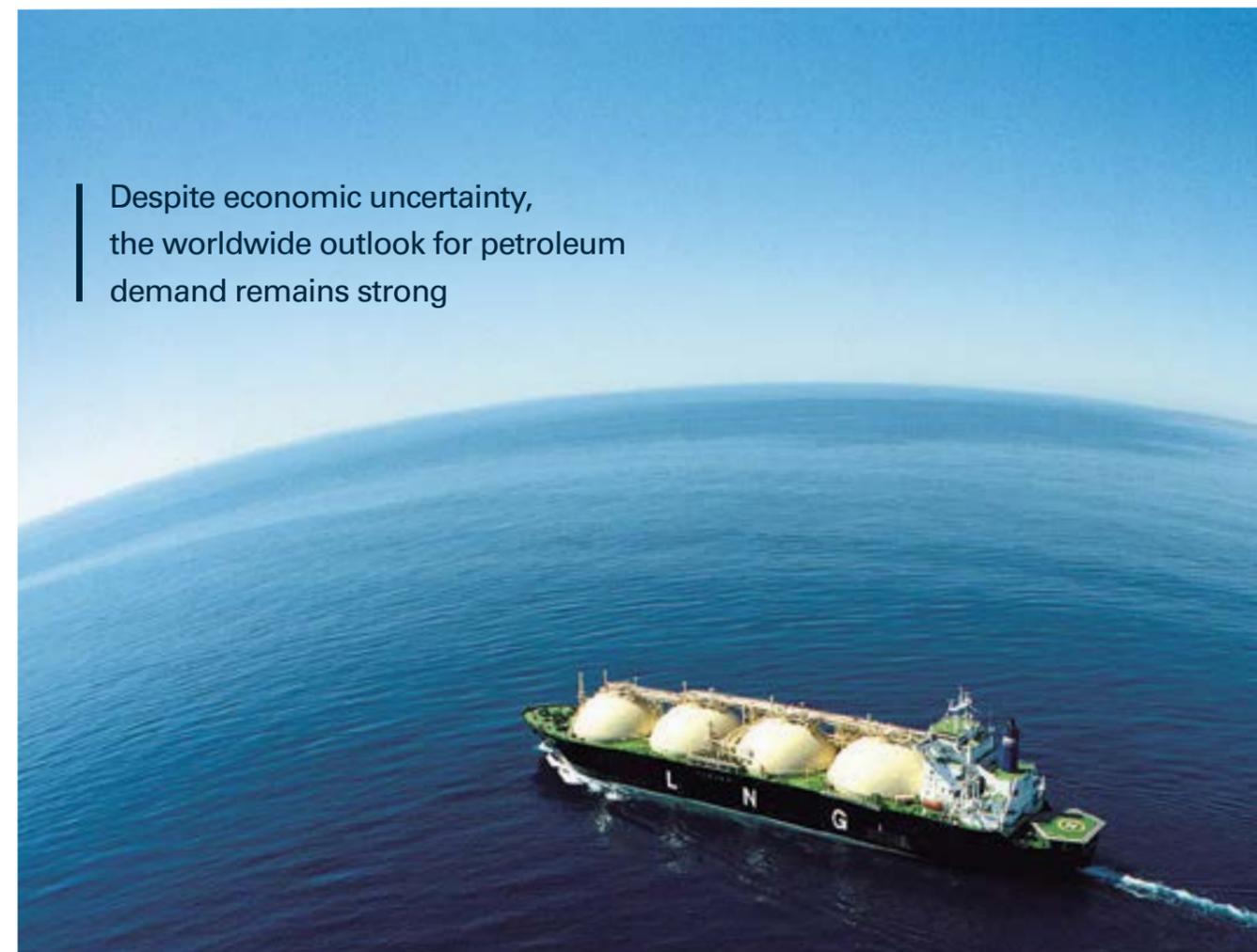
In addition, massive new gas deposits have also been found off the coast of East Africa. The support of the Tanzanian and Mozambique governments and low development costs could see the region delivering its first LNG exports as soon as 2018.

North America and East Africa are not only relatively close to Asian LNG markets, but these regions also currently have significant cost advantages over Australian LNG developments.

In a report for the Business Council of Australia, Independent Project Analysis estimated that the cost of building an LNG plant in Australia is 50 per cent higher than on the US Gulf Coast (Report of the Projects Costs Task Force, August 2013).

McKinsey and Company has estimated that the costs of a typical Canadian LNG project using gas from shales would be 20-30 per

Despite economic uncertainty, the worldwide outlook for petroleum demand remains strong



cent lower than those of a typical Australian LNG project using gas from coal seams. (*Extending the LNG boom: Improving Australian productivity and competitiveness*, May 2013).

McKinsey found that about 60 per cent of this gap is caused by a combination of higher Australian taxation, longer regulatory approval times, lower labour productivity, costlier design specifications and a less mature service market.

One new project development option for LNG that can address high capital costs is floating LNG. The Shell-operated Prelude project is on track to become the world's first FLNG project and is expected to start production in 2017. Other possible Australian FLNG projects include Browse (operator Woodside), Bonaparte (operator GDF Suez) and Sunrise (operator Woodside).

Innovations that reduce capital costs not only make Australian gas exports more competitive, but also improve the economics of domestic gas projects. This enhances gas production for domestic markets.

Political developments

Oil and gas operations have become a politically sensitive issue, both in Australia and in other parts of the world.

A well-resourced and highly organised anti-industry movement is attempting to limit the oil and gas industry's growth.

This has made APPEA's policy and advocacy work much more important.

APPEA has continued to highlight the importance of science-based regulation and has detailed the economic benefits of oil and gas development.

Domestic gas prices and policy have also prompted public debate. Several gas-using companies and interest groups have been calling for domestic gas reservations or other forms of assistance to gas users.

APPEA has argued strongly that two measures are needed to deal with any gas supply issues:

- Implementing a regulatory framework that facilitates, rather than obstructs the development of gas resources and infrastructure
- Maintaining access to open and competitive markets for natural gas in order to provide the incentive needed to develop gas supplies.

This issue is discussed in more detail in the *Energy policy* section (page 30).

Regulation holding back exploration

There has been a disturbing trend of imposing unnecessary constraints on oil and gas operations in some states and at the federal level.

In NSW and Victoria, regulatory changes have led to a virtual halt in onshore operations.

At the federal level, in June the Australian Parliament passed an amendment to the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act), creating an industry-specific “water trigger” applicable only to coal seam gas and large coal mining developments. The water trigger brings any such developments within the coverage of the EPBC Act. Its implications are discussed more fully in the *Environmental regulation* section (page 44).

The Productivity Commission is currently undertaking an inquiry into non-financial barriers to mineral and energy resource exploration. Its draft recommendations emphasise improving government approval processes, evidence-based decision making, removing duplication between the Commonwealth and the states and ensuring that environment-related regulatory requirements are the minimum necessary to achieve their policy objectives and proportionate to the impacts and risks involved.

Local content

Increasing discussion of the possible use of floating LNG as a way of dealing with Australia’s high-cost project development environment has drawn more attention to the issue of local content in major projects, particularly in Western Australia.

The Australian Government made several legislative and structural changes in 2012-13 aimed at increasing Australian industry participation in LNG projects.

But these changes focused on increased reporting and bureaucratic intervention without addressing the capability and capacity of local suppliers, which are crucial to developing a more competitive local industry.

Following two Parliamentary Inquiries and significant debate, the *Australian Jobs Bill 2013* received Royal Assent in June 2013, creating a legal requirement for projects valued at over \$500 million to submit an Australian Industry Participation Plan. Projects worth more than \$2 billion must now designate an Australian Industry Opportunity Officer to act as a point of contact for suppliers and report on Australian industry participation outcomes.

In multiple submissions, APPEA highlighted the sophisticated systems and approaches many companies already have in place to manage and maximise Australian industry participation and advocated focusing on key competitiveness issues (capability and capacity of suppliers) rather than imposing additional procedural and reporting requirements.

2013-14 Federal Budget

The 2013-14 Federal Budget was announced on 14 May. APPEA’s Budget response highlighted the negative consequences of the proposed tax changes announced in the Budget and the need to map a credible path back to surplus.

APPEA noted the resources boom had provided successive Australian Governments with windfall tax revenues for much of the past decade. The tax changes flagged risked curtailing the investment needed to drive growth and fund future surpluses.

At the same time, the Budget Papers highlighted the important role of the industry, noting “... a substantial pickup in liquefied natural gas exports in the second half of the decade will support growth for years to come.”

Exploration and production

Australia’s gas production is growing strongly, but petroleum liquids production continues to decline.

Exploration successes

Outside NSW and Victoria, onshore exploration is continuing to grow with increased exploration for gas held in coal seams, shales and tight rocks. There was also considerable success in Cooper Basin oil exploration and infill gas drilling.

While offshore exploration has fallen, 11 of the 21 exploration wells drilled off Western Australia in 2012 resulted in discoveries. The only exploration well drilled off Victoria was unsuccessful.

Domestic gas production rose 3.5 per cent to a record 1,102 petajoules.

But total oil and natural gas liquids production was down by 11 per cent. Oil production fell by 18 per cent to 772 million barrels and liquid petroleum gas fell 7.2 per cent to 1.9 million tonnes. But condensate production rose by 0.2 per cent to reach 49.7 million barrels.

Production

EnergyQuest reports that in 2012-13, Australian petroleum production reached 512 million barrels of oil equivalent, an increase of 6 per cent.

LNG production rose by 27 per cent to reach almost 23.9 tonnes, but this rise was largely due to scheduled maintenance shutdowns at both the North West Shelf and Darwin LNG in the previous year. When compared with 2010-11 LNG production, the increase was 14.7 per cent, still a strong figure. This rise was largely due to the Pluto project’s first full year of production.

Western Australia’s Carnarvon Basin remains Australia’s leading petroleum production province, producing 30.6 per cent of the nation’s gas in 2012-13 and 68% of its oil and natural gas liquids.

For more information on exploration and production, see the *Industry statistics* section of the Annual Report.



Workers at the Santos-operated Fletcher-Finucane oil project.

Industry investment and economic impact

At a time when questions are being raised about what will drive the nation's next phase of growth, the economic opportunity presented by Australia's vast gas reserves is remarkable.

The development and expansion of Australia's LNG industry presents an unprecedented opportunity for national income growth. Committed investment in LNG projects stands at around \$200 billion.

A June 2012 Deloitte Access Economics report commissioned by APPEA, *Advancing Australia: Harnessing our Comparative Energy Advantage*, shows the economic benefits resulting from LNG development and exports will be widespread. Not only are the industry's economic linkages broader and deeper than commonly appreciated, but a variety of wider, welfare-enhancing economic spillovers emanate from the industry's operations.

This report found that:

- oil and gas investment accounts for 35 per cent of all business investment in Australia
- over the period to 2020 the sector's national economic contribution (value added) will double to around \$65 billion per annum
- the oil and gas industry's contribution to GDP will increase from 2.1 per cent in (\$28.3 billion) in 2010-2011 to 3.5 per cent (\$65 billion) in 2020
- from 2009 to 2017, projects will spend an average of \$23 billion a year on capital outlays or about \$210 billion in total
- in 2012 oil and gas investment and construction activity increased national employment by about 1.0 per cent and is estimated to have been responsible for the generation of about 103,000 jobs across the Australian economy
- companies all over Australia are supplying goods and services to the oil and gas industry.

Figures collected from APPEA members show that in 2011-12 the industry paid \$8.8 billion in taxes (\$4.8 billion in corporate taxes and \$4 billion in production taxes). Deloitte Access Economics has forecast the industry's contribution from existing and approved projects will reach almost \$13 billion in 2020.

More growth means more benefits

Further growth and economic benefits could come from future oil and gas investment yet to be committed.

McKinsey & Company's independent research report, *Extending the LNG boom: Improving Australian LNG productivity and competitiveness*, was released in May 2013. This report outlined the enormous benefits flowing from the Australian oil and gas industry, as well as the scale of potential additional benefits that could flow if more projects are developed.

McKinsey found that existing and currently committed projects will contribute \$520 billion over the period 2015 to 2025.

These projects will add average 2.6 per cent to Australian GDP or \$5,500 per household per year, support 180,000 jobs and increase the tax take by \$11 billion or \$1,100 per household (average nominal annual contribution).

McKinsey found that an estimated 63 per cent of revenues from gas sales remain in Australia for a conventional (offshore) gas project, while 69 per cent of revenues remain in Australia from onshore projects.

Government and communities are the largest beneficiaries via direct taxes and royalties, and via taxes on all local capital and operational expenditure. Local suppliers, local operators and investors also benefit.

Future investment in the "next wave" of proposed but as-yet unapproved Australian greenfields and brownfields LNG projects could reach more than \$180 billion.

The report estimates that these projects, if secured, would result in an additional 1.5 per cent GDP or \$3,300 per household, support 150,000 new jobs and increase the annual tax take by \$5 billion or \$400 per household over the period 2015 to 2025.

Curtis Island, near Gladstone, Queensland, where three LNG plants are under construction. Photo courtesy Bechtel.

Major projects

In 2012-13, Woodside's Pluto LNG project delivered its first full year of production.

LNG projects

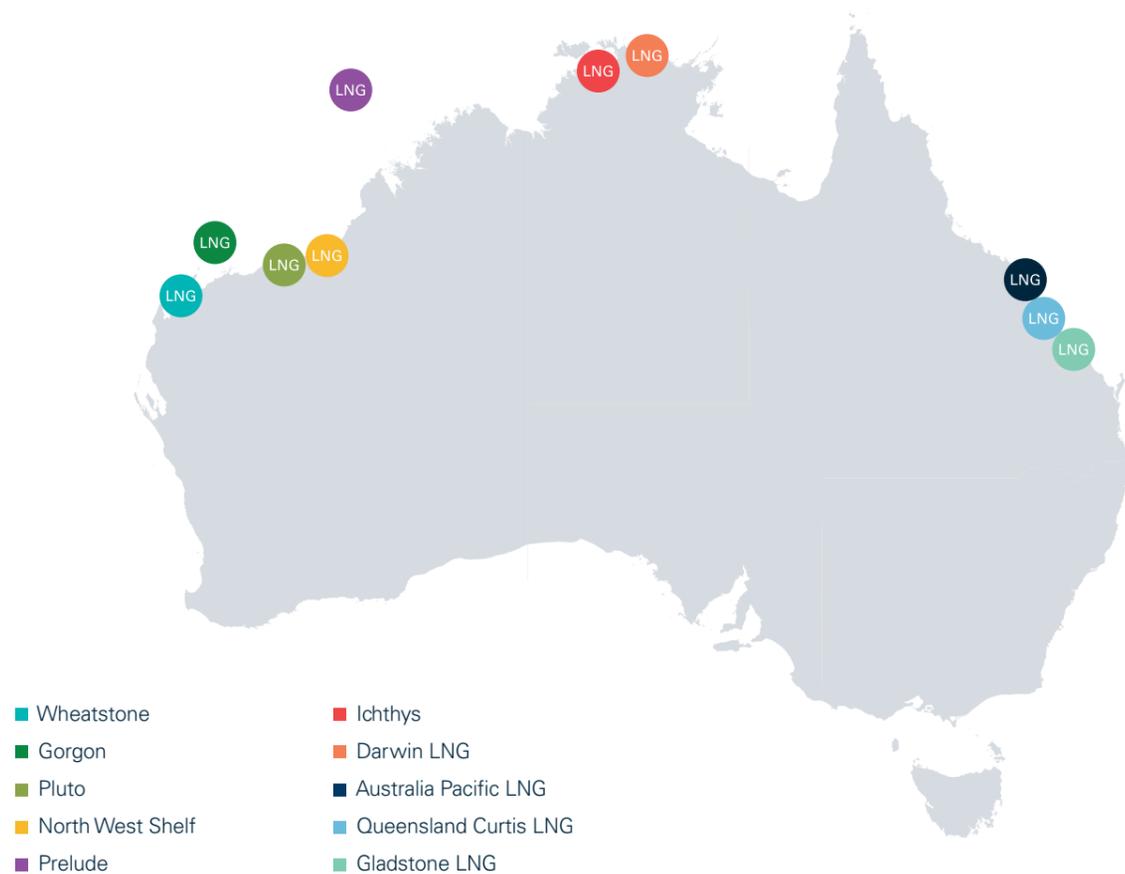
Australia has three operating LNG developments with seven projects under construction. More projects are being considered but final investment decisions have not yet been made.

In total, Australia has more than \$190 billion worth of LNG projects under construction.

The proponents of the seven LNG projects under development all report being on time and budget. EnergyQuest says that as of October 2013, the four projects aiming for first LNG in 2014 or 2015 were at various stages of completion: Gorgon 67 per cent, Queensland Curtis LNG 70 per cent, Gladstone LNG 65 per cent and Australia Pacific LNG 50 per cent.

The Fletcher-Finucane oil project (operated by Santos in WA's offshore Carnarvon Basin) came into production in May 2013. Shortly before the end of the financial year, the Montara oil and gas field (operated by PTTEP in the Timor Sea) resumed production.

In the third quarter of 2013, Origin Energy's Geographe gas field (part of the Otway Gas Project, offshore Victoria), BHP Billiton's Macedon gas project (offshore Carnarvon Basin) and Empire Oil & Gas's Red Gully gas and condensate project (onshore northern Perth basin) came into production. The oil phase of ExxonMobil's Turrum project (offshore Gippsland Basin, Victoria) is expected to start production before the end of 2013.



- Wheatstone
- Gorgon
- Pluto
- North West Shelf
- Prelude
- Ichthys
- Darwin LNG
- Australia Pacific LNG
- Queensland Curtis LNG
- Gladstone LNG

Operating LNG projects

PROJECT	PRODUCTION CAPACITY	CAPITAL EXPENDITURE	START DATE	PARTNERS
North West Shelf	16.3 million tonnes per annum (mtpa)	\$50B-plus (in 2012 dollars)	1989	Woodside, BHP Billiton, BP Chevron, Shell, MIMI
Darwin LNG	3.7mtpa	\$1.5B (in 2005 dollars)	2005	ConocoPhillips, Inpex, Eni, Santos, Tokyo Electric, Tokyo Gas
Pluto	4.3mtpa	\$15.3B	2012	Woodside, Kansai Electric, Tokyo Gas

Committed / Under construction

PROJECT	PRODUCTION CAPACITY	CAPITAL EXPENDITURE	START DATE	PARTNERS
Queensland Curtis LNG	8.5mtpa	\$20.4B	2014	BG Group, CNOOC
Gladstone LNG	7.8mtpa	\$18.5B	2015	Santos, Petronas, Total, Kogas
Australia Pacific LNG 1	9mtpa	\$24.7B	2015	Origin Energy, ConocoPhillips
Gorgon	15mtpa	\$52B	2015	Chevron, ExxonMobil, Shell
Ichthys	8.4mtpa	\$34B	2016	Inpex, Total, CPC, Tokyo Gas, Osaka Gas, Chubu Electric, Toho Gas
Wheatstone	8.9mtpa	\$29B	2016	Chevron, Apache, KUFPEC, Shell, Kyushu Electric Power Company, PE Wheatstone Pty Ltd
Prelude Floating LNG	3.5mtpa	\$13B	2017	Shell Partners, Inpex, Kogas, CPC

Policy development and advocacy

APPEA is the main contact point for policymakers, media and the community for information and analysis of issues affecting our industry.

Policy

APPEA works with federal, state and territory governments to develop and advocate policies that promote investment and facilitate development of the nation's oil and gas resources.

APPEA aims to secure regulatory and commercial conditions that enable member companies to operate safely, sustainably, and profitably.

APPEA also seeks to increase community and government understanding of the upstream petroleum industry by publishing information about the sector's activities and its economic importance to the nation. This includes submissions to governments, major reports and media releases.

Communications activity

APPEA provides industry and policy information to the general public, community groups and news media and this activity is critical to the industry's advocacy.

In 2012-13, APPEA worked to counter negative public attitudes towards the industry by helping Australians understand industry activities and that oil and gas is fundamental to the Australian way of life.

APPEA also undertook extensive public advocacy campaigns to counter the work of a well-funded and well-organised protest movement that continues to politicise the industry and its expansion.

A central part of this work was to explain the unprecedented investment in oil and gas projects that are currently underway, and the associated regional and associated national benefit.

Policy matters such as domestic gas reservation, productivity, workplace relations, local content, regulatory reform, marine seismic surveys and carbon pricing were very prominent and had the potential to affect all sectors of our industry.

APPEA was significantly more active in both traditional and social media, as well as in its representation of industry at community events throughout Australia.

APPEA websites

- www.appea.com.au is the association's main website – it provides information about APPEA, our members, latest news, activities, events and policy submissions.
- www.naturalcsg.com.au outlines the benefits, science and operational realities associated with producing natural gas from coal seams.
- WA Onshore Gas – <http://wa-onshoregas.info> – shows how onshore gas resources have the potential to enhance Western Australia's energy security by delivering clean, reliable and sustainable energy and providing new jobs and regional development.
- www.appeaconference.com.au is the website of Australia's premier oil and gas industry conference – a one-stop shop for registration, latest program details, exhibition and sponsorship information plus delegate-only access to conference proceedings
- www.appeasafetyconference.com.au is the website for the APPEA National Oil and Gas Safety Conference
- www.seismicsurvey.com.au explains the facts and science associated with marine seismic surveys.

Shortly after the end of the financial year, APPEA also launched two more websites:

- www.commonssafetytrainingprogram.com.au
- www.ournaturaladvantage.com.au

Publications

Flowline continues to deliver APPEA's views on key policy issues to industry stakeholders and to government. Available both electronically and in hard copy, this twice-yearly publication reaches more than 3000 key companies, organisations and individuals.

The annual Key Statistics card and APPEA reports are released throughout the year. These provide a ready source of factual information for policymakers, the media and industry.

The Monthly Report is a key communication tool through which APPEA management and staff advise members of the organisation's activities and key issue developments. It is released in the first week of each month in an electronic format and is issued exclusively to members as a source of confidential information.

APPEA also distributes Information Bulletins to members providing important updates on current and emerging issues for their companies. These are distributed electronically and can also be found on the members' website www.appeamembers.com.au

Widespread news coverage of APPEA 2013

More than 50 journalists registered with the media room and additional television and radio crews also visited the event, which was held in Brisbane in May 2013.

As well as specialist business reporters, some political journalists also covered the event. As always, the media room was well organised and the conference delivered a strong flow of policy and industry news.

Media organisations represented at the event included:

- television and radio stations;
- Australian and international newswire services;
- metropolitan and national newspapers;
- rural and regional newspapers; and
- Australian and international industry and investment publications.

Below: The media room at the 2013 APPEA Conference.



Strategic objectives

APPEA's strategic objectives are to:

1. Secure access to oil and gas resources for viable exploration and development.
2. Pursue access to domestic markets for oil and gas on internationally competitive terms.
3. Promote excellence in health, safety, environmental performance and industry reputation.
4. Facilitate strong industry networks sharing best practices and core values.
5. Achieve and maintain a financially sound, high-performing organisation.

Approvals and regulation

APPEA continues to advocate for more effective, efficient and streamlined development assessment processes.

Green tape and streamlining

APPEA continues to advocate for more effective, efficient and streamlined development assessment processes, particularly with regard to environmental regulation. For more on this issue, see the Environmental regulation section (page 44).

Western Australia

In 2012-13 Western Australia's Department of Mines and Petroleum (DMP) Ministerial Advisory Panel on Reforming Environmental Regulation (RER) provided a final report to the Minister for Mines and Petroleum in December 2012 on potential improvements to regulation of environmental compliance and approvals.

Recommendations included establishing clear and appropriate environmental objectives, reducing duplication and overlap, appropriately resourcing reforms and ongoing stakeholder involvement in reforms. DMP has since formed an advisory panel to progress implementation of these recommendations and APPEA is participating in this process.

In 2013, APPEA also provided feedback to a DMP review of policies and guidelines. Early signs are that the review may consider improvements to consultation and streamlining of processes in order to increase efficiencies for industry and government.

APPEA noted that the Standard Environmental Approval model used in Queensland appears to have delivered significant benefits for industry and government and would be well received in Western Australia.

Over the last 12 months, DMP moved to tighten regulations in response to recommendations from an independent review of WA legislation and its ability to manage shale and tight gas exploration. APPEA worked with DMP to manage the introduction of a new set of environment regulations which formalised a compliance regime and increased transparency requirements for activities.

Companies must now publish the summary of an approved environment plan, including a list of all chemicals used in drilling and hydraulic fracturing, on DMP's website.

This is the most prescriptive and comprehensive requirement for disclosure of chemicals in any Australian jurisdiction and it was introduced without consultation.

APPEA facilitated a broad industry response to identify unintended consequences through a dedicated working group, including representation from service companies and operators.

Based on feedback from companies, APPEA successfully advocated for a systems-style approach to disclosure and environmental risk assessment process that would allow the use of most chemicals required for safe and productive operations.

This outcome will improve clarity for planning by operators and service companies while also increasing the public transparency around chemicals used.

APPEA is continuing to work with operators regarding proprietary chemicals used in hydraulic fracturing as public disclosure of these would discourage further investment and innovation in this area.

APPEA has also worked with DMP and the WA Environmental Protection Authority (EPA) to help clarify development pathways for natural gas from shale and tight reservoirs and the implications for EPA approvals.

APPEA commissioned an assessment of relevant US and Australian experience by Dr Tina Hunter from the University of Queensland who has previously conducted reviews of shale and tight gas regulation for the WA and Northern Territory Governments.

This work consolidated international reviews and industry information and has informed APPEA's input to government considerations.

South Australia

APPEA is working with the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) and its members, primarily through the South Australian Unconventional Gas Roundtable.

APPEA views the Roundtable process and Roadmap as a good example of an effective approach to consultation across government and between government and various stakeholders, including industry.

In December 2012, APPEA attended the launch of the South Australian Roadmap for Unconventional Gas, and in March 2013 APPEA attended a meeting of DMITRE's multi-stakeholder Roundtable in to progress implementation of the Roadmap's recommendations. APPEA has nominated officers to two of the Roundtable's working groups.

Queensland

In 2012-13, APPEA input played an important role in major reforms to Queensland environmental approval processes that reduced assessment timeframes by up to 99 per cent, costs by up to \$80,000 per application, and reduced environmental conditions applied to exploration from more than 300 prescriptive conditions to 65-outcome focused conditions.

The government has initiated a move to create a single common resources act and APPEA has provided a roadmap for reforming Queensland's tenure system as part of that process.

This process is likely to take several years and APPEA will be working with government to implement the roadmap.

APPEA also strengthened partnerships with Queensland peak farming bodies and respected scientific bodies such as the CSIRO. This included an agreement with Queensland farmers association, AgForce, to conduct co-branded information sessions for landholders on CSG and produced water.

APPEA also advocated for, and realised, a Queensland Government CSG Water Management Policy that facilitates beneficial use of produced water rather than treating it as a waste product.

New South Wales

The NSW Government's new coal seam gas regulations, which are still not finalised, have created substantial uncertainty for CSG operations.

As the regulations currently stand, it is not clear exactly how they will affect the approval timing and conditions for new wells and developments. However, APPEA has continued to work to ensure that the industry can grow and develop in NSW.

This includes working with several stakeholders, including the NSW Land and Water Commissioner, on a Code of Practice for Land Access. A final review of the NSW Code is expected to be completed before the end of 2013.

APPEA has also worked with the NSW Environment Protection Agency (EPA) to provide comments on the proposed risk-based environmental framework. APPEA generally supports risk-based or outcome-based regulation and notes that most jurisdictions throughout Australia have adopted, or are moving towards risk-based regulatory systems.

In addition, APPEA has been working with the NSW Government on its Planning White Paper. APPEA made a submission to the White Paper with plans on legislation to be introduced by the Government before the end of the year.

The NSW Government is planning a review of the Petroleum (Onshore) Act early in 2014. This will be a key priority for APPEA to ensure the industry can develop in NSW.

Taxation and commercial

In 2012-13, important changes were made to the petroleum resource rent tax and the company tax system, and a major review into the long-term structure of the business tax system was finalised.

Petroleum Resource Rent Tax (PRRT)

Legislative amendments arising from the Esso Federal Court decision

In February 2012, the Full Federal Court handed down its decision on a case between Esso Australia and the Australian Taxation Office (ATO).

This decision caused widespread concern about whether the PRRT could accommodate the various contractual and operating arrangements used in the petroleum industry.

Following sustained lobbying and negotiation by APPEA and many of our member companies, on 14 December the Government announced changes to the law to address aspects of the Court decision that have threatened legitimate tax deductions.

The amendments would restore PRRT taxpayers' capacity to apportion and deduct contractual expenditures for project services or operations where the taxpayer is unrelated to the contracting company (which is consistent with past administration).

However, the Government retained the requirement outlined in the Court decision that required taxpayers to identify amounts of non-deductible expenditure from contracts with a related entity (such as a group company) or with an operationally related entity (such as a joint venture participant or its related entities).

Federal Parliament passed the amendments on 28 June 2013. While potentially adding complexity, the change broadly addressed industry concerns.

Definition of 'exploration' under the PRRT regime

The Administrative Appeals Tribunal handed down a key decision on an objection from a taxpayer arising from the ATO's disallowance of certain deductions for exploration-related expenses. This decision has affected issues relating to the definition of exploration and the scope and operation of Section 37 of the PRRT Act.

The judgement found there is no clear line that determines exploration expenditure for PRRT purposes. This led to a change in how the ATO proposed to interpret and administer the law.

APPEA met with the ATO and the Rulings Panel to discuss concerns over the decision and the proposed change in interpreting the scope of exploration for PRRT and company tax purposes. This issue will be a major focus for APPEA during 2013-14, as the ATO's current position could significantly disadvantage many companies.

Extension of the PRRT regime

PRRT arrangements covering all production from onshore areas and from the North West Shelf project came into effect from 1 July 2012. While the provisions are generally operating as intended, APPEA has raised concerns about potential impacts on some projects and has advocated several policy and framework adjustments. APPEA has sought the introduction of a modest barrel-of-oil-equivalent production exemption for onshore projects that would make smaller developments more economically viable, as well as options to streamline compliance in order to minimise administration costs.



The extension of the Petroleum Resource Rent Tax to onshore operations is underway but a range of technical issues remain to be addressed.

PRRT background and starting base guidance material

During the year, APPEA worked closely with the ATO on guidance for taxpayers needing to make important decisions under the extended regime. This material is critical as many of the companies with operations onshore have never been directly exposed to PRRT.

PRRT – gas transfer price regulation modifications

In consultation with APPEA, the Government finalised amendments to the 2005 PRRT Assessment Regulation. The amendments provide the framework for determining the value of project gas used as feedstock in an integrated gas-to-liquids operation, and where no arm's length price exists. These changes reflect the different operating and commercial structures associated with onshore activities.

PRRT – draft legislative amendments

The Government released draft legislation that APPEA sought to correct defects in the original legislation extending PRRT to onshore activities. The amendments address several technical operational and administrative matters not passed with the main legislation in early 2012.

PRRT – project combination guidelines

Operating the combination certificate provisions is a key aspect of the PRRT regime. The Department of Resources, Energy and Tourism has published combination certificate guideline material to help companies needing to make combination elections for onshore projects transitioning into the extended PRRT regime. To date, these provisions have generally operated as intended, but some concerns are still to be addressed.

State-based duties and petroleum royalties

During 2012-13, APPEA worked with several state governments to address administrative arrangements associated with petroleum royalty regimes. With extension of the PRRT, not placing additional or increased imposts on onshore producers operating in an already challenging economic environment is critical.

The NSW Government tabled legislation that modified the treatment of petroleum royalties. The new provisions remove the previous royalty holiday that existed to encourage new sources of gas to be produced in that state. Royalty payments will begin when petroleum production starts, at a rate of 10 per cent of the wellhead

value. This applies to all current and future production leases from 1 January 2013.

APPEA also provided comments to the Queensland Government on the implementation of a commitment to exempt exploration and development expenditure occurring under a farm-in agreement from duties under the *Duties Act 2001*. The new provisions apply from 13 January 2013.

Company tax

Business Tax Working Group

In early 2012, the Australian Government directed its Business Tax Working Group (BTWG) to examine and complete a report on how business tax reforms could fund a rate cut.

APPEA lodged a detailed submission that strongly argued against any taxation changes to treatment of exploration costs or capital depreciation.

On 2 November 2012, the BTWG released its final report. While the BTWG considered that there may be broad economy-wide benefits associated with reducing the company tax rate, it recognised that the offsetting changes could impair investments and that there was little support in the business community for pursuing a lower rate and broader base reform process. No recommendations were made to change the current provisions.

Exploration – ‘first use’ review

In the 2013-14 Federal Budget, the Government revised the life of some depreciable exploration assets. Under the change, mining rights (including petroleum exploration licences) and information first used for exploration are to be depreciated over 15 years, or their effective lives, whichever is shorter.

The effective life of a mining right and associated exploration information will be the extraction life of its commercial resource. If the exploration is established as unsuccessful, then the exploration costs will be written off.

A range of other exploration-related expenditures will remain immediately deductible. The change was effective immediately.

The Government also released a discussion paper to inform stakeholder consultations on the proposed detail of the changes, and to address any unintended consequences. APPEA and its member companies have provided advice and met with Treasury officials to discuss a range of concerns and complexities associated with the decision. This will be an ongoing priority for 2013-14.

Monthly company tax instalments

In late February 2013, the Australian Government released a consultation paper on the timing of company tax payments made by companies. As a result of the consultation process, from 1 January 2014, companies with a turnover of \$1 billion or more will be required to remit their PAYG company tax instalments on a monthly basis, not quarterly as currently applies. A transitional process exists for companies with turnover up to this amount, with the process to be fully implemented by 1 January 2016.

Research and development tax changes

As part of the Federal Government's 'Industry and Innovation Statement', announced on 17 February, businesses with an annual Australian turnover of \$20 billion or more in Australia will no longer be eligible for the research and development (R&D) tax incentive. Instead, these companies can claim their R&D expenditure under general tax law provisions. This change is likely to reduce R&D funding in Australia.

Disclosure of taxation payments

The Government aims to improve the transparency of Australia's business tax system by exploring ways to improve sharing of tax information between the ATO and other corporate regulators, including the Foreign Investment Review Board, the Australian Securities and Investments Commission and the Australian Prudential Regulation Authority.

The Government also examined the types of tax information that should be disclosed and made publicly available by large businesses. Despite APPEA's lodgement of a detailed submission raising practical and confidentiality concerns, the Government pressed forward and Parliament enacted a change requiring companies to disclose additional tax information.

Federal Budget – thin capitalisation and related measures

The thin capitalisation rules apply to Australian entities investing overseas, their associate entities, foreign controlled Australian entities and foreign entities investing directly into Australia.

Under the rules, the amount of debt used to fund those Australian operations or investments is limited.

The rules operate to disallow the debt deductions an entity can claim against Australian assessable income when the debt used by the entity to fund its Australian assets exceeds certain limits.

In the 2013-14 Budget, the Government tightened several aspects of Australia's international tax arrangements to prevent disproportionate allocation of debt to Australia to shift a company's profit to overseas entities.

Changes that will take effect on or after 1 July 2014 include:

- tightening the thin capitalisation rules, including changing all safe harbour limits and extending a worldwide gearing test to inbound investors. For general entities, the debt to equity gearing test will be reduced from 3:1 to 1.5:1.
- increasing the de minimis threshold of debt deductions
- targeting the exemption for foreign non-portfolio dividends received by Australian companies
- removing the tax deduction provision for interest expenses incurred in deriving certain exempt foreign income.

In 2013-14, APPEA will continue to consult with the Government on the implementation of this measure.

In early November 2013, the new Federal Government indicated that it would not proceed with a number of the previously announced measures.

Labour productivity

Improving productivity and accessing the skilled workforce needed to build and operate the oil and gas projects now under construction are major challenges for Australia’s oil and gas industry and government.

APPEA is working to ensure that policy frameworks support the improvement of productivity and access to skilled workers needed to design, operate and maintain LNG projects. APPEA supports industry efforts to increase capacity to train and develop the workforce.

In response to industry’s growing concerns about productivity, in 2012-13 APPEA replaced its Workforce Strategies Committee with a new Productivity Committee. This committee will support the efficient development of the oil and gas industry in Australia and is tasked to identify, assess and analyse various drivers, enablers and impediments to productivity growth.

Improving labour mobility

As well as being appropriately skilled, local labour must also be flexible and mobile. Industry and government can develop better approaches to commuting and relocating by removing barriers, providing relocation incentives, and investing in regional infrastructure.

Understanding the size and nature of Australia’s long distance commuting workforce is essential if industry and government investment in regions is to be targeted, appropriate and cost-effective.

APPEA and the Minerals Council of Australia joined to commission KPMG to conduct research into labour market patterns in regional Australia.

The two reports arising from this research, *Analysis of the Changing Demographic Profile of Australia’s Mining Communities* (February 2013) and *Analysis of the Long Distance Commuter Workforce across Australia* (March 2013), are available on the APPEA website. They show that the resources sector is driving economic and social development, as well as population growth, in several regions of Australia, and that fly-in, fly-out and drive-in, drive-out workers are spreading the benefits of the resources boom across Australia.

Increasing the labour pool

While it is working to maximise the quantity, quality and flexibility of Australian workers, the industry needs to have access to the larger pool of skilled workers available internationally.

Australia is an attractive destination for many foreign nationals with the necessary skills and experience needed for the many new projects coming online; these people will transfer skills and expertise to locals while they are here.

Many changes to skilled migration policy have been made over the last 12 months. APPEA has responded to several of the proposed policy changes via submissions to the Department of Immigration and Citizenship. APPEA has also convened workshops with industry and the sector’s Perth-based dedicated DIAC Industry Outreach Officer.

In March 2013, APPEA established an industry training fund to help companies without a large local workforce meet the local training requirement (Training Benchmark A) for skilled migrants on 457 visas.

Funds deposited into this training fund will be used to support APPEA’s scholarship program for local engineering students studying in oil and gas-related programs.

APPEA is also collaborating in several groups to encourage increased female participation in the resource sector. These include:

- Australian Women in Resources Alliance (with Australian Mines and Metals Association)
- Women in Oil & Gas Advisory Committee (WA)
- Women in Resources Reference Group (with the Chamber of Minerals & Energy WA)

APPEA also offers an indigenous engineering scholarship. For more information on this and other APPEA scholarships please see page 51.



Photo courtesy Origin Energy.

Partnerships

APPEA is represented on the Board of Challenger Institute of Technology’s Australian Centre for Energy and Process Training (ACEPT). ACEPT is a well-established trainer for the Western Australian liquefied natural gas industry and is now trialling a collaborative e-learning model for training process plant operators in the Northern Territory and Queensland.

This infrastructure will be supported with complementary training strategies in those locations, increasing student capacity for ACEPT and providing efficiencies for companies.

ACEPT works closely with industry partners, including with Shell and Curtin University of Technology to provide the skills required for floating LNG.

APPEA is also represented on the Australian Council of Engineering Deans’ reference group to develop an industry engagement model aimed at introducing more practical projects and company engagement during undergraduate programs to help reduce the time engineers need to achieve work autonomy.

The Resources Industry Training Council (RITC) is a joint venture between APPEA and the WA Chamber of Minerals & Energy that is funded by the Western Australian Government.

The RITC provides information and advice on training and workforce development in the mining, oil and gas and downstream process manufacturing industries of Western Australia.

Each year the RITC commissions a range of projects designed to target current or emerging skill issues.

Projects over the past 12 months include research into automation’s projected impact automation on the WA resources sector and the implications for vocational education and higher education. A second phase of the study has now been commissioned to explore the impact of automation on productivity in WA resources.

The RITC also undertook a study to explore the WA resources sector’s use of partially completed qualifications – or ‘skill sets’ – on the basis that full qualifications at the vocational level might not necessarily represent the best use of available training resources. The final report found that skill sets are used in petroleum and mining operations, and they serve a variety of purposes, including meeting regulatory requirements, filling operator job roles where a licence is all that is required, meeting multi-technical skilling needs, and enable workers to perform various job roles.

Energy policy

Investments made by APPEA members provide Australia and Asian export markets with reliable, competitively priced energy produced under rigorous environmental and safety management regimes.

APPEA strives to ensure that market conditions allow natural gas to compete effectively and on a level playing field for power generation and process energy in Australia.

Any final decision on the choice of fuel inputs should be based on a fuel's intrinsic economic and technical merits, not political considerations.

To encourage continued investment that underpins energy security, Australian energy policy must address:

- the need to increase the proportion of energy produced by natural gas.
- fiscal, greenhouse policy and other issues affecting the competitiveness of Australia's LNG exports.

A comprehensive national energy policy

The Australian Minister for Resources and Energy released the Energy White Paper in November 2012.

APPEA provided comprehensive written comments on various aspects of the draft Energy White Paper and associated documents, and had numerous meetings with the Minister for Resources and Energy and officials from the Department of Resources, Energy and Tourism to discuss industry priorities.

APPEA also participated in the Energy White Paper Reference Group, which represented energy producers and users.

The final White Paper articulates the important role that Australian natural gas will play in delivering economic growth and energy security, both domestically and throughout our region.

The White Paper also recognises the critical importance of market-based energy policies and has specifically ruled out imposing a national domestic gas reservation policy.

Domestic gas

In all sectors of the economy — not just oil and gas — maintaining access to open and competitive markets is in Australia's best interest.

Australia's gas industry is delivering substantial, economy-wide benefits in terms of investment, jobs, and regional development. But for this benefit to be sustained, governments must resist calls for policy interventions that force non-commercial outcomes.

The Federal, Queensland, NSW, South Australian, Victorian and Northern Territory governments announced that they would not implement market interventions such as domestic gas reservation. Despite these statements and the release of the Energy White Paper, some domestic buyers have continued a campaign to press publicly for market interventions.

A gas reservation – in effect – simultaneously places a tax on domestic gas production and a subsidy on domestic gas consumption. Like all taxes and subsidies, a domestic gas reservation distorts economic decisions and generates an unequivocal economic loss – one that compounds over time as future investment decisions are affected.

An October 2013 Deloitte Access Economics report commissioned by APPEA, The economic impacts of a domestic gas reservation, demonstrates that introducing gas reservation in eastern Australia would impair the nation's economic welfare.

Against a scenario where production, investment and export decisions are not impeded, introducing domestic gas reservation in eastern Australia is projected to cost the national economy \$6 billion in forgone GDP at 2025, according to the report.

“This should not be surprising. Deferring resources from their highest and best use in the absence of market failure is seldom – if ever – welfare enhancing. A compelling economic case for

providing support to Australia's manufacturing sector is difficult to mount under any circumstances; let alone when this support comes at the direct expense of export income in other sectors.” (Deloitte Access Economics, October 2013, page ii). The report found that domestic gas reservation proponents analyses fail to recognise the policy's full economic impacts.

“When the flow-ons are analysed comprehensively – in an economy-wide, general-equilibrium context – the economic losses are unequivocal. Every one per cent of future gas exports which is artificially re-directed towards the domestic market reduces GDP by an estimated \$150 million at 2025.” (Deloitte Access Economics, October 2013, page iii).

Queensland

The Queensland Government released its third and final Gas Market Review in September 2012. This review aimed to provide a comprehensive picture of the Queensland gas market, including growth forecasts and industry needs. The Queensland Government has accepted that gas supplies can meet anticipated demand in export and domestic markets. It has opted not to intervene in the domestic gas market but has committed to continue to monitor the situation.

Western Australia

Western Australia already has a domestic gas reservation. While the impact of the Western Australian scheme is still emerging, experience from overseas indicates that such policies have unintended adverse economic consequences.

In August 2012, the Western Australian Government released The Strategic Energy Initiative: Achieving the Energy 2031 Vision. The Strategic Energy Initiative (SEI) supports several steps that will help develop a more competitive energy market in WA. The report recognised the importance of onshore gas in meeting WA's increasing energy demand, but the state's domestic gas reservation policy is at odds with long-term policy settings intended to encourage further investment, attract new market entrants and deliver diversity of supply. The best way to ensure the growing demand will be met is to let the market operate free from intervention.

The SEI committed to a review of the domestic gas reservation policy in 2014-15. APPEA continues to highlight the opportunities

and need for supporting policies and investment incentives related to development of the onshore gas sector (and perverse effects of government intervention in domestic market).

During 2012-13, APPEA and several members were heavily involved in developing two major WA gas market initiatives.

The WA Independent Market Operator conducted extensive consultation on introducing a Gas Bulletin Board (GGB) and a Gas Statement of Opportunity (GSOO) for the WA gas market.

The GBB is a website that includes information relating to short and near-term natural gas supply and demand, and natural gas transmission in WA. The Gas Statement of Opportunities (GSOO) is a periodic statement that includes information and assessments relating to medium and long-term natural gas supply and demand, and natural gas transmission and storage capacity in WA.

The GBB and GSOO are intended to enhance the security, reliability and availability of the supply of natural gas. They are expected to facilitate competition and efficiency in the operation and use of natural gas services.

Both initiatives are largely modelled on the GBB and GSOO in place in the eastern Australian gas market. The GBB and GSOO were launched in the second half of 2013.

Victoria

The Victorian Gas Market Taskforce was established in January 2013 and is chaired by former Howard Government minister Peter Reith.

Its role is to provide policy options to improve the operation and efficiency of the east coast Australian gas market (with a particular focus on market transparency and transmission capability) and suggest ways of increasing gas supplies in the short to medium term.

APPEA has used its membership of this forum to press for the need to remove regulatory impediments to developing Victoria's onshore gas and to resist market interventions such as domestic gas reservation policies.

The taskforce is expected to deliver its final report to the Victorian Premier in late 2013.

Climate change policy

Climate change policy should deliver carbon abatement at least cost. APPEA continues to work to ensure that climate change policy does not hinder the Australian oil and gas sector's domestic or international competitiveness.

In 2012-13, APPEA worked with the Commonwealth, the states and the Northern Territory on a range of climate change policy issues.

Clean energy legislation

The Australian Government's carbon tax began operating on 1 July 2012, marking 2012-13 as the first year of the operation of a carbon price in Australia.

This occurred in a global environment in which there is no international carbon price. While natural gas, as a lower emissions fuel source, will be more competitive for domestic power generation, the tax has imposed a cost on Australia's export industry that is not borne by overseas LNG competitors.

Once the carbon tax had passed into law, APPEA worked to ensure the new carbon pricing mechanism operated as efficiently and cost-effectively as possible. Several complicated administrative arrangements underpin aspects of the scheme, particularly those applying to natural gas liability.

APPEA advocated changes so that compliance with the scheme did not impose unnecessary extra costs on the industry nor disrupt existing commercial arrangements. In addition, APPEA successfully sought more flexible arrangements for managing liabilities and changes in the treatment of joint ventures and managed to achieve some changes in these areas.

APPEA also advocated expediting the removal of the hotch-potch of policies and programs regulating greenhouse gas emissions in Australia.

Climate change policy should deliver carbon abatement at least cost.

National greenhouse and energy reporting

The Australian Government amended the National Greenhouse and Energy Reporting Act 2007 to address long-held industry concerns about double-counting of reported energy, which occurs when primary energy (such as unprocessed natural gas) is also counted when that energy is transformed (such as processed natural gas). Now a single, more appropriate figure is reported and published.

The Government also began consultation around changes to estimation and reporting arrangements for emissions sources associated with natural gas exploration and production especially from coal seams.

In May 2013, the Government released draft amendments to the National Greenhouse and Energy Reporting (Measurement) Determination 2008 for public comment. These amendments elaborate and refine the methods for emissions estimates and introduce the possibility of a mandatory emissions estimation methodology for fugitive greenhouse gas emissions associated with the exploration for and production of natural gas from coal seams. APPEA recommended further research be undertaken before any decision is made to introduce a mandatory reporting methodology. Some amendments were agreed by the Government and were made in the National Greenhouse and Energy Reporting (Measurement) Amendment Determination 2013. These will apply to the reporting year 2013-14.

The Government also commissioned the CSIRO to conduct research to provide fugitive emissions preliminary data based on field measurements and modelling of methane emissions from a sample of production facilities in NSW and Queensland. Ultimately the research aims to develop scientifically robust and consistent methods for quantifying fugitive emissions from the CSG industry. The project began in early 2013 and a report on its findings will be published at the completion of the work.

State activities

In 2012-13, APPEA also worked with the states and territories on a range of climate change policy issues. In particular, APPEA contributed to the Western Australian Government's and Queensland Government's climate change policy arrangements. APPEA continues to argue that states should avoid duplicating national policy approaches, and that they remove policies that do not complement the national carbon price mechanism.

Climate Change Authority reviews

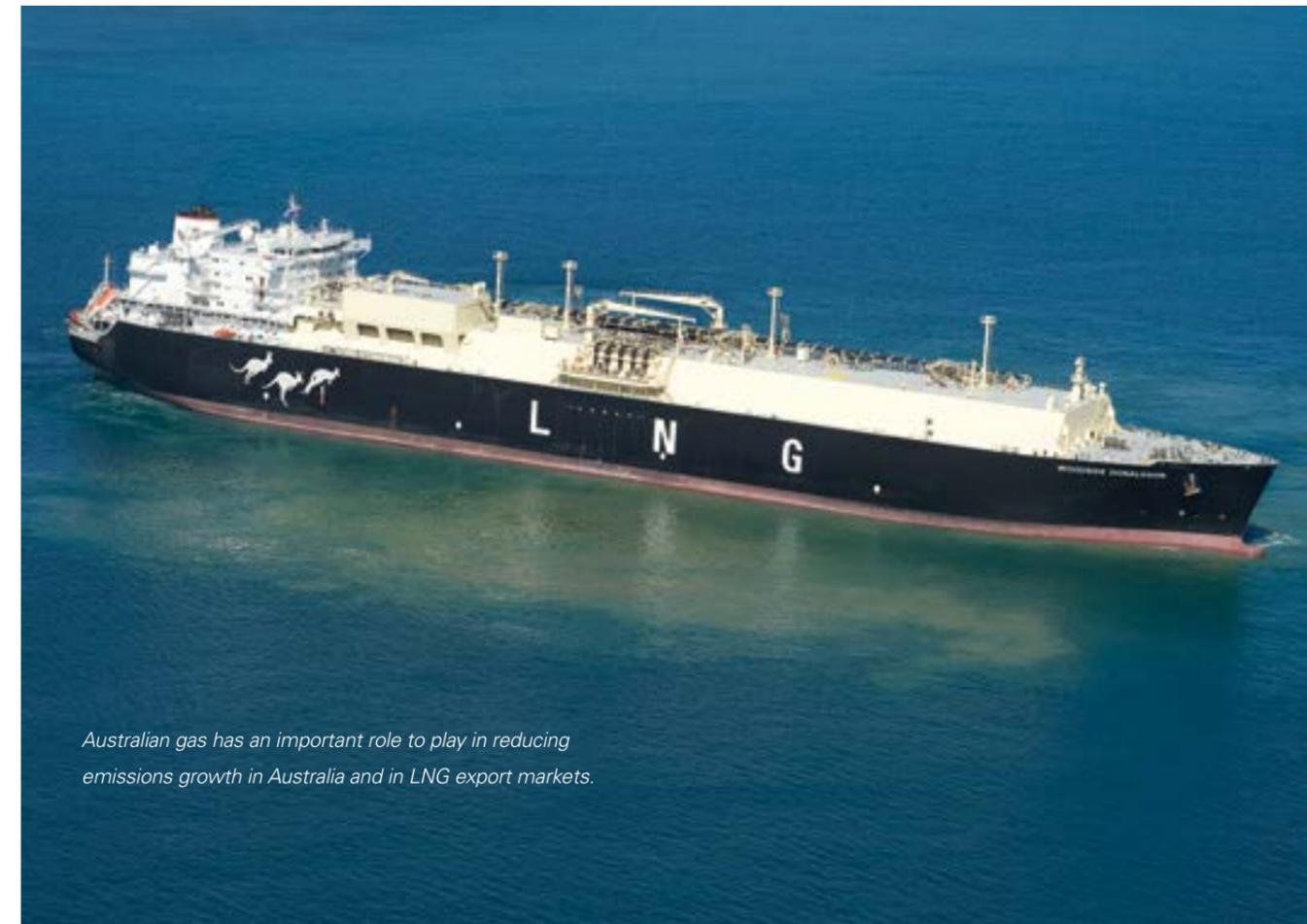
In 2012-13, APPEA participated in two Climate Change Authority reviews. APPEA argued that the Renewable Energy Target should be discontinued. However, the review of the RET recommended that it continue but that several aspects of its operation be streamlined and simplified. It also recommended continuing the exemption from RET obligations for those generating their own electricity onsite (such as some LNG facilities).

The Caps and Targets Review will make recommendations on the nature and size of the caps and targets (that is, the level

of emissions in Australia and the emissions reductions that Australia should aim to achieve or commit to as part of any international negotiations) that should exist for Australia under any climate change policy approach. The conditions to move away from Australia's existing commitment, of a 5 per cent reduction in greenhouse gas emissions (from 2000 levels) by 2020, do not exist and APPEA has argued that there is no case to increase targeted reductions.

The Australian Industry Greenhouse Network

APPEA is part of the Australian Industry Greenhouse Network (AIGN), a group of industry associations and businesses that coordinates industry action on climate change policy issues to promote sustainable industry development. During 2012-13, the AIGN provided input to numerous submissions, with a particular focus on the implementation and operation of the Clean Energy Act 2011. APPEA's Director – Economics has been the Chair of the Network's Board since October 2012.



Australian gas has an important role to play in reducing emissions growth in Australia and in LNG export markets.

Safety and health

APPEA's safety, health and environment program supports excellence in the Australian oil and gas industry's performance.

In safety, health and environment, APPEA:

- uses the CEO Leadership Forum to drive commitment across the industry
- promotes high standards through benchmarking, identifying and sharing lessons learnt and implementing global and local best practice across the industry
- develops and rolls out collaborative initiatives to drive improvements in industry performance
- promotes a performance-based regulatory regime that is applied consistently, cost-effectively and efficiently across all operations and jurisdictions
- increases government and community understanding of the industry's safety, health and environment performance.

Safety and health performance

CEO Safety Forum

While there has been significant improvement in the last decade, Australia's safety performance remains in the third quartile globally, and incidents with high potential for fatalities or major accident events continue to occur.

There has also been rapid growth in all sectors of the industry and new entrants are required to reach 'work autonomy' more quickly than ever before. This demands a focus on the level and quality of supervision and training.

In light of this, in 2012 the Australian Oil and Gas CEO Safety Leadership Forum focused collective efforts and resources on process safety (keeping hydrocarbons contained), safety competency, vehicle safety and sharing of High Potential Alerts across the industry.

Process Safety

Benchmarking and reporting on safety performance has tended to focus too strongly on personal injury statistics and not enough on what must be done to prevent losses of containment and potential major accidents.

The CEO Safety Forum agreed to focus collective industry efforts on reporting and understanding high potential incidents, in particular losses of containment.

Through APPEA the CEO Safety Forum projects have:

- significantly increased the profile of process safety, placing it at the top of the agenda for APPEA all safety events
- made process safety the theme and focus of the industry's annual Stand Together for Safety campaign
- established a baseline of reporting on losses of containment, using reporting and analysis against API Standard 754 for Tier 1 & 2. Reporting began in 2012 with initial data shared and analysed at HSO committee and workshops and forums - focus on pipework and corrosion, life extension of facilities, safety critical equipment, small bore tubing and joints
- aligned with international reporting (International Oil and Gas Producers – OGP) on process safety to enable benchmarking and global sharing of root causes of such incidents.
- partnered with the Institute of Chemical Engineers to establish the IChemE Process Safety Centre. This centre's initial focus is on helping develop leading metrics and competencies for process safety, but it will also foster participation from other major hazard/process industries to maximise access to data, lessons and good practice.

High potential incident reporting and alerts

The High Potential Incident Reporting and Alert Program is now well established with wide dissemination of information, root causes and lessons learned. It covers incidents capable of causing fatalities or Tier 1 or 2 loss of containment. The three top activities being undertaken in the high-potential (HiPo) incidents reported to APPEA are production, construction and drilling (See Chart 1 and 2). Under a cooperative effort with the International Oil and Gas Producers Association (OGP), APPEA's alerts are now being uploaded into the OGP incident database and shared across its global membership.

Vehicle safety

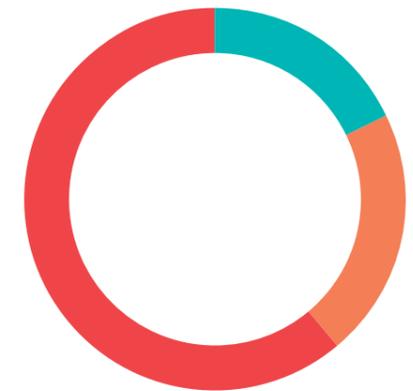
Vehicle safety remains a high priority, reflecting the rapid growth in onshore activity. An APPEA Vehicle Safety Guideline launched at the 2012 CEO Safety Forum addresses the operation of vehicles in urban, rural and remote locations. It also defines minimum expectations for vehicle safety and provides toolkit solutions for key risks. Key components include driver behaviour and competence, journey management, light vehicle specifications (including in-vehicle monitoring systems which have shown results in improving vehicle safety), heavy vehicle load transport and restraint and key performance indicators.

Common Safety Training Program

The Common Safety Training Program (CSTP) is now recognised as a world leader because of its fully immersive, workplace simulation and hands-on approach to developing safety skills and culture from the onset of a workers' career in the oil and gas industry, backed up by workplace demonstration of key safety behaviours.

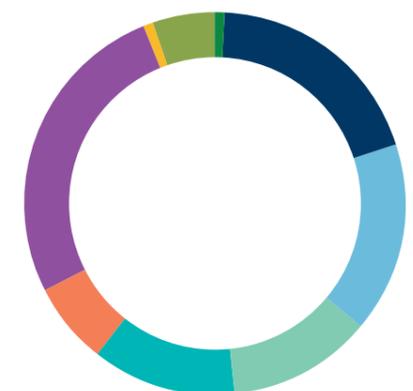
Over the last 12 months CSTP has achieved enormous growth in take-up across the Australian offshore oil and gas industry. CSTP is an industry requirement for all personnel working on offshore production and drilling facilities in the Australian oil and gas industry. The program is now also available to workers in onshore oil and gas facilities.

Total reported HiPo 2012



- Containment Failure (16%)
- Major accident event (19%)
- Personnel HPI (65%)

Activity being conducted when HiPO incidents occurred 2012



- Commissioning (1%)
- Construction (19%)
- Drilling (16%)
- Driving (12%)
- Maintenance (12%)
- Other (7%)
- Production (27%)
- Loading (1%)
- Workover (5%)

Safe Supervisor Competence Program

The Safe Supervisor Competence Program (SSCP) is an industry requirement for offshore construction and marine supervisors. APPEA took over the management of this program in 2012-13.

The SSCP is a step change in safety leadership training for oil and gas industry supervisors and it provides the common and minimum safety skills and behaviours that all supervisors across the oil and gas industry need to lead safe teams.

Based on demonstrating industry-established safe behaviours required for critical safety activities and safety leadership, the SSCP, like the CSTP, provides a direct link between the training environment and the workplace, delivering and reinforcing the same safety behaviours and culture.

Building on the approach of the CSTP, it delivers a very practical hands-on and behavioural-based learning experience to develop highly effective frontline supervisors. There is deliberate alignment between the CSTP and SSCP in terms of the language of safety, the discussion of safety culture and the understanding of the ways in which individuals can influence safety outcomes in their workplaces.

Safety and health performance

In incident and injury data reported to APPEA in 2012:

- the reported hours worked by both employees and contractors increased by 16 per cent from the previous year.
- the number of lost time injuries per million hours worked was 0.8 – the same rate as 2011.
- the total recordable injury frequency rate (recordable injuries per million hours worked) was 4.9 compared to 4.7 in 2011.
- overall, there is a general downward trend in the injury frequency rate.

Stand Together for Safety

Stand Together for Safety (STFS) is a stop-work event held annually across the Australian oil and gas industry.

The fourth annual STFS was held in May 2012. An array of activities were conducted across the industry and a wide range of events were registered on the STFS website.

More than 36,500 participants from 70 registering companies were involved. About 30 per cent of registered participants were contractors.

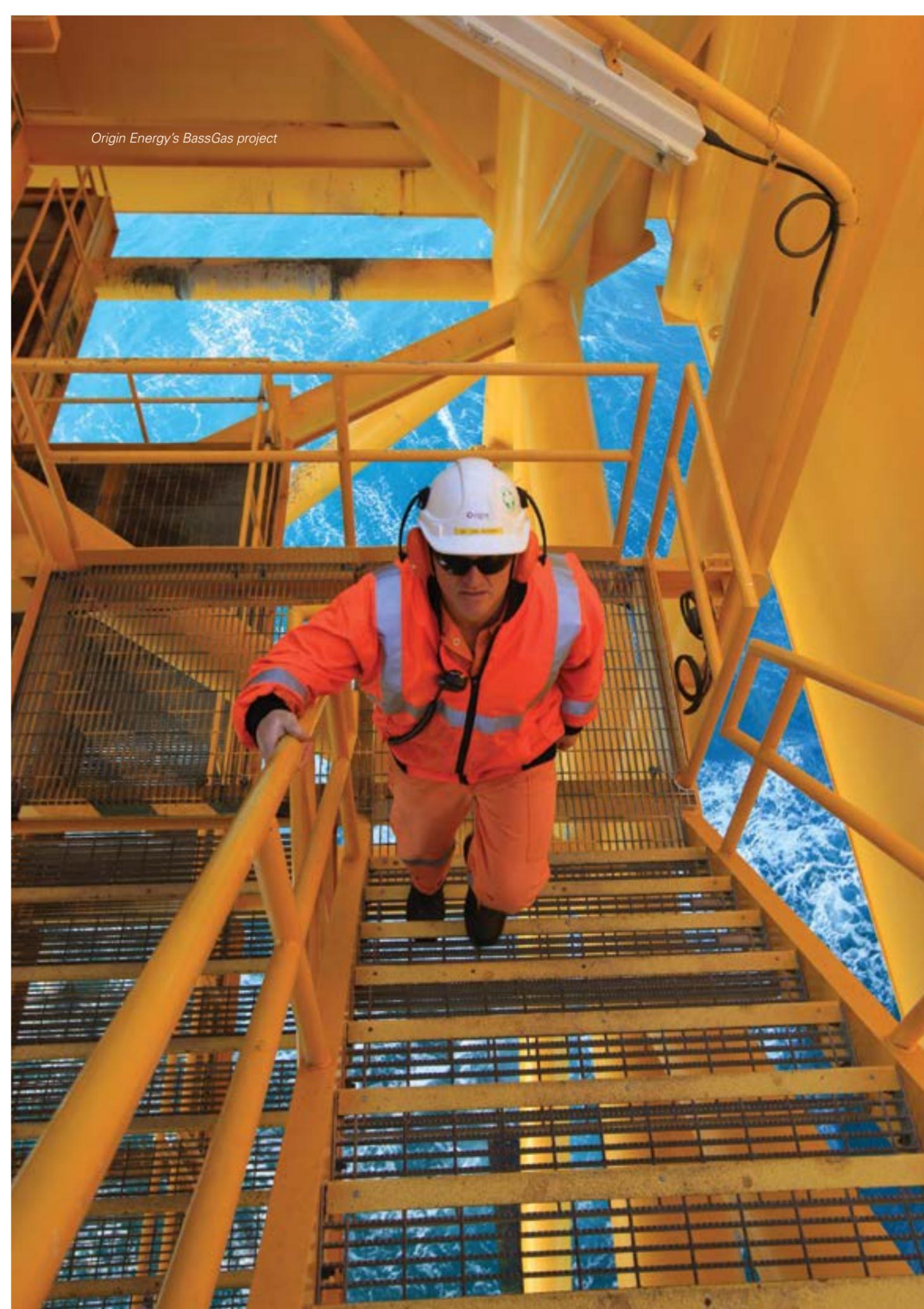
Events included chief executives and senior management as well as frontline staff, and were held at a range of sites, both on and offshore, and as far afield as Singapore and Pakistan.

Safety events and awards

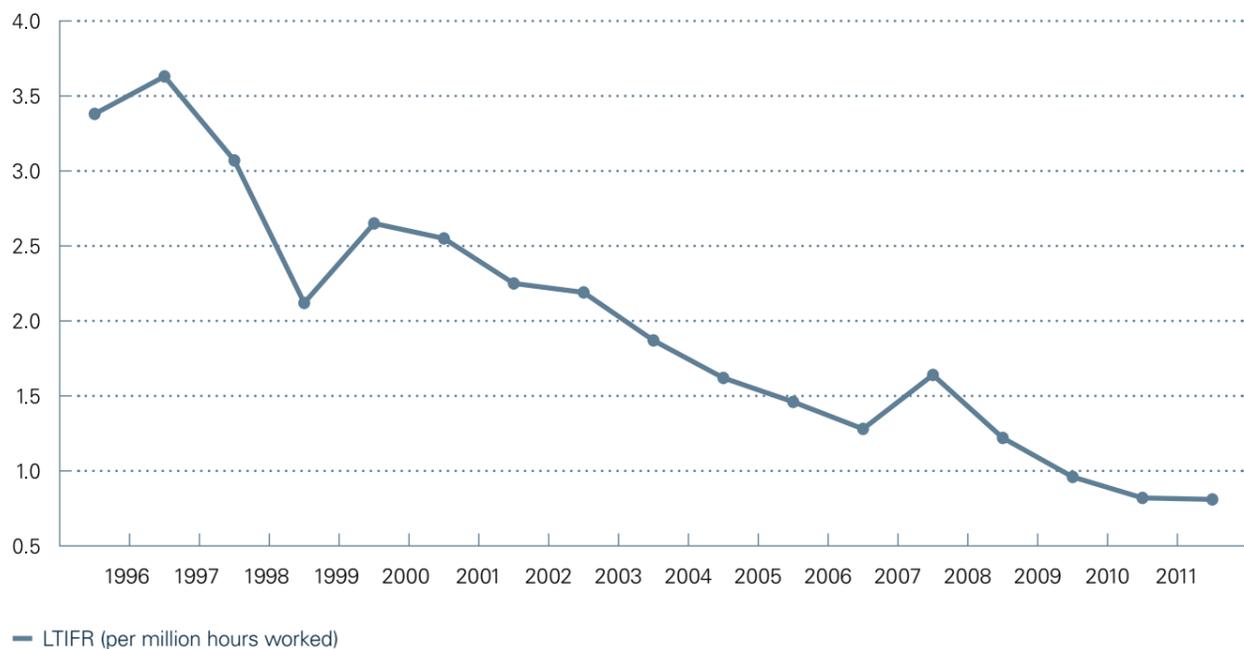
For details of the 2012 HSR Forum and the 2012 SPE/APPEA International Health, Safety and Environment Conference, see page 54.

For details of the Safety Excellence Award and the Health, Safety & Environment Innovation Award, see page 49.

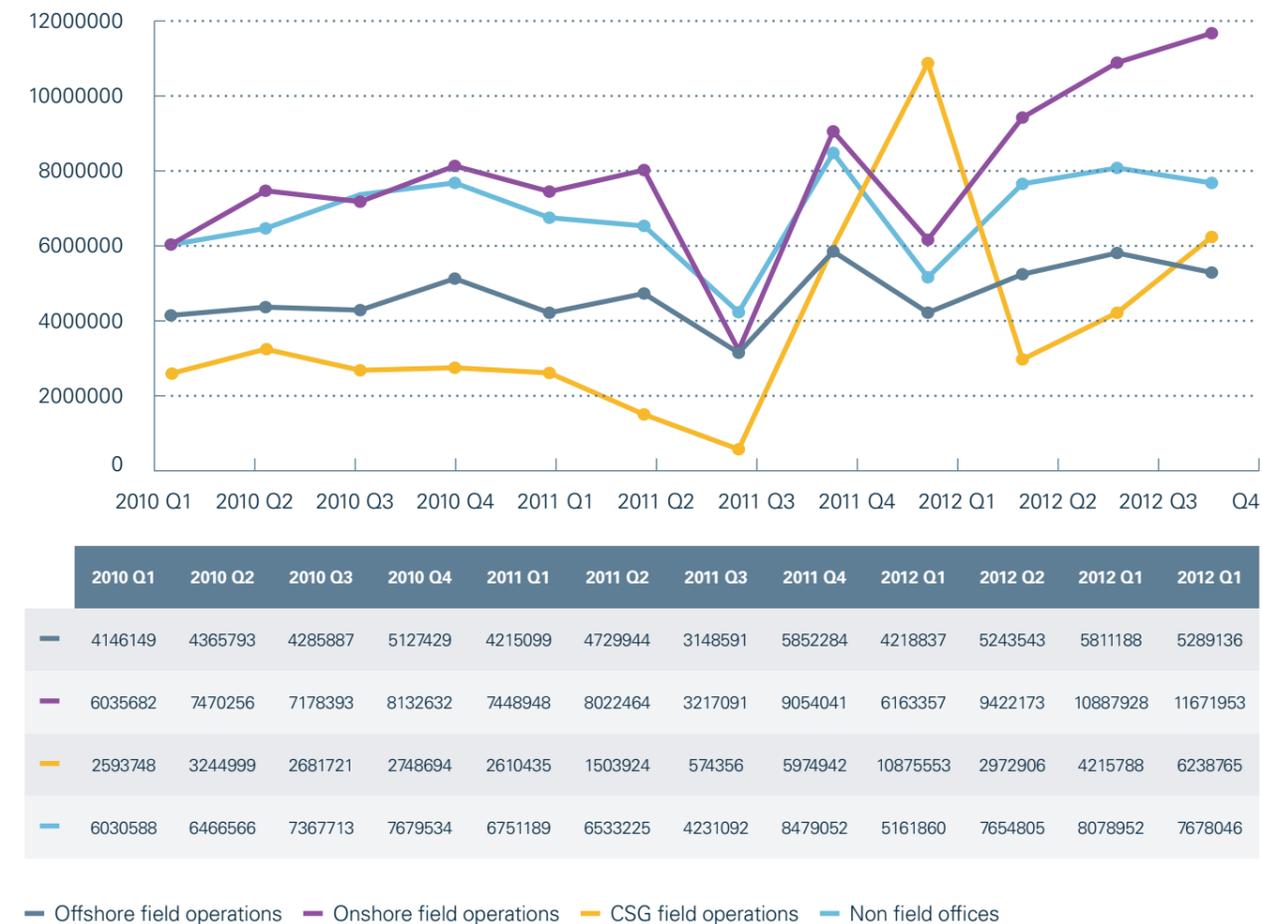
Origin Energy's BassGas project



Lost Time Injury Frequency Rate 1996 – 2012



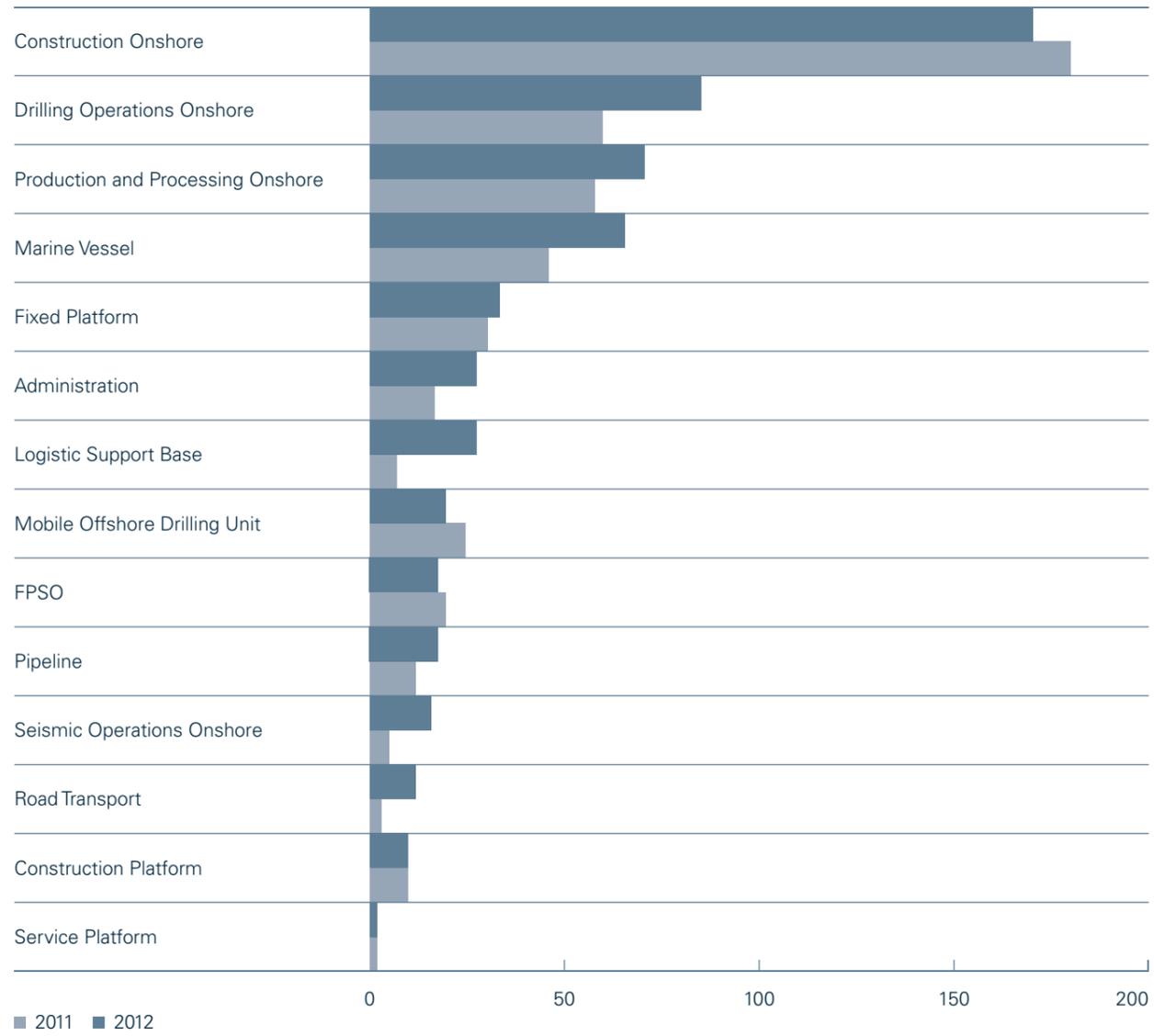
Total work hours by operating areas



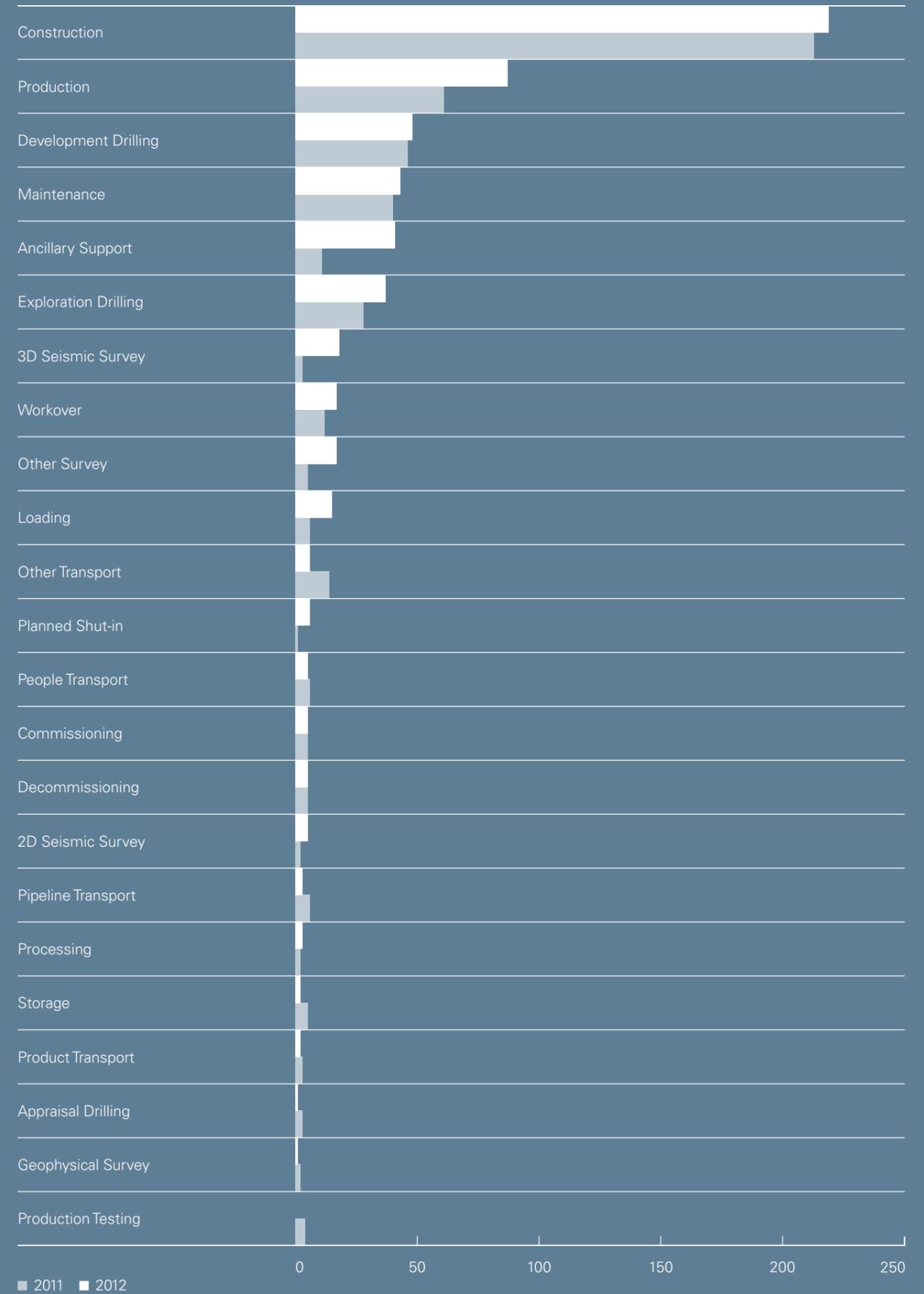
Lost Time Injuries by Operating Areas 2010 – 2012



Incidents by Facility Type 2011– 2012



Incidents by Facility Type 2011– 2012



Science and experience show
seismic surveys are safe



Environmental management

In Australia, exploration and production operations are conducted in a wide range of onshore and offshore environments.

The industry works to highest standards and has a long history of responsible environmental management.

APPEA and its member companies are committed to sound resource and environmental management practices as an integral part of industry operations.

Seismic exploration and marine life research

Internationally, the oil and gas industry continues to invest in better understanding the environmental implications for marine seismic surveys.

In 2004, several international companies and the International Association of Geophysical Contractors formed the Sound and Marine Life Joint Industry Programme to engage leading academics on how sound from seismic surveys affects marine life.

This program has commissioned almost 70 research contracts to a value of almost \$35 million, and currently has 12 member companies and a \$6 million annual research budget. Research findings are available at www.soundandmarinelife.org. Australian companies contributing to this research included Woodside, Santos and BHP Billiton.

While research into marine sound continues, Australia's oil and gas industry undertakes a range of precautionary mitigation strategies such as timing seismic exploration to avoid peak migration periods, adopting a whale exclusion zone when firing and implementing soft-start procedures, which involve gradually increasing the sounds as operations begin.

Millions in environmental research

The industry is strongly committed to investing in environmental research to further improve its environmental performance and further reduce its operating environmental footprint both onshore and offshore.

Over the past three years alone, oil and gas companies have invested tens of millions of dollars to undertake dozens of new environmental studies, generating a wide range of research.

These included environmental baseline research, onshore water systems, marine sound and other topics.

This research not only improves industry's environmental management, it also generates wider community benefits by increasing scientific knowledge and understanding of the Australian environment.

In 2012-13, the industry began investing, through APPEA, in a major marine science project that will collate research on key priority areas in the marine environment, such as marine sound, water management, light pollution and more.

This work will start in the 2013-14 financial year and is expected to be a three-year project.

The industry is strongly committed to investing in environmental research.

Environmental regulation

The Australian oil and gas industry supports effective, efficient and transparent regulation based on sound science.

Throughout 2012-13 Australian Government policy deliberations have considered, and in some cases delivered, substantial changes to environmental policy and regulation of the Australian oil and gas industry.

APPEA will continue working with the Government throughout 2013-14 to achieve a more efficient offshore regulatory regime.

Green tape and streamlining

APPEA continues to advocate the case for more effective, efficient and streamlined development assessment processes, particularly with regard to environmental regulation.

APPEA's *Cutting Green Tape* report, released in February 2012, showed how the oil and gas industry faces overlapping state and federal laws with duplicative and inconsistent requirements. This increases costs and delays projects without improving environmental outcomes.

Reforming environmental regulations could save taxpayers and industry millions of dollars without impacting safety and environmental outcomes.

Reform would reduce costs for regulatory agencies and taxpayers, and would increase returns to project developers, suppliers, workers and governments.

Policies that undermine the development of energy projects and curtail energy production impose real costs on Australia through lost jobs, forgone economic growth, and higher energy bills.

The recently elected Federal Government has declared that minimising unnecessary duplication and streamlining of environmental legislation is a matter of priority. The new Government has taken some initial decisions that are quite encouraging.

APPEA will continue to engage with the Government throughout 2013-14 to explore the full range of options available to achieve a more efficient regulatory outcome and help meet the Government's policy commitment.

Offshore regulation

The National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) is the federal agency that regulates all petroleum activities in Commonwealth offshore areas under the *Offshore Petroleum and Greenhouse Gas Storage Act 2009 (OPGGS Act)*.

Offshore oil and gas activities are also subject to the federal government's Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act), which imposes many regulatory controls that duplicate the OPGSS Act.

Throughout 2012-13, APPEA worked closely with NOPSEMA and the now Department of Industry (previously Resources, Energy and Tourism) to implement several legislative changes to the OPGGS Act and its supporting regulations.

The department has begun a review of the OPGGS Act environment regulations to examine whether the current regime meets the objectives of the offshore petroleum legislation. This led to the *Offshore Petroleum Greenhouse Gas Storage Act Amendment (Compliance Measures No. 2) Act 2013 (Cth)*, which passed through Parliament in May 2013. This created several new provisions of the offshore petroleum legislation, including enshrining the 'polluter pays' principle into the legislation.

In December 2012, the Department of Industry also began a review of the OPGGS Act environment regulations, which dictate how NOPSEMA regulates the potential environmental impacts of offshore activities.

In May 2013, the *Offshore Petroleum Greenhouse Gas Storage Act Amendment (Compliance Measures No. 2) Act 2013 (Cth)* passed through Parliament. This created several new provisions of the offshore petroleum legislation, including enshrining the 'polluter pays' principle into the legislation.

From 29 November 2013, a titleholder must demonstrate to NOPSEMA – as a condition of the acceptance of an environment plan – that it holds sufficient financial assurance to meet potential costs, expenses or liabilities associated with work done

under a title. These include expenses relating to the new polluter pays statutory duty to control the source, clean the source and remediate the environment.

In 2012-13, work also began on a strategic assessment (under Part 10 of the EPBC Act) of the environmental regulatory processes conducted by NOPSEMA.

This process is intended to identify whether NOPSEMA can be designated as the sole environmental regulator for offshore petroleum activities, which would potentially remove duplicative requirements for assessment under the EPBC Act. APPEA will continue to work with the new Government on this review.

Water trigger

In June 2013, an amendment was made to the EPBC Act to create a new matter of national environmental significance – an industry-specific "water trigger" applicable only to coal seam gas and large coal mining developments. The water trigger brings any such developments within the coverage of the EPBC Act.

APPEA strongly opposed this amendment because it failed to recognise the range of processes and regulations already in place to extensively consider the possible impacts of coal seam gas operations on water resources.

At a time when clarity and investor certainty are required, introducing the water trigger added duplication and inefficiency for no environmental benefit.

Regulatory approvals and processes must ensure safe and sustainable operations while also avoiding unnecessary increases to costs and delays in securing gas supplies.

Marine reserves

November 2012 saw the proclamation of the Commonwealth marine reserves network. Management plans for each of the five bioregions passed through Parliament in March 2013. These plans establish the zoning of the individual reserves and how they are to be managed, including restrictions and conditions on certain activities. The management plan for the South-east Network came into effect on 1 July 2013; the remaining five management plans come into effect on 1 July 2014.

The new Federal Government has a policy commitment to appoint a bioregional advisory panel for each of the five marine bioregions. These panels will provide advice on the design of management plans with a requirement for peer-reviewed scientific evidence of threats to marine biodiversity (available to all stakeholders) before any decision is made.

As a result of substantial concern from Australian fishing organisations that are subject to additional gear restrictions and fishery closures in marine reserves, the Abbott Government has committed to revisit Marine Reserve Management Plans. It will appoint an expert scientific panel to review the science supporting each zone. The panel will report within six months, at which point the new Government will reconsider any changes to the proposed boundaries in consultation with stakeholders.



Seals sunbaking on a Bass Strait rig.
Photo courtesy ExxonMobil Australia.

Offshore well integrity and spill response

National Offshore Petroleum Safety and Environmental Management Authority

In January 2012, the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) was set up as the single national offshore regulator of safety, well integrity and environmental management. The regulatory regime implemented by NOPSEMA since 2012 recognises the importance of preventing major offshore loss of hydrocarbon containment events, but also of preparing to respond to low-likelihood but high-consequence events.

In 2012-13 oil spill contingency planning has emerged as a major focus for industry and for NOPSEMA. The industry has continued to work with the Australian Government and international industry to ensure our activities are carried out to world-class standards, safely and with minimal impact on the environment. The industry has been working throughout 2012-13 to ensure each petroleum activity has well intervention and oil spill response arrangements ready to go. Such plans must be commensurate with the potential consequences of a 'worst case' credible spill scenario.

Oil spill contingency planning

In 2012 the APPEA Environment Committee identified priorities for oil spill preparedness and response and collaborative action to address the continuous improvement requirements of the *Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2009*. These include:

- investigating options for increasing oiled wildlife response capability and capacity in northwest Australia.
- reviewing current science and research on the use of oil spill dispersants, their applicability to Australian conditions and identifying any research gaps.
- reviewing oil spill trajectory modelling and monitoring capacity.

Several strategies have been implemented throughout 2012-13. These include Vermillion Oil and Gas Australia's donation of an oiled wildlife response container (which provides a mobile operational base along with specialised equipment) to the Australian Marine Oil Spill Centre (AMOSC). Final reports and/or products for each project are expected before the end of 2013.

APPEA's Environment Committee has also established the Oil Spill Contingency Planning Forum. This will bring together a range

of industry environmental and operational specialists as well as affiliated partner organisations (such as AMOSC) to ensure that lessons from the working groups are shared broadly across industry.

APPEA has pursued this global engagement to build both subsea intervention and oil spill response capability. It has engaged with the International Petroleum Industry Environmental Conservation Association (IPIECA) and the international Oil and Gas Producers Association (OGP) Oil Spill Response Joint Industry Project (OSR-JIP). The working groups are drawing upon the findings of the OSR-JIP and on the strategies developed in Australia.

Subsea First Response Toolkit

In May 2012, industry chief executives announced the funding of a Subsea First Response Toolkit (SFRT) for Australia's offshore petroleum activities. APPEA has been working throughout 2012-13 to finalise commercial and legal arrangements for the construction and deployment of this world-class subsea response capacity.

The SFRT will be in place in Australia before the end of 2013. It will form part of an international and regional response strategy for rapid and effective mobilisation in the event of loss of control of a subsea wellhead. The SFRT contains equipment needed to clean the area around the wellhead, enable intervention, prepare for drilling a relief well and safely install a capping device.

The highly specialised subsea response equipment has been built in Norway by Oceaneering, a global oilfield provider of engineered services and products, and contracted through AMOSC.

Oceaneering will also be responsible for storage, maintenance, training for response personnel and immediate mobilisation of the equipment at the onset of any subsea well control event through agreements with individual members of the SFRT.

The global oil industry has made arrangements through the Subsea Well Response Program (SWRP) for setting up capping stacks and first response equipment. Since June 2013, the capping and subsea first response equipment has been positioned at four locations – Norway, Brazil, South Africa and Singapore. The capping stacks and first response equipment, owned by Oil Spill Response Limited (OSRL), include four capping stack toolboxes and two kits for the subsea application of dispersant at a wellhead. OSRL will also maintain, store and mobilise the equipment to the nearest port or airport in the event of an incident. From there, the incident owner will transport the equipment to where it is needed.



There has been a strong emphasis on offshore well integrity and spill management in 2012-13.

APPEA Well Integrity Committee

The Australian oil and gas industry continues to apply the lessons learned from the Montara and Macondo incidents, and there has been an increased effort at international collaboration in order to apply the best global solutions to Australia.

The APPEA Well Integrity Committee (AWIC) was formed out of the APPEA Montara Taskforce to establish a more permanent forum to proactively address common industry challenges on well integrity and process safety (prevention of release/escalation of major hazard events) and to adapt global lessons and good practice for the Australian offshore petroleum industry.

Throughout 2012-13, the Committee met to share as rapidly as possible across the Australian drilling industry actual and potential process safety incidents and good practices.

AWIC has overseen the development of a subsea intervention solution for Australia, including a Subsea First Response Toolkit to ensure local capability to respond rapidly and effectively to any offshore well control incident.

It has also developed a guide (referencing global work undertaken by OGP and UK Oil and Gas) to help title-holders, operators and service providers develop and review 'fit for purpose' competency management systems for well integrity. This guide covers all aspects and elements of drilling and can also apply to training and assessment.

AWIC is currently undertaking work on process safety leading metrics for well operations in conjunction with the APPEA Health, Safety and Operations Committee's work on process safety.

Environment awards

Category A (Production) winner: Santos GLNG

This award recognises Santos GLNG's automated real-time groundwater monitoring system's contribution to openness, accountability and environmental excellence.

Santos's groundwater monitoring program integrates automated telemetry with existing landholder bores in its field operations areas.

The system lets Santos use real-time data to efficiently monitor groundwater on a regional scale.

This enables fast, accurate reporting to the regulator, as well as early identification of potential problems and rapid response to any issues.

It also reduces the time field staff spend on on-site monitoring, reducing inconvenience to landholders.

Because it is open and transparent to landholders, the monitoring system offers reassurance on Santos's operations and protection of groundwater.

The Category A Environment Award recognises the groundwater monitoring system's contribution to openness, accountability and environmental excellence.

Category B (Exploration) winner: ConocoPhillips Australia

ConocoPhillips Australia has opted to gather baseline environment data early in the exploration phase of its Poseidon exploration program.

In January 2012, the company began a new environmental research program at Seringapatam Reef and the surrounding region off the north-western Australian coast. This unspoiled region supports diverse marine life. The data gathered will tie in with similar studies at Scott Reef to give a more complete view of the Browse Basin's deepwater ecosystem. The data on reef spawning, water quality, and ocean floor communities, including satellite remote sensing and noise data, have increased understanding of the regional environment.

Establishing baseline conditions helps in assessing changes and impacts to this unique ecosystem. Data from several field studies have already been collected and analysed. As the research continues, the data will be published and shared with scientists and regulatory bodies. This will help develop operational frameworks to minimise the environmental footprint of exploration and production in this part of the Browse Basin.

The Environment Innovation Award winner: Chevron Australia

This award was presented to Chevron Australia for "Control Charts: An Innovative Approach for Ecological Impact Assessment of Rare Species"

Operating on Barrow Island, a Class A Nature Reserve and an important nesting area for sea turtles. Chevron Australia had to re-think statistical approaches for identifying impacts on local wildlife. In collaboration with consultancies in statistical modelling and marine turtles, Chevron Australia ecologists are using time-series control charts as a decision-aiding tool to monitor uncharacteristic variations in key parameters for Barrow Island's flatback turtle population. This can help detect trends whose impacts might not be apparent for several years and enable Chevron to address the cause of any such variation.

This is the first comprehensive control-chart-based monitoring and management scheme used for an endangered species exposed to a potential major anthropogenic hazard.

Safety awards

ConocoPhillips Australia undertook several significant projects and campaigns, including a shutdown and an asset integrity management campaign at Bayu-Undan.



Safety Excellence Award winner: ConocoPhillips Australia

ConocoPhillips received an APPEA Safety Excellence Award for the fourth year in a row. In presenting the award, APPEA Chairman David Knox said ConocoPhillips had been outstanding in several key areas – preventing major accidents, safety culture, workforce engagement and industry safety leadership.

"In 2012, ConocoPhillips Australia delivered a highly demanding operational program while also improving its safety outcomes. Its busiest year ever was also its safest year yet," Mr Knox said.

ConocoPhillips Australia undertook four significant projects and campaigns (APLNG LNG plant construction, Bayu-Undan and Darwin LNG shutdowns, Bayu-Undan asset integrity management campaign and Browse exploration drilling campaign) in 2012.

Total hours worked by the company and its contractors rose by 163 per cent (up from 3.8 million hours to 10 million hours), but ConocoPhillips had no major accident events or high-level loss of containment incidents. It significantly exceeded world-best injury performance benchmarks, posting a lost-time injury frequency rate of 0.29 injuries per million work hours and total recordable injury frequency rate of 2.49 injuries per million work hours.

The Health, Safety & Environment Innovation Award winner: Woodside Energy

Woodside's "The Good Day Frequency – a new measure for health, safety and environmental performance" focuses on performance areas such as occupational health, the potential for major accident events and the environment. It is calculated as the number of days worked without one of the following indicators occurring:

- significant injuries, including all lost work day cases and restricted work day cases lasting more than four days caused by injury or occupational illness
- high-potential safety related incidents with a potential consequence level of C or above
- significant environmental incidents with an actual consequence level of D or above
- overdue corrective actions arising from investigations of the incidents above, and health, safety and environmental audits.

The Good Day Frequency has provided a more balanced measure of Woodside's overall health, safety and environmental performance. It has focused Woodside on preventing significant incidents and promptly addressing corrective actions, which is helping give a broader view of safety performance.

APPEA Gold Medals



Gas Hunting by Reg Sprigg Award winner, Dr John Jackson.

Reg Sprigg Medal: Dr John Jackson

APPEA has awarded its highest honour – the Reg Sprigg Medal for outstanding service to the oil and gas industry – to Dr John Jackson.

Presenting the award at the APPEA 2013 Conference dinner, APPEA Chairman David Knox said Dr Jackson had left a strong legacy in the Australian oil and gas industry.

"As an executive at Bond Corporation, he led the unprecedented fast-track development of the Harriet/Lenita oil fields off Western Australia, which brought the fields onstream in 1986.

"John also worked closely with famous environmental consultant Dr Harry Butler to site the development on Varanus Island. This has since expanded into the Varanus Island Processing Hub, a mainstay of WA domestic oil and gas supply."

In the 1980s John Jackson became a member of the Australian Petroleum Exploration Association Council (the forerunner to the APPEA Board). In his six years on the APEA Council he developed a reputation as an effective advocate for junior companies.

In the late 1980s, Dr Jackson began taking classes of Perth school children for geology primers. Soon he began doing paintings that illustrated geological concepts. Dr Jackson has continued to produce colourful art that tells geological stories. One painting, Gas Hunting, holds pride of place in APPEA's Canberra boardroom.

Lewis G Weeks Medal: Barry Goldstein

South Australia's senior oil and gas regulator, Barry Goldstein, has revitalised petroleum exploration in South Australia and established a positive template for onshore regulation.

Born and educated in the US, Mr Goldstein's career led him to Australia where he eventually became Exploration Manager and Chief Geologist at Santos. After more than 20 years as a successful exploration geologist, he became Executive Director of the South Australian Government's Energy Resources Division.

Mr Goldstein has fostered a positive culture at South Australia's Energy Resources Division, one that pays attention to processes without losing sight of the desired results. This leads to regulatory systems that mesh well with real-life operational best practice, according to APPEA chairman David Knox.

"The industry is held to high standards, but the regulation is sensible, streamlined and based on sound science and technical practice," Mr Knox said when presenting the award.

Mr Goldstein has also long been the South Australian representative on the Senior Committee of Officials, which supports the Council of Australian Governments' Standing Council on Energy and Resources. He is the current Chair of Australia's Coal Seam Gas Steering Group and serves on other COAG committees. Through these roles he has made valuable contributions to national energy policy.

Scholarships

Postgraduate scholarships

In November 2012, APPEA awarded scholarships worth \$33,000 to two postgraduate students from the University of Adelaide.

KA Richards Scholarship

Petroleum geoscience student Adam Bailey was awarded the KA Richards Scholarship, offers up to \$10,000 a year for one year of full-time study for a Masters or three years of full time study for a doctoral degree, or for an appropriate length of part-time study.

Mr Bailey graduated with a first-class honours degree in petroleum geoscience from the Australian School of Petroleum in 2011. His PhD project will focus on developing new methods for detecting and describing subsurface fractures. It is intended to produce the first continent-scale map of structural permeability in Australia's energy-rich basins.

Tony Noon Memorial Scholarship

Petroleum engineering student Nicole Ditty was awarded the Tony Noon Memorial Scholarship, which is aimed at helping outstanding students aspiring to, or considering, a career in the petroleum exploration and production industry in any discipline directly related to the industry.

This one-off grant to a maximum value of \$3000 is presented annually to honours, Masters or PhD students from an Australian university.

In 2013, Ms Ditty is undertaking a masters-level research project, investigating the use of geomechanical modelling in optimising multi-stage hydraulic fracture stimulation design for unconventional reservoirs.

APPEA Engineering Scholarships

A Toowoomba secondary school student and a University of Western Australia student were awarded APPEA Engineering Scholarships in July 2012

The two university scholarships sponsored jointly by APPEA and Brunel Energy are awarded annually to individuals with outstanding academic potential in the engineering field.

Alex Dyball, a Year 12 student at Toowoomba's Downlands College, was awarded the Indigenous Australian Scholarship. He was later accepted into the University of Southern Queensland's engineering program for 2013.

Venus Tran, who was in the second year of an engineering degree at the University of Western Australia, was awarded the other scholarship.

The award for each scholarship is \$5,000 per year up to a maximum of five years full-time or part-time equivalent. Scholarship recipients also have the opportunity to undertake paid work experience with an APPEA member oil and gas company during university vacation breaks, providing valuable industry experience.

Additional funding of up to \$5000 per annum is available for the Indigenous Australian Scholarship recipient for agreed mentoring services in association with APPEA's member companies.



APPEA Chief Executive David Byers and Brunel Energy Director Paul Smith with APPEA Engineering Scholarships winners, Venus Tran and Alex Dyball.

APPEA 2013: Transforming our Energy Future

The annual APPEA Conference & Exhibition shone a light on policy debate and industry challenges, as well as the enormous opportunities that the industry offers Australia.

Every year, this event features federal and state government ministers, as well as influential experts and industry leaders from across Australia and around the world. It facilitates networking and the exchange of ideas and information in a fast-moving industry. It also conveys news about company projects and APPEA's industry advocacy messages to policymakers and media.

Held at the Brisbane Convention Centre on May 26-29, APPEA 2013 drew more than 3,500 registered attendees from 28 countries, making it the biggest-ever APPEA event.

The conference featured about 100 presentations and showcased 53 sponsors. The 12,500 square metre exhibition area hosted 219 organisations.

More than 60 journalists covered the event with several stories making the front pages of major newspapers and receiving broad coverage on radio and television.

Plenary speakers included:

- Royal Dutch Shell Chief Executive, Peter Voser
- ExxonMobil Vice president Middle East and Australia, Mark Nolan
- International Energy Agency Chief Economist, Fatih Birol
- Chatham House Senior Research Fellow (Energy), Professor Paul Stevens.

Politicians addressing the conference included:

- Federal Minister for Resources and Energy Martin Ferguson
- Federal Shadow Minister for Resources and Energy Ian Macfarlane
- Queensland Deputy Premier Jeff Seeney
- Queensland Minister for Natural Resources and Mines Andrew Cripps
- NSW Minister for Resources and Energy Chris Hartcher.

The technical program was the largest-ever at an APPEA event. The 84 presentations spread across 24 sessions included specialist analyses, technical know-how and informative case studies.

Plenary and concurrent presentations covered a wide range of issues – CSG and shale gas; LNG; new exploration opportunities; energy policy; safety; global and Australian gas markets; seismic, subsea and production technologies; environmental and water management; legislation and regulation; workforce strategies; tax, fiscal and commercial issues; social license to operate; and more.

The conference concluded on Wednesday afternoon with the Project Updates session. With a diverse range of major projects being advanced across Australia, this session continues to grow in popularity and it was almost full to capacity.

Networking and socialising

With several dedicated networking lounges, numerous stands competing to offer quality coffee and happy hour events at the end of each afternoon, the exhibition area offered plenty of opportunities for delegates to exchange news and ideas with industry colleagues and to simply catch up with old friends.

The conference social events were also well attended. More than 1500 people came to the conference dinner and the farewell and opening cocktails also attracted large crowds.

Delegate feedback

In delegate feedback forms:

- 96% of respondents said they would recommend the APPEA Conference and Exhibition to a peer or colleague.
- 93% said they made new business contacts at APPEA 2013.
- 76% said the APPEA Conference & Exhibition is a key event in their company's strategic planning for the year.
- 81% rated the quality of the plenary program as very good or excellent.
- 91% rated the quality of exhibitors as very good or excellent.



Top – A plenary session at APPEA 2013.

Bottom left – Jessica Mauboy singing at the conference's Gala Dinner.

Bottom right – Panel discussion on Developing Onshore Gas Resources.

APPEA conferences and forums

2012 APPEA Workforce Development and Productivity Conference 17-19 July, Darwin

Workforce development and productivity have become increasingly important in recent years and require much greater attention – from both industry and government – than they have previously received. This event brought together industry leaders, government representatives and workforce development and training professionals to share strategies aimed at delivering the labour force and skills that the oil and gas industry needs. The conference also addressed ways to improve productivity for the sector and for Australia generally.

2012 SPE/APPEA International Conference on Health, Safety & Environment in Oil & Gas Exploration & Production 11-13 September, Perth

For the first time, the International Conference on Health, Safety & Environment was held in Australia. Co-organised by the Society of Petroleum Engineers (SPE) and APPEA, the conference theme was Protecting People and the Environment – Evolving Challenges. It featured three plenary sessions, 12 panel sessions and more than 140 papers presented in 53 technical sessions and knowledge-sharing formats.

APPEA Coal Seam Gas Conference and Exhibition 8-10 October, Brisbane

The APPEA 2012 CSG Conference and Exhibition offered 16 tailored sessions and drew more than 650 attendees. Its success prompted APPEA to organise the 2013 APPEA Onshore Gas Conference and Exhibition, held in Adelaide in October 2013, which covered not only coal seam gas, but also onshore natural gas from other kinds of reservoirs.

2012 HSR and Safety Workforce Forum 12 November, Perth

The annual APPEA HSR Forum is the only safety forum in Australia specifically for oil and gas health and safety representatives. The 2012 HSR Forum included several practical sessions and panel discussions on fatigue.



Top right – A panel discussion at the 2012 APPEA Coal Seam Gas Conference & Exhibition.

Bottom left – The Exhibition area at the 2012 SPE/APPEA International Conference on Health, Safety & Environment in Oil & Gas Exploration & Production.

Bottom right – The 2012 SPE/APPEA International Conference.

Membership

Full members – 30 June 2013

Acer Energy Limited
 Advent Energy Limited
 AGL Energy Limited (includes Mosaic)
 Apache Energy Limited
 Apex Energy NL
 Arrow Energy Limited
 AWE Limited
 Bass Strait Oil Company Limited
 Beach Energy Limited
 Benaris International Pty Ltd
 Bengal Energy Limited (was Avery Resources Inc)
 BHP Billiton Petroleum Pty Ltd
 Blue Energy Limited
 Bounty Oil & Gas Ltd
 BP Developments Australia Pty Ltd
 Bridgeport Energy Limited
 Buru Energy Limited
 CalEnergy Resources (Australia) Ltd
 Carnarvon Petroleum Ltd
 Central Petroleum Limited
 Chevron Australia Pty Ltd
 Comet Ridge Limited
 ConocoPhillips Australia Pty Ltd
 Cooper Energy Limited
 Cue Energy Resources Limited
 Dart Energy Ltd (was Apollo Gas)
 Drillsearch Energy Limited
 Eni Australia Limited
 Esso Australia Pty Ltd (ExxonMobil)
 Exoma Energy Ltd
 Falcon Oil & Gas Australia Limited
 Finder Exploration Pty Ltd
 Galilee Energy Limited
 GDF Suez Bonaparte Pty Ltd
 Hess Exploration Australia Pty Limited
 Hunt Oil Company of Australia Pty Ltd
 Icon Energy Limited
 Inpex
 ITOCHU Minerals & Energy of Australia Pty Ltd
 Japan Australia LNG (MIMI) Pty Ltd
 Japan Energy E&P Australia Pty Ltd
 Karoon Gas Australia Ltd
 KUFPEC Australia Pty Ltd
 Lakes Oil N.L.
 Larus Energy Limited
 Latent Petroleum Pty Ltd
 Magellan Petroleum Australia Limited
 Magnum Gas & Power Ltd
 MC Resources Australia Pty Ltd
 Meo Australia Limited
 Metgasco Limited
 Mitsui E&P Australia Pty Ltd
 Murphy Australia Oil Pty Ltd
 New Standard Energy Ltd
 Nexus Energy Ltd
 Nido Petroleum Limited
 Norwest Energy NL
 Octanex NL
 Oilx Ltd
 OMV New Zealand Ltd
 Origin Energy Limited

Osaka Gas Australia Pty Ltd
 Pangaea Resources Pty Ltd
 Papuan Oil Search Ltd
 Parenco SE Asia Pty Ltd
 Petronas Australia Pty Ltd
 PTTEP Australasia (a part of PTTEP Group)
 QGC (a BG Group Company)
 Roc Oil Company Limited
 Santos Limited
 Senex Energy Limited
 Shell Development (Australia) Pty Limited
 Sinopec Oil & Gas Pty Ltd (was SIPC)
 Stanwell Corporation Limited
 Strike Energy Ltd (was Strike Oil Ltd)
 Sun Resources N.L.
 Tamboran Resources Pty Ltd
 Tap Oil Limited
 Tokyo Gas Australia Pty Ltd
 Tokyo Timor Sea Resources Pty Ltd
 Total E&P Australia
 Tri-Star Petroleum Company
 Vermilion Oil & Gas Australia Pty Ltd
 WestSide Corporation
 Woodside Energy Limited

Associate members – 30 June 2013

Accenture
 Access Analytic Solutions Pty Ltd
 Access Human Talent Pty Ltd
 Accrete Ltd
 Accutherm International Pty Ltd
 ACEPT - Challenger TAFE
 Acting Consulting Training Australia & NZ Pty Ltd
 Add Energy Australia Pty Ltd
 AECOM Australia Pty Ltd
 AGR Asia Pacific Pty Ltd
 Air Energi (Air Consulting Australia Pty Ltd)
 Ajilon
 Allens
 AMC Management (WA) Pty Ltd
 ANZ Banking Group Limited
 Archimedes Financial Planning Pty Ltd
 Ashurst Australia (was Black Dawson)
 Asia Edge Pte Ltd
 Aspen Medical Pty Ltd
 Aspermont Limited
 Associated Water Pty Ltd
 Atwood Oceanics Australia Pty Ltd
 Australasian College of Health & Safety
 Australian Drilling Associates Pty Ltd
 Australian FPSO Management Pty Limited
 Australian Institute of Marine Sciences (AIMS)
 Australian International Petro-Consultants (AIPC)
 Australian Maritime College
 Aventus Consulting
 Bain and Co
 Baker Hughes Australia Pty Ltd
 Barker Wentworth
 Barrel Chasers Pty Ltd

Baseline Training Group
 BDO Pty Ltd
 Benson Resourcing Pty Ltd
 Beyond The Break Australia Pty Ltd
 Black & Veatch Australia Pty Ltd
 BOC Limited
 Bristow Helicopters Australia
 Broome Port Authority
 Brunel Energy Pty Ltd
 Bureau Veritas
 Cameron Australasia Pty Ltd
 Cardno Ltd
 Cenergy Services Australia Pty Ltd
 CGG Veritas Services (Australia) Pty Ltd
 Chamber of Commerce & Industry WA
 CHC Helicopters Pty Ltd
 Chicago Bridge & Iron Company NV
 Citra Tubindo Australia Pty Ltd
 Clayton Utz
 Clough Limited
 CNC Project Management Pty Ltd
 CO2CRC
 Coffey International Limited
 Competentia Pty Ltd
 Condor Energy Services Limited
 Core Energy Group
 Corporate Incident Management Associates (CIMA)
 Corrs Chambers Westgarth
 Crockford Migration Pty Ltd
 Cummins South Pacific
 Curtin University of Technology (CREME)
 Customer Care Pty Ltd
 Dare Contract Services
 Decmil Australia
 Deloitte Touche Tohmatsu
 Digibox
 Dockwise Shipping Australia Pty Ltd
 DOF Subsea Australia Pty Ltd
 Doosan International Australia Pty Ltd
 Downing Teal Pty Ltd
 DownUnder GeoSolutions Pty Ltd
 Drillstralis
 Dynapumps
 East Coast Pipe Supplies
 Easternwell Group
 EDG Australia Pty Ltd
 EIG Global Energy Partners
 EM&I (Australia) Pty Ltd
 EMAS Offshore
 Emission Assessments Pty Ltd
 Endress + Hauser
 Enerflex Process Pty Ltd
 Energy Power Systems Australia
 Energy Process Services Pty Ltd
 Energy Publications
 EnergyQuest
 EnerMech Pty Ltd
 Ensco Australia Pty Ltd
 Ensign International Energy Services
 Enterprise Risk Management Solutions Pty Ltd

Environmental Resources Management Australia Pty Ltd (ERM)
 Environmental Strategies WA
 ERGT Australia Pty Ltd
 Ernst & Young
 ESD Simulation Training Pty Ltd
 Export Finance & Insurance Corporation (EFIC)
 Exterran (Australia) Pty Ltd
 Farstad Shipping (Indian Pacific) Pty Ltd
 Fendley Consultancy Pty Ltd
 Finlaysons Lawyers
 Fircroft Australia Pty Ltd
 Fluor Australia Pty Ltd
 FPC Funds Management Pty Ltd
 Fragomen Global
 Freehills
 FrOG Tech Pty Ltd
 Fugro Holdings (Australia) Pty Ltd.
 Fyfe Pty Ltd
 G4S Secure Solutions
 Gaffney Cline & Associates Pty Ltd
 General Electric International Inc.
 Georgiou
 Georgiou Group Pty Ltd
 Geotechnical Services Pty Ltd
 GHD
 Gilbert & Tobin
 GL Noble Denton
 Gold Security Group (GSG)
 Golder Associates Pty Ltd
 Greatship Subsea Solutions P/L
 H2ORX - Chemical System Consulting
 Halliburton Australia Pty Ltd
 Hart Energy
 Hatch Associates
 Health Safety Environment Australia Pty Ltd (HSE)
 HIMA
 Holding Redlich
 HopGoodGanim Lawyers
 HWL Ebsworth Lawyers
 IBM
 IDM Partners Pty Ltd
 IFAP - Industrial Foundation for Accident Prevention
 IHS Cera
 Ikon Science Asia Pacific Pty Ltd
 Independent Data Services (Asia)
 Independent Oil Tools Pty Ltd (IOT)
 Inflatable Packers International Pty Ltd
 Informa Corporate Learning
 Institution of Chemical Engineers
 International SOS Australasia Pty Ltd
 Interstaff International
 Intertek
 ION Geophysical Corporation
 ISN Software Australia Pty Ltd
 ITC Global (Australia) Pty Ltd
 Japan Oil Gas & Metals National Oil Corporation (JOGMEC)
 John Holland Energy and Resources
 JTA Australia
 KBR

Kin-Tec Recruitment Pty Ltd
 KJM Contractors Pty Ltd
 KPMG
 Kvaerner Oil & Gas P/L
 Labrador Petro-Management Pty Ltd
 Laing O'Rourke Australia Pty Ltd
 Leighton Contractors Pty Ltd
 Lloyds Register Asia
 M Squared & Associated Pty Ltd
 Macssgroup Pty Ltd
 Maersk Drilling Australia
 McConnell Dowell Constructors(Aust) Pty Ltd
 McDermott Australia Pty Ltd
 McKinsey & Company
 Mears Group Pty Ltd
 Media Dynamics (Christopher Beck Books)
 Mermaid Marine Australia Limited
 Minter Ellison
 Miro Advisors Pty Ltd
 MTU Detroit Diesel Australia Pty Ltd
 Murphy Pipe and Civil Constructions
 National-Oilwell Pty Ltd
 Neptune Marine Services P/L
 North Australian Centre for Oil and Gas - Charles Darwin University
 Ocean Nourishment Corporation Pty Ltd
 Oceaneering Services Australia Pty Ltd
 Offshore Marine Services Pty Ltd
 Oil & Gas Gazette
 Opeam Pty Ltd
 Orion Engineering Services (Aust) Pty Ltd
 OSD Pty Ltd
 P&R Geological Consultants Pty Ltd
 Palantir Australia Pty Ltd
 Performance on Hand Pty Ltd
 Petroleum Exploration Society Australia Limited (PESA)
 Petroleum Exploration & Production Association NZ
 Petrosys
 PGS Australia Pty Ltd
 Piper Alderman
 Pitney Bowes Business Insight
 Platform Communications
 Polarcus
 Practical Solutions Group
 PricewaterhouseCoopers Services
 Protector Alsafe Pty Ltd
 R & D Solutions Pty Ltd
 Rare Consulting Pty Ltd
 Resource & Land Management Service
 ResourceLaw International
 Rigzone
 RII-Resource & Infrastructure Skills Centre
 RISC Operations Pty Ltd
 RLG International
 RPS
 RSM Bird Cameron - Chartered Accountants
 Rubicon Offshore International Pte Ltd
 R-Web Australia (Petroleum Data System International T/a)
 S2V Consulting Pty Ltd

Safety Leaders Group Pty Ltd
 Saftey Management & Risk Solutions Pty Otd
 Saipem Australia
 SBA Gallagher (was Aust Energy Ins Brokers)
 Schlumberger Australia Pty Ltd
 Schneider Electric (Australia) Pty Ltd
 School of Petroleum Engineering UNSW
 Sealink International Berhad
 Searcher Seismic Pty Ltd
 Sedco Forex International Inc
 SGS Leeder Consulting Pty Ltd
 Shape Consulting
 Sharpe Engineering
 Shorelands Group Pty Ltd
 Sinclair Knight Merz
 Solar Turbines Australia
 SRA Information Technology Pty Ltd
 Strategic Human Resources
 Subsea 7 Australia Contracting Pty Ltd (was Acergy)
 Superior Energy Services
 Supplybase VRS Pty Ltd
 Sustainability Pty Ltd
 SVT Engineering Consultants
 Swift Technical (Australia) Pty Ltd
 Talbot Olivier Lawyers
 TCA Partners Pty Ltd
 Technip Oceania Pty Ltd
 Teekay Marine Services
 Tenaris Global Services Australia Pty Ltd
 TGS-NOPEC Geophysical Company Pty Ltd
 The Boston Consulting Group (BCG)
 The Right Group
 The University of Western Australia
 Tidewater Marine Australia Pty Ltd
 Titan Energy Services Limited
 Toll Energy Logistics Pty Ltd
 Toowoomba & Surat Basin Enterprise
 Total Depth Pty Ltd
 Tox Free Solutions Limited
 TRAC Oil and Gas Pty Ltd
 Training & Safety Consultants
 Training Prospects
 Transfield Services (Australia) Pty Ltd
 Trility Pty Ltd
 TSRhorizons Consulting
 UCL School of Energy and Resources, Australia
 Uniquip Engineering
 University of Tasmania (UTAS)
 URS Australia Pty Ltd
 Vanguard Solutions Pty Ltd
 Velseis Pty Ltd
 Veritas Engineering
 Walker Technical Consultants Pty Ltd
 WDS Limited
 Western Australian Energy Research Alliance (WA:ERA)
 Westpac Institutional Bank
 Wood Mackenzie (Australia) Pty Ltd
 WorleyParsons Services Pty Ltd
 Yokogawa Australia Pty Ltd

Governance

APPEA works with governments, government agencies and regulators as well as with members and other stakeholders to influence policies and regulations and to establish advocacy positions.

APPEA's vision is to be recognised as the credible, respected and influential voice of the oil and gas exploration and production industry in Australia.

APPEA's mission is to:

Achieve a legislative, administrative, economic and social framework in Australia that facilitates safe, environmentally responsible and profitable petroleum exploration, development and production.

Effectively advocate and constructively engage with governments, industry stakeholders and key communities.

Provide a forum for education, technical, commercial and social interaction and the facilitation of effective research and development and community engagement.

Corporate Governance

APPEA's Board is responsible for the company's business planning and strategic direction as determined by the association through board and other meetings. The Board's governance obligations are defined under the Corporations Act 2001.

In addition, the APPEA Corporate Governance Charter defines the respective roles and responsibilities of the board, the directors, and senior management in setting the direction, management and control of the association. This provides structure and clear guidelines for board processes, decision making, company policy and strategies that support good governance and control practices.

APPEA works to influence policies and regulations and to establish advocacy positions.

The APPEA Board

Under APPEA's constitution, the Board must comprise at least six and no more than 16 directors elected by APPEA's full members. Half of the Board's members are required to resign at each annual general meeting.

In 2012-13, APPEA's Chairman was David Knox, Chief Executive and Managing Director, Santos Limited. The Vice-Chairman was Rob Cole, Executive Director – Corporate and Commercial, Woodside Energy Limited.

Board members who resigned or retired during the year included: Antonio Baldassarre, Managing Director eni Australia, EastTimor and PNG; Colin Beckett, General Manager, Greater Gorgon Area, Chevron Australia Pty Ltd; Michael Carey, Vice President – Strategy and Finance, Shell Development (Australia) Pty Ltd; John Dashwood – Chairman, ExxonMobil Affiliates in Australia; Aidan Joy, Commercial and Business Development Manager, Apache Energy Limited; and Michael Kelly, Country Manager, BHP Petroleum Limited.

After the end of the financial year (on 16 July 2013), Richard Owen, Chairman, ExxonMobil Affiliates in Australia, replaced John Dashwood who had retired from the Board on 15 June.

Below – APPEA Chairman David Knox

Below right – APPEA Vice-Chairman Rob Cole



At 30 June 2013, the members of the APPEA Board were:

- David Knox – Chief Executive and Managing Director, Santos
- Rob Cole – Executive Director – Corporate and Commercial, Woodside Energy
- Robin Antrobus – General Manager External Relations, ConocoPhillips Australia Pty Ltd
- Ernie Delfos – Managing Director, eni Australia, EastTimor & PNG
- Gerry Flaherty – General Manager Asset Development, Chevron Australia Pty Ltd
- Warren Ford – Deputy Managing Director & Director of Projects, Apache Energy Ltd
- Philip Home – Managing Director Exploration & Production, BP Developments Australia Pty Ltd
- Grant King – Managing Director Origin Energy Limited
- Bruce Lake – Managing Director Vermilion Oil & Gas Australia Pty Ltd
- Todd Lee – Country Manager Australia BHP Billiton Petroleum
- Gordon Moseby – General Manager Business Review & Planning, Beach Energy Ltd
- Peter Robinson – New Ventures Manager Shell Development (Australia) Pty Ltd
- Mike Sangster – Managing Director Total E&P Australia
- Peter Stickland – Exploration Manager MEO Australia Limited
- Eric Streitberg – Executive Director Buru Energy Limited.



APPEA Executive Management

APPEA has more than 30 full-time staff working in areas such as policy, events, administration and communications.

APPEA's head office is in Canberra and it also has offices in Perth, Brisbane and Sydney. In late August 2013, APPEA established a Darwin office staffed by Director – Northern Territory, Steven Gerhardy.

Throughout 2012-13, staff in APPEA's various offices continued their research, policy formulation and advocacy efforts, working with governments, government agencies and regulators, as well as with APPEA members and other stakeholders.

APPEA continues to enhance its already experienced and well respected team. The organisation has also increased its efforts in economic analysis and it prepared and commissioned numerous major reports and policy submissions in 2012-13.

Senior management at 30 June 2013

David Byers, Chief Executive

David has spent over 20 years in the oil and gas industry with Woodside and ExxonMobil. He is a former Chief Executive of the Committee for Economic Development of Australia (CEDA), a leading economic research and policy forum.



Noel Mullen, Deputy Chief Executive — Access, Fiscal & Corporate

Noel reviews and provides recommendations on commercial, fiscal and access issues. He was previously a senior officer in the Commonwealth Department of Primary Industries and Energy's petroleum taxation division.



Stedman Ellis, Chief Operating Officer — Western Region

Based in Perth, Stedman leads APPEA's Western Australian, South Australian and Northern Territory advocacy and policy development. He has held senior roles in regulation and policy, stakeholder engagement and advocacy for more than 25 years.



Rick Wilkinson, Chief Operating Officer — Eastern Region

Based in Brisbane, Rick heads APPEA's policy development and advocacy for Queensland, NSW and Victoria. He has worked in operations, project management and commercial areas of the oil and gas industry for more than 25 years.



Michael Bradley, Director — External Affairs

Michael is responsible for APPEA's external communications, branding, media and government relations, and marketing. He joined APPEA in 2010 after more than a decade working as a journalist, media advisor and political advisor.



Damian Dwyer, Director — Economics

Damian is responsible for APPEA's economic, trade, climate and energy markets analysis and policies. His 20-year public policy career includes positions as an economist at another industry association and in the Australian Public Service.



Miranda Taylor, Director — Safety, Environment & Skills

Based in Perth, Miranda is responsible for advocacy, and collaborative industry projects in environment, labour, skills and safety. She has held high-level health, safety and environment roles in the private and public sectors.



Cath Sutton, Company Secretary & Director — Support Services

Cath heads APPEA's finance and administrative team. With APPEA since 1994, she was previously Chief Financial Officer at the Real Estate Institute and worked in the print industry.



Major submissions and reports

Submissions to government and reports play a major role in APPEA's research, policy formulation and advocacy work. In 2012-13, APPEA produced or commissioned a wide range of submissions and reports.

2012

Submission on Renewable Energy Target Review Issues Paper (APPEA, August 2012)

Implications of the RET for the Australian Economy (BAE Economics Report, August 2012)

Pairing a renewable energy target with carbon pricing imposes substantial unnecessary costs without delivering extra greenhouse benefits.

Submission to the Business Tax Working Group (APPEA, August 2012)

Tax changes under consideration could stifle oil and gas project investment.

The Wider Contribution to Australia of the Oil and Gas Industry (Australian Venture Consultants Report, September 2012)

More than \$29 billion has been spent with Australian-based businesses as part of the current wave of investment underway in offshore oil and gas projects.

Advancing Australia: supplementary analysis (Deloitte Access Economics, November 2012)

An update to the major June 2012 report on the economic benefits and potential of Australia's oil and gas industry.

State of the industry 2012 (APPEA, November 2012)

APPEA's industry strategy report shows that major policy reform is needed if Australia is to maximise the return from its oil and gas resources.

Comment on the proposal to draft marine reserve management plans (APPEA, December 2012)

2013

Budget Submission (APPEA, February 2013)

Analysis of the Changing Demographic Profile of Australia's Mining Communities (KPMG, February 2013)

The resources sector is driving economic and social development, as well as population growth, in several regions of Australia.

Analysis of the Long Distance Commuter Workforce Across Australia (KPMG, February 2013)

Fly-in, fly-out and drive-in, drive-out workers are spreading the benefits of the resources boom across Australia.

Domestic Gas Market Interventions: International Experience (EnergyQuest, February 2013)

Government interventions in 20 domestic wholesale gas markets around the world show domestic gas reservation impairs local supply and availability.

Cutting Green Tape (APPEA, February 2013)

Inappropriate and inefficient regulation is increasing costs to industry and threatening future investment without delivering additional environmental benefits.

Submission to the Productivity Commission on Non-financial Barriers to Resource Exploration (APPEA, March 2013)

Submission on the review of the Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations (APPEA, March 2013)

Submission to the Australian Government on the Australian Jobs Bill (APPEA, April 2013)

Submission to the Senate on the Australian Jobs Bill (APPEA, April 2013)

The Australian Jobs Bill is likely to escalate compliance costs without a demonstrated commensurate additional benefit to Australian suppliers.

Submission to the Australian Government on Business Tax Disclosure (APPEA, April 2013)

Potential economic significance of NSW coal seam gas (ACIL Allen, May 2013)

CSG could become a key part of the NSW energy supply mix, delivering significant economic benefits to the state and to the nation. But there is considerable uncertainty about the development of the industry in NSW.

2013 Policy Priorities (APPEA, May 2013)

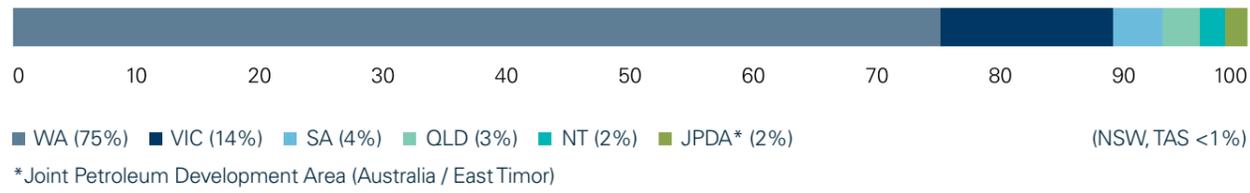
APPEA outlines the policy reforms needed to enable the ongoing growth of Australia's natural gas industry and optimise its contribution to national prosperity.

Most of these reports can be found on APPEA's website:

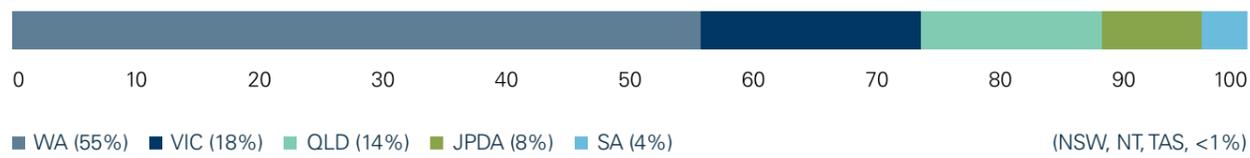
apea.com.au/industry-in-depth/apea-submissions-and-reports

Industry statistics and forecasts

Source of oil and condensate production 2012 (%)



Source of gas production 2012 (%)



Australia's estimated petroleum resources and reserves

	Crude oil (mmbbl)	Condensate (mmbbl)	LPG (mmbbl)	Conventional Gas (tcf)	Coal seam gas (tcf)	Shale gas (tcf)	Tight gas (tcf)	Total gas (tcf)
EDR	996	2110	964	103	33	—	—	136
SDR	298	622	377	54	60	2	—	116
Inferred	—	—	—	~10	111	—	20	141
All identified resources	1264	2733	1342	167	203	2	20	392
Potential in-ground resources	~~	~~	~~	~~	235	396	~~	631
Resources: Identified, potential & undiscovered	1264	2733	1342	167	235	396	20	819

■ Crude oil ■ Condensate ■ LPG ■ Conventional Gas ■ Coal seam gas ■ Shale gas ■ Tight gas ■ Total gas ■ ~ ~ Unknown
 mmbbl – million barrels tcf – trillion cubic feet

Source: Bureau of Resources and Energy Economics (BREE) 2012, Geoscience Australia (GA) 2012

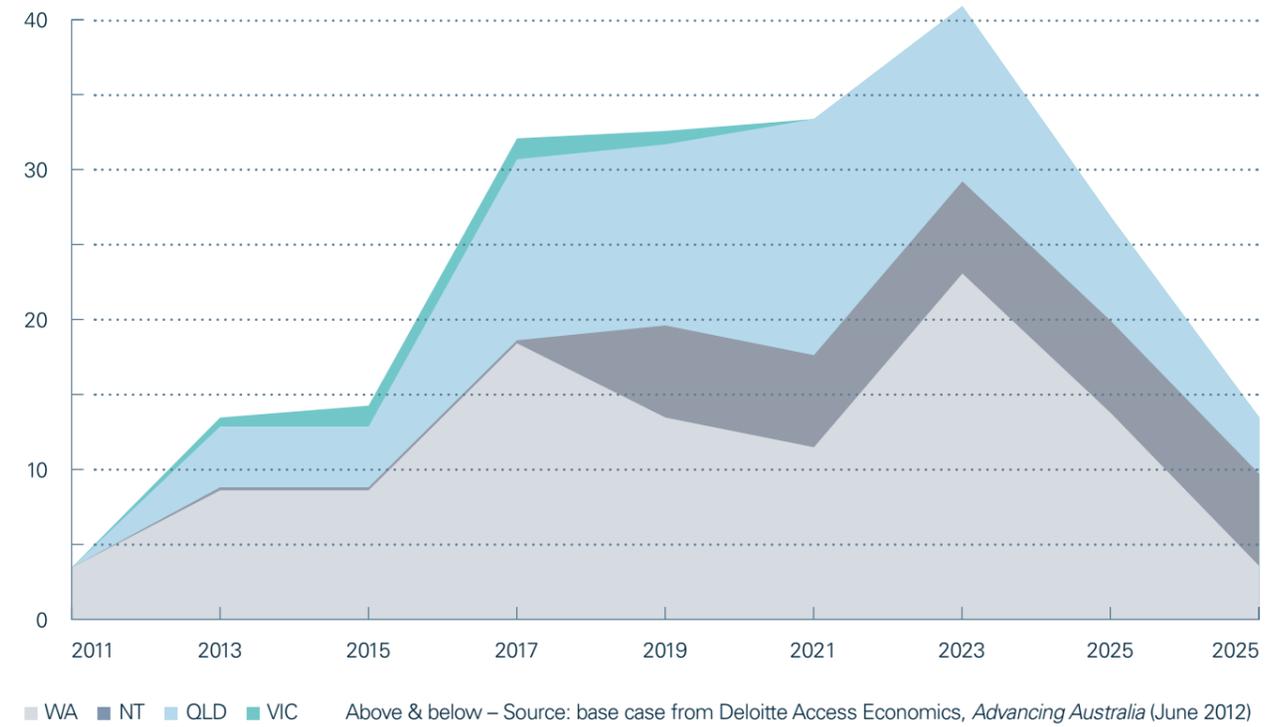
There has been a sustained increase in Australia's known gas reserves. Australia's economic demonstrated resources (EDR) of conventional gas have increased from around 80 tcf in 2007 to 103 tcf at the beginning of 2011.

Adding resources considered to be potentially economic in the foreseeable future (subeconomic demonstrated resources or SDR) increases Australia's conventional gas resources base to 157 tcf (GA and BREE 2012).

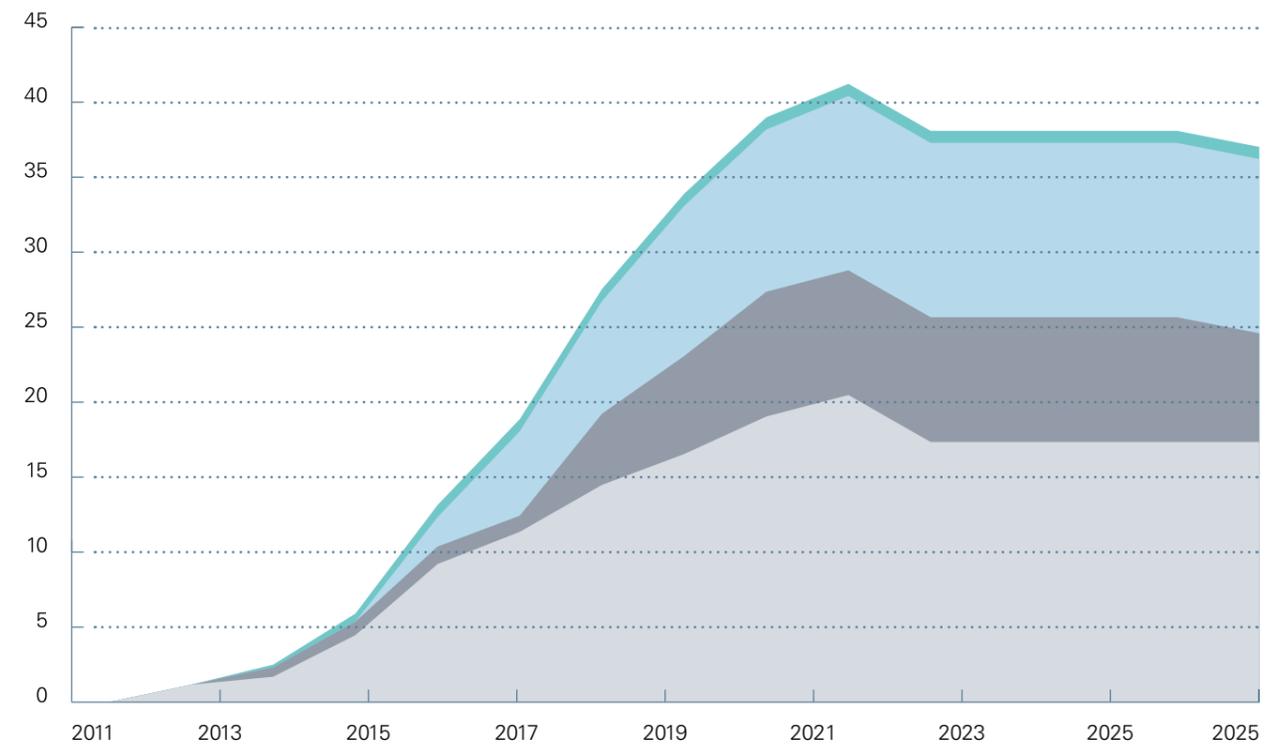
Australia also has significant coal seam, shale and tight gas resources. CSG EDR has doubled in the last three years to 33 tcf (as at January 2012). Total identified resources of CSG (EDR, SDR and inferred resources) are estimated to be around 203 tcf and total identified tight gas resources are around 20 tcf.

Australia's shale gas resources (identified, potential and undiscovered) are also considered to be large but with a wide range of uncertainty as their development is just beginning.

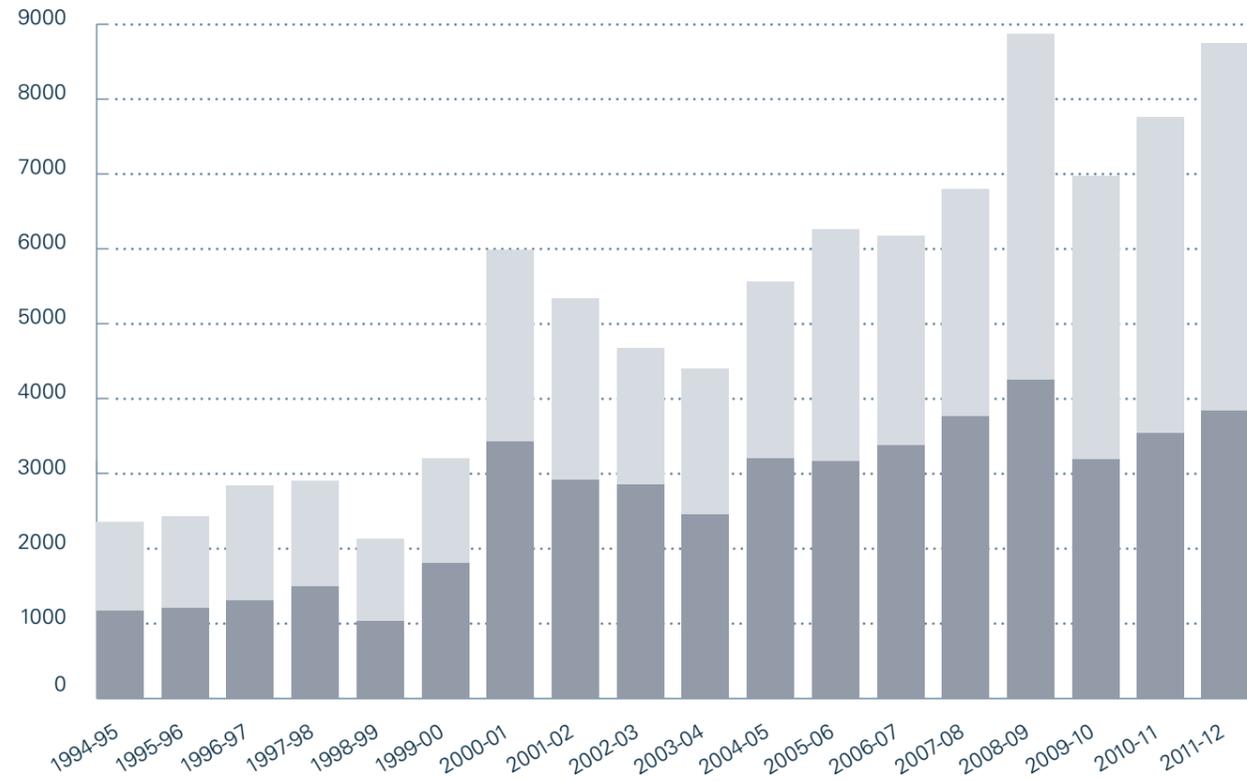
Capital expenditure (\$billion)



Output from new projects (\$billion)



Petroleum exploration and production industry taxation payments (\$million)



■ Resource taxes ■ Company tax

Source: APPEA, Federal Budget Papers

The economic contribution of the oil and gas industry

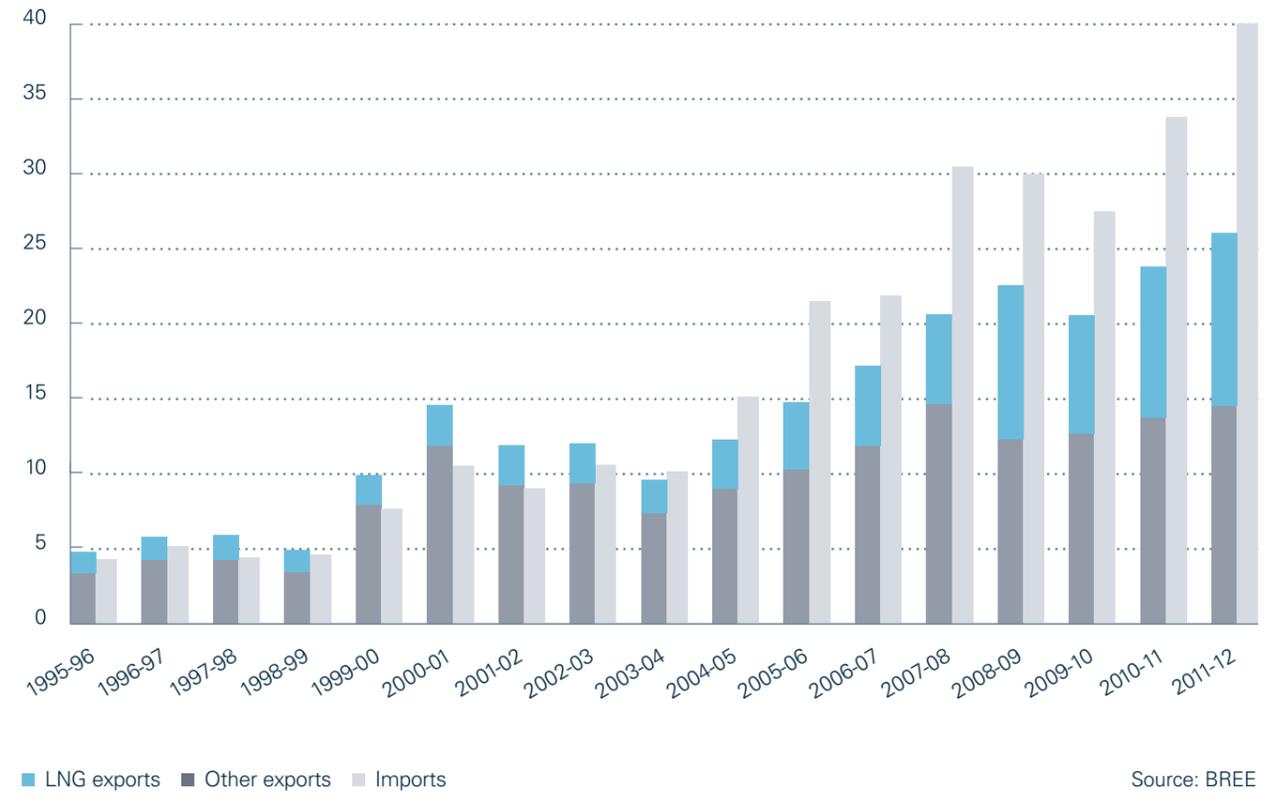
Source: BREE 2012, GA 2012

	NPV 2012-25	2011	2020	2025
Value added (\$b)				
■ Oil and gas production	420.0	28.3	64.7	60.1
■ Exploration	9.1	1.1	0.8	1.1
Total value added, share of GDP (%)		2.1	3.5	2.8
Corporate tax payments (%b)	61.2	4.4	9.1	8.5
Production taxes (\$b)	32.4	3.5	3.7	3.6
Total Taxes (\$b)	93.6	7.9	12.8	12.1

NPV: net present value at a 7% discount rate

Source: DAE 2012

Trade in oil, gas and petroleum products (\$billion)



■ LNG exports ■ Other exports ■ Imports

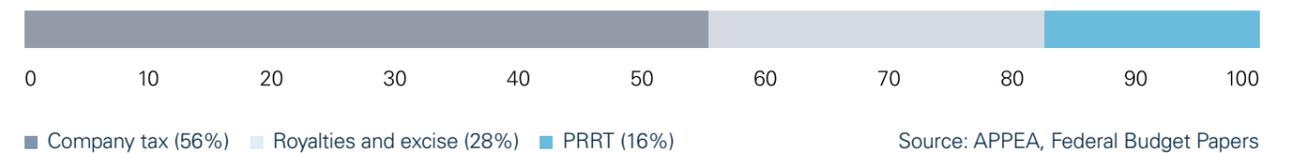
Source: BREE

Oil and gas imports and exports 2012 (\$billion)

Source: BREE 2012, GA 2012

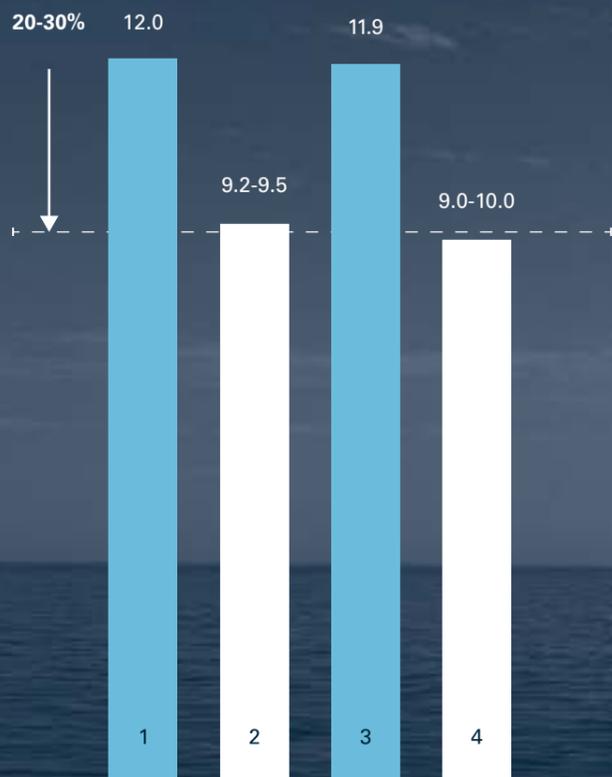
	EXPORTS	IMPORTS
Crude	14.1	27.0
LNG	13.5	—
Natural Gas	—	2.7
LPG	1.1	0.5
Products	1.0	21.5
Bunkers	1.6	—
TOTAL	31.2	51.8

Break-up of industry taxation payments (%)



Source: APPEA, Federal Budget Papers

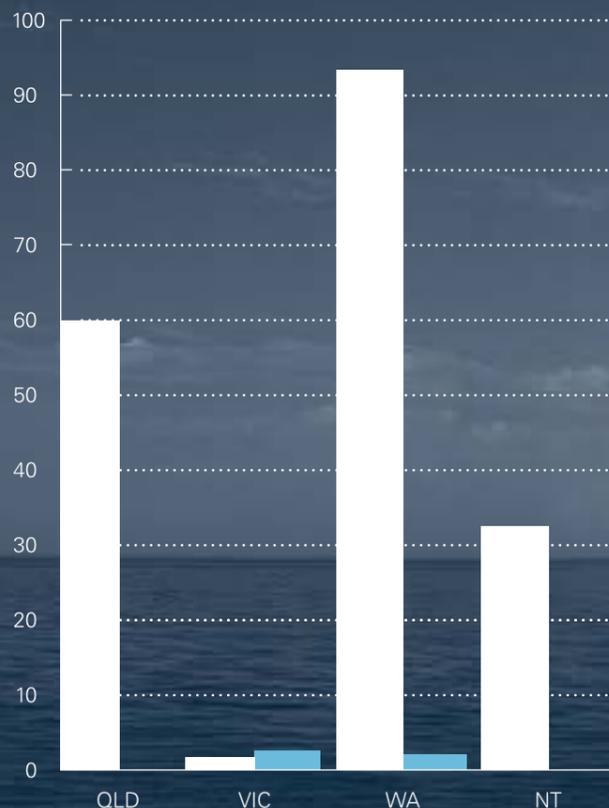
Landed cost for Australian-sourced LNG is higher than other countries



- 1. Australia Unconventional
- 2. Canada Unconventional
- 3. Australia Conventional
- 4. Mozambique conventional

Source: McKinsey LNG-OMG model, IHS

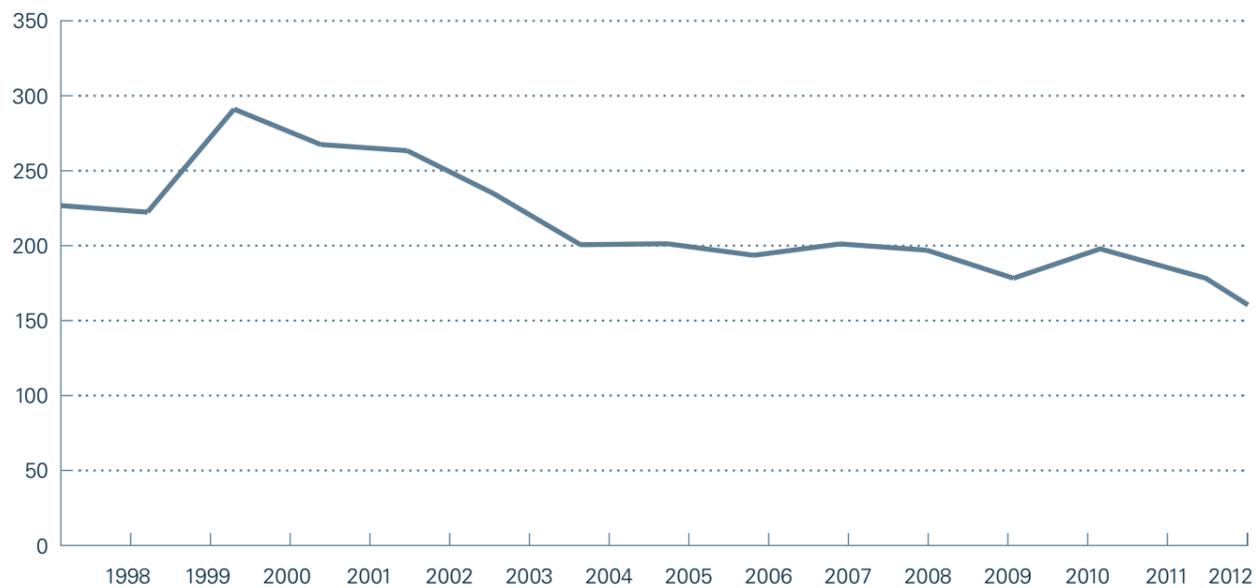
Upstream petroleum investment 2012 (\$billion)



■ Gas projects ■ Liquids projects Source: BREE 2012

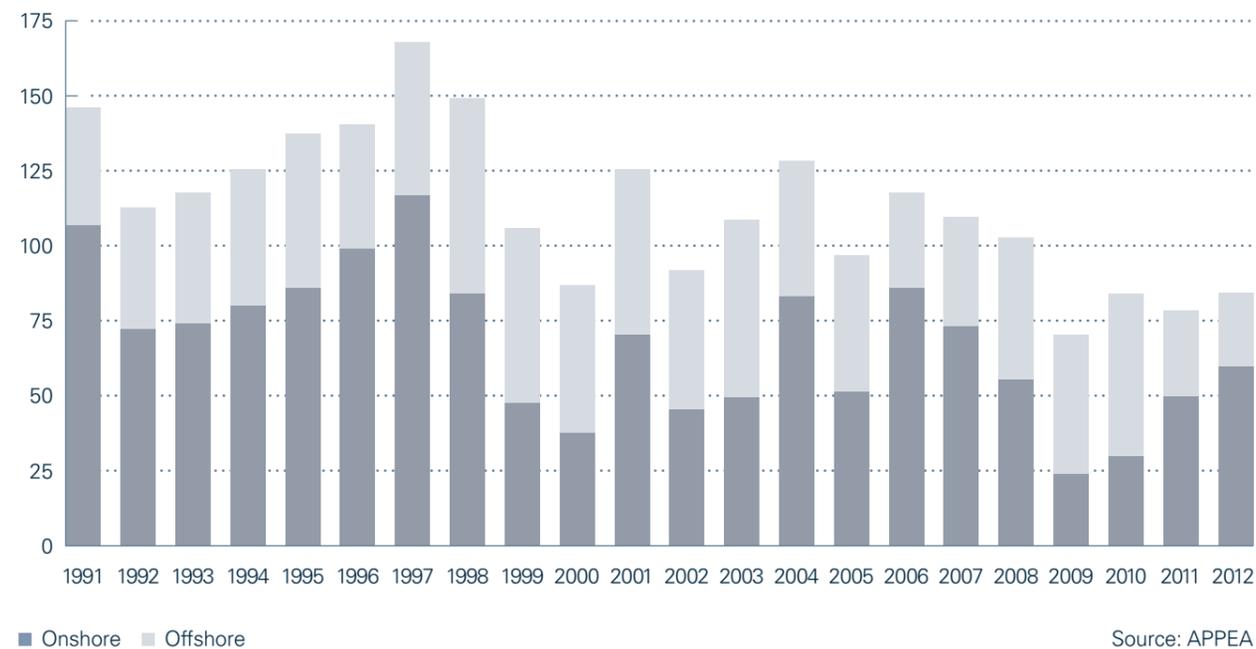


Australian crude oil, condensate and LPG production (million barrels)



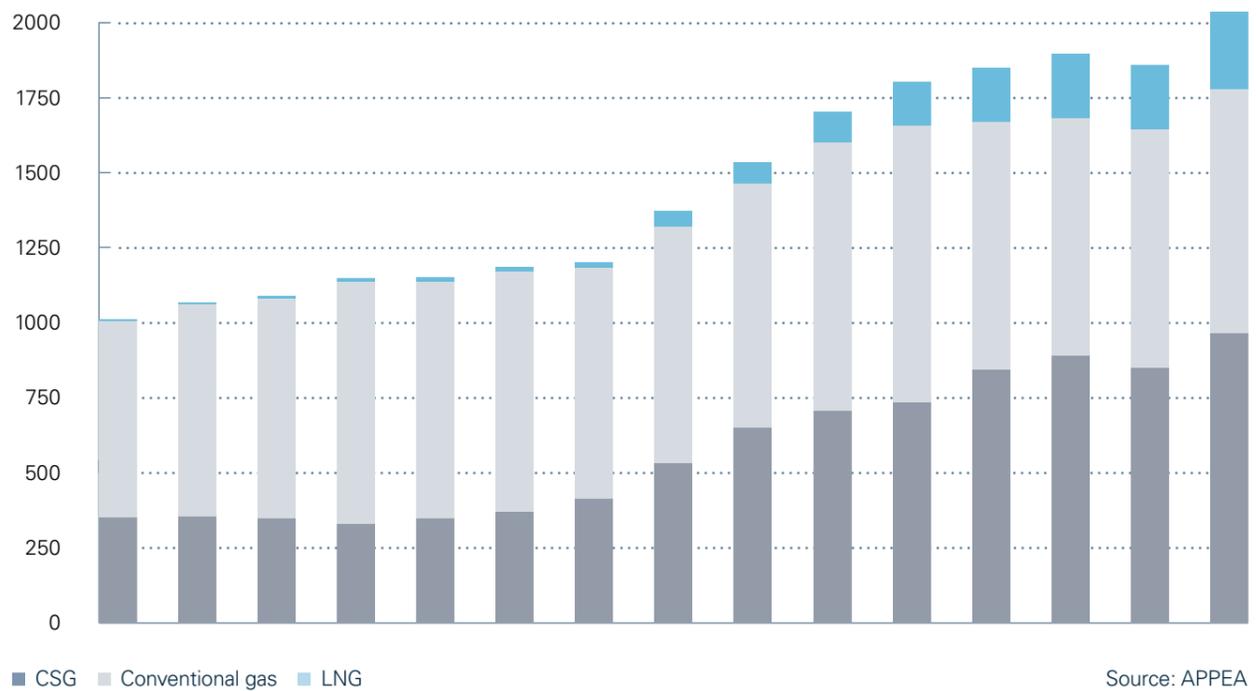
Source: APPEA

Australian exploration wells spudded 1991–2012

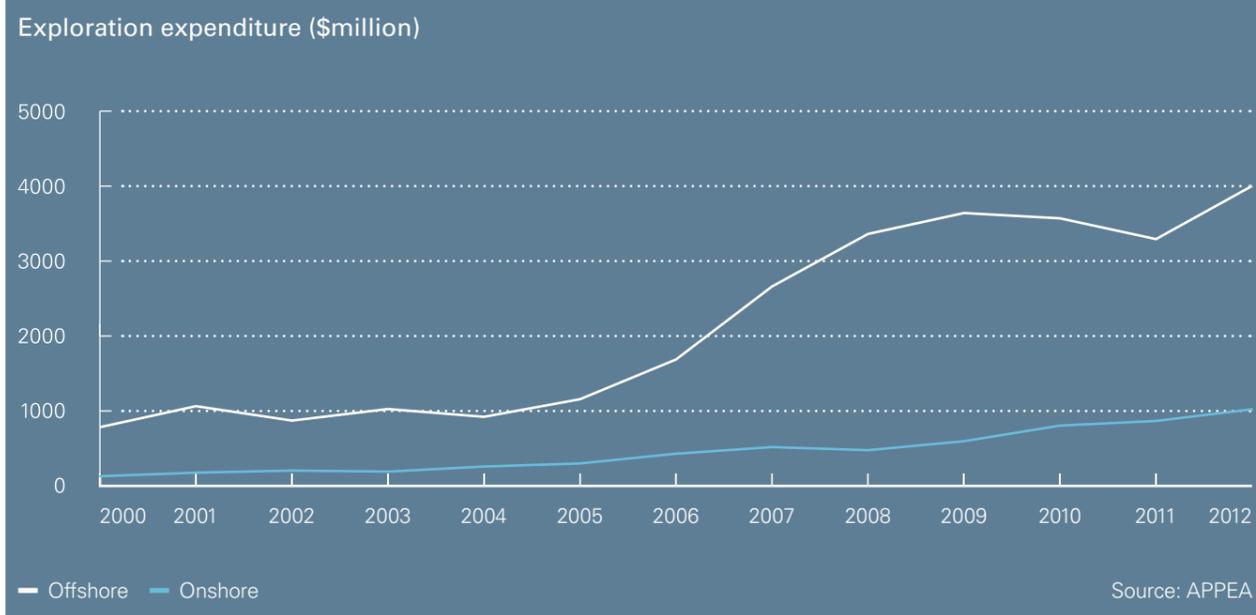


Source: APPEA

Australian gas production



Source: APPEA



Source: APPEA

**Australian Petroleum Production &
Exploration Association Limited**

ABN 44 000 292 713

(A company limited by guarantee)

Financial Statements 30 June 2013

Finances and administration

At 30 June 2013 APPEA had 85 full member companies and 269 associate members.

APPEA enhanced the resourcing in all of its offices, further responding to recommendations of the 2011 APPEA Strategic Review. During the year, the association set up a Sydney office and moved its Brisbane and Perth offices. Shortly after the end of the financial year, APPEA also set up an office in Darwin.

APPEA also introduced a new membership fees structure in 2012-13. Fees for full members had previously been based solely on oil and gas production, but they now also include a capital expenditure component that reflects how the rapid expansion in construction of petroleum projects is driving much of APPEA's policy and advocacy work.

In 2012-13, APPEA delivered a strong financial outcome, placing the organisation in a very solid position leading into 2013-14.

Australian Petroleum Production & Exploration Association Ltd A.B.N. 44 000 292 713

DIRECTORS' REPORT

In accordance with a resolution of the Board, the Directors submit herewith the Financial Statements at 30 June 2013 and report as follows:

1. DIRECTORS

The names, qualifications, special responsibilities and experience of the Directors in office as at the date of this report are:

ANTROBUS, Robin Clive

B.Comm, LL.B, General Manager External Relations, ConocoPhillips Australia Pty Ltd. Over twenty-seven years experience in legal resources, oil and gas exploration and production and business development in the oil and gas industry, both in Australia and overseas.

COLE, Robert

BSc, LLB (ANU). Executive Director and Executive Vice President, Corporate & Commercial, Woodside Energy Limited. Over twenty-eight years experience in the energy and resources industry in Australia. He has experience in executive management roles include overseeing legal, secretariat, audit, commercial, marketing, government relations, corporate communications, Indigenous affairs, community relations, environment, health, safety and human resources.

DELFO, Ernie

BSc (Geology), Managing Director, eni Australia Ltd. Over thirty years of oil and gas industry experience ranging

from Government entities, small independents to major oil companies, having held senior management, Chief Executive, Board Chair and Directorships roles covering exploration, production, planning, strategy and portfolio optimisation.

FLAHERTY, Gerry Martin

BSc (Geology and Geophysics), MSc(Geology). General Manager Asset Development, Chevron Australia Pty Ltd. Over thirty years experience in the upstream business with expertise in exploration, reservoir management and asset development. He has managed unconventional projects including coal bed methane in USA and shale gas exploration in China. He is responsible for Chevron's appraisal and major capital project subsurface portfolio.

FORD, Warren

BSc (Chemical Engineering), Deputy Managing Director and Director of Projects, Apache Energy Limited. Over thirty years experience in the oil and gas industry across offshore and onshore including technical, operations, commercial, planning, strategy and management both in Australia and internationally.

HOME, Philip Christopher

BSc (Hons), PhD, Managing Director, BP Developments Australia Pty Ltd. Over thirty-two years experience in the oil and gas industry, including technical, commercial and general management roles, both in Australia and overseas.

KING, Grant

BS(Civil), Master of Management, Managing Director, Origin Energy Limited. Chairman, Contact Energy Limited. Director of Business Council of Australia and Chairman of the Business Council of Australia Infrastructure & Sustainability Growth Committee. Former Chairman Energy Supply Association of Australia and former Director, Envestra Limited. Over thirty-six years experience in the Energy industry. Grant is a Fellow of the Australian Institute of Company Directors.

KNOX, David

BSc (Hons) Mech Eng, MBA, FIE Aust, Chief Executive Officer and Managing Director, Santos Ltd. Over thirty years experience in the global oil and gas industry. Director of Botanic Gardens and State Herbarium and Chair of Foundation, Council member of Business Council of Australia and Royal Institute of Australia.

LAKE, Bruce

B.Applied Science (Mech.Eng), Managing Director, Vermilion Oil and Gas Australia Pty Ltd. Over thirty-five years experience in the oil and gas industry in Australia and New Zealand in engineering, operational and management roles both onshore and offshore for a broad range of operating companies including majors and Australian independents.

LEE, Todd

BS(Civil Engineering), MBA University of Houston. General Manager, BHP Billiton Petroleum Australia. Todd is responsible for business delivery for BHPB's operated petroleum assets both onshore and offshore. With nearly twenty years of industry experience, Todd has held roles in both operations and project management and was responsible for BHPB's Gulf of Mexico

business prior to moving to Australia. BHP Billiton Petroleum is Australia's largest oil producer and operates assets in the Exmouth and Otway Basins.

MOSEBY, Gordon

BE (Petroleum, Hons), SPE Member, GAICD, General Manager – Business Review & Planning, Beach Energy Limited. Over twenty-one years of experience in developing oil and gas discoveries in the Australasian region.

OWEN, Richard J.

BSc(Chemical Engineering). Chairman, ExxonMobil Affiliates in Australia. Over thirty years experience in management, operations, production and engineering in the oil and gas industry both in Australia and overseas.

ROBINSON, Peter

Bachelor Economics (Hons). Vice President Browse and North West Shelf, Shell Development (Australia) Pty Ltd. Peter has more than twenty-five years experience in the global oil and gas industry having held senior roles within Shell in both the Upstream and Downstream areas, including in marketing, commercial, and project development.

SANGSTER, Michael Denis

BSc (Hons) Electrical Engineering, Managing Director, Total E&P Australia. Over twenty years experience in the energy industry in business, strategy and executive management roles both in Australia and internationally.

STICKLAND, Peter John

BSc (Hons) Geology, GDipAppFin (Finsia), GAICD, Exploration Manager, MEO Australia Limited. Over twenty-three years global experience in oil and gas exploration.

STREITBERG, Eric Charles

BAppSc, FAusIMM, Executive Director, Buru Energy Limited. Chairman, Marine Parks & Reserves Authority of Western Australia. Over thirty-nine years experience in international petroleum exploration, production and company management.

The following directors were appointed during the year:

<u>Name</u>	<u>Date of Appointment</u>
Delfos, Ernie	29/11/2012
Flaherty, Gerry	29/11/2012
Ford, Warren	26/07/2012
Lee, Todd	14/02/2013
Owen, Richard	16/07/2013
Robinson, Peter	14/02/2013

The following persons were directors from the beginning of the financial year until resignation or retirement:

<u>Name</u>	<u>Date of Resignation or Retirement</u>
Baldassarre, Antonio	29/11/2012
Beckett, Colin	29/11/2012
Carey, Michael	14/02/2013
Dashwood, John	15/06/2013
Joy, Aidan	26/07/2012
Kelly, Michael	14/02/2013

2. OBJECTIVES AND STRATEGIES

APPEA's mission is to:

- Achieve a legislative, administrative, economic and social framework in Australia that facilitates safe, environmentally responsible and profitable petroleum exploration, development and production;
- Effectively advocate and constructively engage with governments, industry stakeholders and key communities; and

- Provide a forum for education, technical, commercial and social interaction and the facilitation of effective research and development and community engagement.

APPEA's strategic objectives are to advance the achievement of:

- Access to oil and gas resources for viable exploration and development;
- Access to domestic markets for oil and gas on internationally competitive terms;
- A regulatory framework that facilitates long-term investment in exploration, development and production;
- Excellence in health, safety, environmental performance and industry reputation; and
- Strong industry networks sharing best practices and core values.

In order to address these major issues and achieve its planned objectives APPEA has implemented the following strategies:

Strategy 1

Collect, coordinate and analyse industry information and research;

Strategy 2

Work closely with members to establish advocacy positions;

Strategy 3

Work with governments, government agencies, regulators and other stakeholders to influence policies and regulations;

Strategy 4

Effective and targeted communication with members and other stakeholders; and

Strategy 5

Provide appropriate governance, administration and support systems.

3. PRINCIPAL ACTIVITY

The principal activity of the Company during the year was to promote a framework which efficiently and effectively facilitated safe, environmentally responsible, socially responsible and profitable oil and gas exploration, development and production in Australia. There was no significant change in the nature of this activity.

4. ACHIEVEMENTS

In terms of outcomes for the past year, important progress was made in response to APPEA's advocacy on issues including the following:

- Achieved a successful outcome in the final recommendations of the Business Tax Working Group that was examining potentially negative changes to the company income tax system.
- Obtained a commitment (and subsequent legislative change) from the Federal Government to address the negative consequences arising from a decision of the Full Federal Court in relation to the operation of the petroleum resource rent tax regime.
- Worked closely with members and the Australian Marine Oil Spill Centre and the Federal Government to improve offshore well integrity, preparedness and response capability in the event of loss of control at an offshore well. In particular, APPEA coordinated the establishment of a consortium of thirteen APPEA member companies that have jointly invested more than \$17 million for the acquisition, maintenance and deployment of

subsea first response equipment to make the surface areas of the sea around a subsea drill centre safe as quickly as possible.

- Continued to engage with the Federal Government on the finalisation of the Commonwealth Marine Reserves network with final management plans passed through Parliament in June.
- Worked closely with the national offshore regulator, NOPSEMA, as well as supporting our members in improving their systems and processes surrounding oil spill contingency planning and preparedness.
- Actively advocated the case for environmental regulatory reform and removal of duplication and overlapping approval requirements between NOPSEMA and SEWPaC as well as between Federal and state governments.
- Actively participated in the Productivity Commission's review of non-financial impediments to resource exploration, with the draft report of the Commission supporting many of the industry's concerns and advocating a reduction in the regulatory burden.
- The industry successfully maintained a market-based approach to energy policy through the Energy White Paper. The Federal Government and state governments on the east coast and in the Northern Territory have publicly rejected market interventions such as a domestic gas reservation policy. On the west coast, efforts continued to secure a review of the WA Domestic Gas Policy in 2014.
- Secured a number of improvements to the operation of the Clean Energy Act 2011 and prevented adverse changes that

would have increased liabilities for member companies under the carbon pricing mechanism.

- Strengthened partnerships with key peak farming bodies and respected scientific bodies such as the CSIRO. This included an agreement with Queensland farmers association, Agforce, to conduct co-branded information sessions to landholders on CSG and produced water.
- In collaboration with the Queensland government, successfully lobbied for the introduction of a risk based approval regime for exploration activity. Approval times and costs are expected to be reduced from up to 18 months and \$80,000 per well, to less than 30 days and \$500. The first wells were approved in seven days.
- Advocated for, and realised, a Queensland Government CSG Water Management Policy for the beneficial use of produced water, rather than treating it as a waste product.
- Made significant progress in relation to the reporting of High Potential Incident Alerts, a process for the sharing of information about hydrocarbon releases has been implemented and a quarterly Process Safety Forum has been implemented.
- Developed a Vehicle Safety Guideline providing key risks toolkit solutions. This was developed because of the rising level on onshore activity with increased focus on vehicle safety.

5. MEASURE OF PERFORMANCE

APPEA measures its performance through its Strategic Focus Areas Performance Review that is developed each year to assess its performance, recognising that government policy is a

dynamic activity influenced by numerous factors outside of APPEA's sphere of influence and control.

The important role that APPEA plays in coordinating industry events and conferences to complement and support its advocacy activities was again demonstrated during the year. A record number of delegates attended the 2013 APPEA Conference and Exhibition held in Brisbane, with the highest participation rate for a non-Perth based event. Other events held during the year included HSR Forum and Safety Conference, CSG Conference and an Industry Skills Conference.

6. OPERATING RESULTS

For the year ended 30 June 2013, the surplus from operating activities was \$1,534,484. No income tax is provided on any surplus for the year as the Company is exempt from income tax under the provisions of Section 50-40 of the Income Tax Assessment Act 1997.

7. REVIEW OF OPERATIONS

The impact of the slow decline in petroleum liquids production and its impact on the Association's revenue base was largely offset by an increase in the number of member companies.

During the year, membership increased by six, represented by a decrease of five full and an increase of eleven associate member companies.

8. INCORPORATION

The Company is a public company which was incorporated in Sydney, NSW under the Companies Act 1936, and now operates under the Corporations Act 2001.

The Company is domiciled in Australia and the registered office and principal place of business of the Company is

Level 10, 60 Marcus Clarke Street,
Canberra ACT.

9. INCORPORATION

The Company is a public company which was incorporated in Sydney, NSW under the Companies Act 1936, and now operates under the Corporations Act 2001.

The Company is domiciled in Australia and the registered office and principal place of business of the Company is Level 10, 60 Marcus Clarke Street, Canberra ACT.

10. MEMBERS' GUARANTEE

The Company is limited by guarantee. Pursuant to the Constitution of the Company, every member has undertaken, in the event of a deficiency on winding up, to contribute an amount not exceeding \$10.

At 30 June 2013 the total of these guarantees was \$3,540 (2012 \$3,480).

11. BOARD MEETINGS

The number of Board meetings held during the year was six. The number of Board meetings held in the period each Director held office during the financial year, and the number of meetings attended by each Director is indicated in the following table.

BOARD MEETINGS

	Number Held	Number Attended Personally or by an Alternate
R Antobus	6	6
A Buckysong	3	0
C Beckett	3	2
M Carey	5	4
R Cole	6	6
J Dashiwood	6	6
E De laun	2	2
G Flaherty	2	2
W Ford	6	6
P Horne	6	5
A Joy	1	1
M Kelly	4	4
C King	6	4
D Knox	6	6
B Laka	6	6
I Leo	2	2
G Moseby	6	5
R Owen	0	0
P Robinson	2	2
M Sangster	6	6
P Stickland	6	6
E Streitberg	6	6

The number of meetings held and attendance varies depending on the dates of appointment and retirement of Directors.

For and on behalf of the Board

D Knox
Director

21st October 2013

David Knox

P Horne
Director

P Horne

Australian Petroleum Production & Exploration Association Limited
A.B.N. 44 000 292 713

(A company limited by guarantee)

Statement of Financial Position as at 30 June 2013

	Notes	2013 \$	2012 \$
CURRENT ASSETS			
Cash and cash equivalents		455,577	928,095
Trade and other receivables	5	6,063,867	3,277,772
Other financial assets	6	7,660,542	4,553,601
Other	7	<u>648,523</u>	<u>243,904</u>
TOTAL CURRENT ASSETS		<u>14,828,509</u>	<u>9,003,372</u>
NON-CURRENT ASSETS			
Property, plant and equipment	8	<u>846,356</u>	<u>873,832</u>
TOTAL NON-CURRENT ASSETS		<u>846,356</u>	<u>873,832</u>
TOTAL ASSETS		<u>15,674,865</u>	<u>9,877,204</u>
CURRENT LIABILITIES			
Trade and other payables	9	1,514,475	1,445,951
Provisions	10	595,373	484,208
Other	11	<u>6,344,428</u>	<u>2,260,940</u>
TOTAL CURRENT LIABILITIES		<u>8,454,276</u>	<u>4,191,099</u>
NON-CURRENT LIABILITIES			
Other	11	<u>200,000</u>	<u>200,000</u>
TOTAL NON-CURRENT LIABILITIES		<u>200,000</u>	<u>200,000</u>
TOTAL LIABILITIES		<u>8,654,276</u>	<u>4,391,099</u>
NET ASSETS		<u>7,020,589</u>	<u>5,486,105</u>
ACCUMULATED FUNDS			
Accumulated surplus		<u>7,020,589</u>	<u>5,486,105</u>
TOTAL ACCUMULATED FUNDS		<u>7,020,589</u>	<u>5,486,105</u>

(Notes to and forming part of these financial statements are annexed)

Australian Petroleum Production & Exploration Association Limited
A.B.N. 44 000 292 713

(A company limited by guarantee)

Statement of Changes in Equity for the year ended 30 June 2013

	2013 \$	2012 \$
Opening balance	5,486,105	5,432,311
Add: Total comprehensive income for the year	<u>1,534,484</u>	<u>53,794</u>
Closing balance	<u>7,020,589</u>	<u>5,486,105</u>

Statement of Cash Flows for the year ended 30 June 2013

	2013 \$	2012 \$
	Inflows/ (Outflows)	Inflows/ (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from members and others	18,394,025	15,259,421
Payments to trade creditors, other suppliers and employees	(15,527,807)	(15,464,357)
Interest received	<u>197,772</u>	<u>302,926</u>
Net cash provided by/(used in) operating activities	<u>3,063,990</u>	<u>97,990</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(429,568)	(88,939)
Uplifts/(payments) for investments	<u>(3,106,940)</u>	<u>234,059</u>
Net cash provided by/(used in) investing activities	<u>(3,536,508)</u>	<u>145,120</u>
Net increase/(decrease) in cash held	(472,518)	243,110
CASH AT THE BEGINNING OF THE FINANCIAL YEAR	<u>928,095</u>	<u>684,985</u>
CASH AT THE END OF THE FINANCIAL YEAR	<u>455,577</u>	<u>928,095</u>

(Notes to and forming part of these financial statements are annexed)

Australian Petroleum Production & Exploration Association Limited
A.B.N. 44 000 292 713

(A company limited by guarantee)

Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2013

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

Basis of Preparation

Reporting Basis and Conventions

Australian Petroleum Production & Exploration Association Limited (APPEA) has elected to early adopt the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements from the annual reporting period from 1 July 2010. As a consequence, the entity has also early adopted the following Amending Standards containing reduced disclosure requirements:

- AASB 2011-2: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements; and
- AASB 2011-6: Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board and the Corporations Act 2001.

APPEA (the Company) is a company limited by guarantee, incorporated and domiciled in Australia. The financial statements cover the Company as an individual entity.

The financial statements of the Company comply with all Australian Accounting Standards (AASB) in their entirety.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The following is a summary of the material accounting policies adopted in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Accounting Policies

(a) Income Tax

The Company is exempt from income taxation under the relevant provisions of Section 50-40 of the Income Tax Assessment Act 1997.

(b) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable any accumulated depreciation and impairment losses.

Australian Petroleum Production & Exploration Association Limited
A.B.N. 44 000 292 713

(A company limited by guarantee)

Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2013

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (CONT'D)

(b) Property, Plant and Equipment (cont'd)

Where a revaluation has been performed, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

The carrying amount of property, plant and equipment is reviewed at each reporting date to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other costs (eg. repairs and maintenance) are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation reserve in shareholder's equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Depreciation

The depreciable amounts of all fixed assets including capitalised leased assets are depreciated on either a straight line or diminishing value basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Australian Petroleum Production & Exploration Association Limited
A.B.N. 44 000 292 713

(A company limited by guarantee)

Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2013

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (CONT'D)

(c) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entity are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability at the lower of the amounts equal to the fair value of the leased asset or the present value of the minimum lease payments, including any guaranteed residual. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated over their estimated useful lives.

(d) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139 - Financial Instruments: Recognition and Measurement. Gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.

Receivables

Receivables are financial assets with fixed or determinable payments and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the intention to hold these investments to maturity. Any held-to-maturity investments held are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Australian Petroleum Production & Exploration Association Limited
A.B.N. 44 000 292 713

(A company limited by guarantee)

Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2013

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (CONT'D)

(d) Financial Instruments (cont'd)

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, an assessment is made of whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

(e) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash generating unit (CGU) to which the asset belongs is estimated.

(f) Employee Benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to reporting date. The benefits expected to be settled within one year to employees for their entitlements have been measured at the amounts expected to be paid including on-costs and are disclosed as current liabilities. Employee benefits payable later than one year are measured at the present value of the estimated future cash outflows to be made in respect of those benefits. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data.

(g) Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will result and that the outflow can be reliably measured.

(h) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investment with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the statement of financial position.

Australian Petroleum Production & Exploration Association Limited
A.B.N. 44 000 292 713

(A company limited by guarantee)

Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2013

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (CONT'D)

(i) Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Cash flows are presented in the statement of cash flow on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(k) Comparatives

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

The Directors do not believe that there were any key estimates or key judgments used in the development of the financial statements that give rise to a significant risk of material adjustment in the future.

2. MEMBERS' GUARANTEE

The Company is limited by guarantee. Pursuant to the Constitution of the Company, every member has undertaken, in the event of a deficiency on winding up, to contribute an amount not exceeding \$10. At 30 June 2013, the total of these guarantees was \$3,540 (2012: \$3,480).

Australian Petroleum Production & Exploration Association Limited
A.B.N. 44 000 292 713

(A company limited by guarantee)

Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2013

	2013 \$	2012 \$
3. CONFERENCE NET INCOME		
Conference income	6,837,554	5,429,107
Less: Conference expenditure (not including Secretariat time)	<u>(3,742,528)</u>	<u>(3,255,601)</u>
	<u>3,095,026</u>	<u>2,173,506</u>
4. SEMINAR NET INCOME		
Seminar income	1,253,160	1,404,558
Less: Seminar expenditure (not including Secretariat time)	<u>(721,023)</u>	<u>(1,030,959)</u>
	<u>532,137</u>	<u>373,599</u>
5. TRADE AND OTHER RECEIVABLES		
Current		
Debtors	<u>6,063,867</u>	<u>3,277,772</u>
There is no provision for doubtful debts as all the debtors are considered to be recoverable at year end.		
Ageing of trade and other receivables		
Not overdue	4,685,986	2,780,600
Less than 30 days overdue	109,169	87,095
30 to 60 days overdue	77,488	159,748
61 to 90 days overdue	1,191,224	250,329
More than 90 days	<u>-</u>	<u>-</u>
Total trade and other receivables	<u>6,063,867</u>	<u>3,277,772</u>

Australian Petroleum Production & Exploration Association Limited
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(A company limited by guarantee)

Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2013

	2013 \$	2012 \$
6. OTHER FINANCIAL ASSETS		
Cash investments	3,212,741	3,124,833
Short term deposits	<u>4,447,801</u>	<u>1,428,768</u>
	<u>7,660,542</u>	<u>4,553,601</u>

The above cash investments and term deposits have maturity dates of between one to twelve months. (2012: between one to seven months).

The interest rates applicable to the outstanding deposits at year end were between 4.10% to 4.60%. Deposits of a total value of \$215,542 are pledged to secure three bank guarantees issued to the landlords of the leased premises.

7. OTHER CURRENT ASSETS

Prepayments	<u>648,523</u>	<u>243,904</u>
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8. PROPERTY, PLANT AND EQUIPMENT

a)	Cost		Accumulated Depreciation		Written Down Value	
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$
Office furniture, fittings and equipment	1,701,836	1,705,105	930,480	931,273	771,356	773,832
Property make good	<u>200,000</u>	<u>200,000</u>	<u>125,000</u>	<u>100,000</u>	<u>75,000</u>	<u>100,000</u>
	<u>1,901,836</u>	<u>1,905,105</u>	<u>1,055,480</u>	<u>1,031,273</u>	<u>846,356</u>	<u>873,832</u>

b) Movements in Carrying Amount

2013	Opening WDV \$	Additions \$	Disposals \$	Depreciation \$	Closing WDV \$
Office furniture, fittings and equipment	773,832	429,568	(198,557)	(233,487)	771,356
Property make good	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>75,000</u>
	<u>873,832</u>	<u>429,568</u>	<u>(198,557)</u>	<u>(258,487)</u>	<u>846,356</u>

Class of Fixed Asset	Depreciation Rate	Depreciation Type
Office furniture, fittings and equipment	15 to 40 %	Diminishing Value
Property make good	12.5%	Straight Line

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	2013 \$	2012 \$
9. TRADE AND OTHER PAYABLES		
Current		
Payables	1,490,026	1,417,240
Salaries payable	<u>24,449</u>	<u>28,711</u>
	<u>1,514,475</u>	<u>1,445,951</u>

10. PROVISIONS

Current		
Provision for annual leave & long service leave	<u>595,373</u>	<u>484,208</u>

APPEA has moved to an Employee Collective Agreement (ECA) for staff members. One option of the ECA was to cash out long service leave. Most staff members elected to take this option.

	2013 \$	2012 \$
11. OTHER LIABILITIES		
Current		
Unexpended project funds	6,344,428	2,131,673
CCS conference fees paid in advance	<u>-</u>	<u>129,267</u>
	<u>6,344,428</u>	<u>2,260,940</u>
Non-current		
Property make good	<u>200,000</u>	<u>200,000</u>
	<u>200,000</u>	<u>200,000</u>

12. CAPITAL AND LEASE COMMITMENTS

Aggregate operating lease expenditure contracted for at reporting date but not provided for in the accounts.

Payable no later than one year	688,219	597,242
Payable later than one, but not later than five year	1,392,309	1,643,286
Payable later than five years	<u>286,794</u>	<u>-</u>
	<u>2,367,322</u>	<u>2,240,528</u>
Representing:		
Non-cancellable operating leases	<u>2,367,322</u>	<u>2,240,528</u>

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Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2013

13. KEY MANAGEMENT PERSONNEL COMPENSATION

The total amount of remuneration paid to key management personnel (KMP) during the year is as follows:

Key management personnel compensation	<u>1,193,828</u>	<u>871,392</u>
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14. RELATED PARTY DISCLOSURES

Key management personnel transact with APPEA from time to time on normal terms and conditions that are no more favourable than those available to personnel of APPEA members companies. The types of transactions involved include membership subscriptions, seminar and conference attendance fees and sales of publications. The transactions are settled at the time of the transaction, and no amounts are owing to APPEA at year end in respect of these transactions. The total value of these transactions is low and is considered by APPEA to be immaterial.

Other than the transactions disclosed above, and compensation of key management personnel, which is separately disclosed in these statements, there were no related party transactions during the financial year.

15. FINANCIAL INSTRUMENTS

(a) Terms, Conditions and Accounting Policies

The accounting policies and terms and conditions of each class of financial asset, financial liability and equity instrument at the reporting date are consistent with those regularly adopted by businesses in Australia.

(b) Financial Risk Management

The financial instruments consist mainly of deposits with banks, short term investments and accounts receivable and payable. The entity does not intentionally trade or speculate in derivatives.

The main purpose of the financial instruments is to raise funds for normal activities and invest excess funds in an appropriate manner.

The main risks the entity is exposed to through its financial instruments are liquidity risk, credit risk and interest rate risk.

(c) Net Fair Values

Financial assets and financial liabilities are carried at their net fair value at reporting date.

The carrying value of financial assets and financial liabilities approximate their net fair value due to their short term maturity or market interest rate. No financial assets or financial liabilities are traded on organised markets in standardised form.

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Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2013

16. EVENTS AFTER THE REPORTING DATE

These financial statements were authorised for issue by the Directors on the date of signing the attached report by the Directors. The Directors have the right to amend the statements after it is issued.

There are no other events after the reporting date which require amendment of, or further disclosure in the financial statements.

17. COMPANY DETAILS

The registered office of the Company:

Australian Petroleum Production & Exploration Association Limited
 10th Floor
 60 Marcus Clarke Street
 Canberra ACT 2601

The principal place of business is:

Australian Petroleum Production & Exploration Association Limited
 10th Floor
 60 Marcus Clarke Street
 Canberra ACT 2601

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DIRECTORS' DECLARATION

The Directors of the Australian Petroleum Production & Exploration Association Limited declare that the financial statements as set out in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow and Notes To and Forming Part of the Financial Statements:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- (b) give a true and fair view of the Company's financial position as at 30 June 2013 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

For and on behalf of the Board

D Knox
 Director
 October 2013

P Home
 Director

Australian Petroleum Production & Exploration Association Limited
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Detailed Statement of Income and Expenditure for the year ended 30 June 2013

	Notes	2013 \$	2012 \$
Revenue from Ordinary Activities			
APPEA conference net income	3	3,095,026	2,173,506
Common safety training program		393,217	203,942
Interest		270,044	327,876
Membership fees		6,440,655	4,711,905
Other income		35,742	291,577
Publications		15,412	8,452
Scholarships and awards		20,625	10,000
Seminar net income	4	532,137	373,599
CSG public campaigns – Queensland and New South Wales		<u>4,163,166</u>	<u>6,908,801</u>
		<u>14,966,024</u>	<u>15,009,658</u>
Expenditure from Ordinary Activities			
Auditor's remuneration		17,945	15,325
Accommodation		89,279	81,927
Blue Book 3		13,185	-
Commercial and corporate program		10,217	(675)
Communications		135,994	129,600
Community relations program		17,591	4,750
Depreciation of make good allowance		25,000	25,000
Depreciation of plant and equipment		233,487	226,162
Energy markets program		68,725	10,845
External affairs program		147,718	69,353
Government relations program		43,111	34,868
Industry growth strategy		341,336	458,169
Industry operations program		199,808	295,455
Library and periodicals		45,076	46,570
Loss on asset disposal		198,557	-
Media relations program		176,245	-
Meetings and functions		128,103	117,214
Member relations program		36,157	30,871
Memberships		21,060	31,380
Office rental		630,940	489,565
Other occupancy costs		41,115	24,859
Provision for employee entitlements		111,164	84,004
Publications		90,772	82,636
Running costs		190,970	196,386
Salaries and associated costs		5,566,395	4,851,698
Superannuation		399,382	410,729
Scholarships and awards		20,625	10,000
Sundry costs		26,273	31,751
Taxis		51,630	49,905
Travel		190,514	238,716
CSG public campaigns – Queensland and New South Wales		<u>4,163,166</u>	<u>6,908,801</u>
		<u>13,431,540</u>	<u>14,955,864</u>
Operating surplus for the year		<u>1,534,484</u>	<u>53,794</u>
ACCUMULATED FUNDS AT THE BEGINNING OF THE YEAR		<u>5,486,105</u>	<u>5,432,311</u>
ACCUMULATED FUNDS AT THE END OF THE YEAR		<u>7,020,589</u>	<u>5,486,105</u>

(This page has not been subject to audit)

