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the voice of australia's oil and gas industry

DELOITTE ACCESS ECONOMICS

## ADVANCING AUSTRALIA

HARNESSING OUR COMPARATIVE ENERGY ADVANTAGE

### SUMMARY AND KEY POINTS

**The report outlines the scale and significance of the Australian oil and gas industry's economic contribution.** It also flags several policy areas in which complacency and political expediency may threaten both Australia's attractiveness as a place to do business and the hundreds of billions of dollars in oil and gas industry investment still to be approved.

The study examines two key components of the oil and gas industry,

- The economic contribution
- The economic impact.

The economic contribution quantifies the industry's output and how it will grow, while the economic impact study recognises the unprecedented level of capital investment currently committed by the industry and the value of the increased production.

#### Key Findings

##### A snapshot of the industry's economic contribution:

In 2011 the oil and gas industry:

- Has a production profile directly and indirectly represents around 2.0% of current gross domestic product (GDP) – about \$28.3 billion.
- Accounts for about 35.4% of all business investment.
- Contributes \$7.9 billion in taxation revenues.

In the future, the oil and gas industry:

- Value added is **projected to double** to around \$65 billion in 2020 and \$60 billion in 2025 – driven by the rapid growth in installed capacity. This represents 3.5% of GDP in 2020 and 2.7% in 2025.
- In the years 2012-2025, the industry will pay **\$93.6 billion** (in net present value (NPV) terms) in corporate and production taxes.

##### The economic impact of new oil and gas industry investment:

- Over the period 2009 to 2017, projects will spend \$23 billion per year (on average) in capital outlays, or about \$210 billion in total.
- In 2012, oil and gas sector investment and construction activity will increase national employment by 1.0% and generate 103,000 (full time equivalent, FTE) jobs nationally.
- Over the period to 2025, GDP is projected to increase \$260 billion in NPV terms.

## A 'SNAPSHOT' ECONOMIC CONTRIBUTION OF OPERATIONS

The analysis covers the economic contribution of direct impact of the oil and gas operations and the flow-on contribution of the oil and gas projects.

In 2011, the sector contributed \$28.3 billion to the economy – accounting for 2.0% of GDP. This comprised \$24.0 billion in oil and gas extraction and \$4.3 billion in flow-on impacts to the supply sectors. This generates a significant contribution to government revenues – \$93.6 billion in net present value. Given the number and scale of investments being made, the industry's future contribution is expected to be much more substantial.

### A snapshot of forward economic contribution

	NPV	2011	2020	2025
<b>Oil and gas</b>				
Value added (\$b)	420.0	28.3	64.7	60.1
Direct value added (\$b)	356.7	24.1	55.0	51.5
Indirect value added (\$b)	63.3	4.3	9.8	9.1
<b>Exploration</b>				
Value added (\$b)	9.1	1.1	0.8	1.1
<b>Total</b>				
Value added (\$b)	429.1	29.4	65.5	61.2
Share of GDP (%)		2.1	3.5	2.8

Source: Deloitte Access Economics

## ECONOMY-WIDE IMPACTS

It is anticipated that the proposed projects<sup>1</sup> will spend on average \$23 billion in capital outlays per year over the period 2009 to 2017, or about \$210 billion (this excludes ongoing operational expenditures). This will increase oil and gas output by \$46 billion in 2020 and \$41 billion in 2025.

Share of GDP will grow from 2.1% in 2011 to 3.5% in 2020. Around 2017, the bulk of activity in the sector will switch from the capital-intensive phase to a ramp-up in oil and gas output. Over the period to 2025, GDP is expected to increase by just over \$260 billion in NPV terms.

Employment will peak at 103,000 FTE's in 2012 over the investment phase, moderating to 11,500 in 2025 in the less labour-intensive operation phase.

This activity is largely concentrated in an increase in GDP in the resource-rich Western Australia, Queensland and Northern Territory economies. Western Australia on its own provides for just over half of the GDP gains with \$135 billion in present value terms.

### Modelled GDP / GSP impacts, selected years and NPV

GDP/ GSP (\$b)	NPV*	2012	2015	2025
	(2011 – 2025)			
GDP/ GSP (\$b)	261,419	20,999	34,313	37,926
Employment ('000 of FTE)	N/A	103.1	77.8	11.5

Note: \* The NPV incorporates a discount rate 7%

Source: Deloitte Access Economics

<sup>1</sup> The report analyses the oil and gas projects that are under construction or currently committed for the economic impact study. These projects are listed in the full report.