

ANNUAL GENERAL MEETING 2020

**Wednesday, 18 November 2020, 4.15pm AEDT
via videoconference**

SPEECH: APPEA Chairman's Address by Kevin Gallagher

Introduction

On behalf of the Board, I would like to acknowledge the work of all APPEA people, led by our CEO Andrew McConville.

2020 has been a very challenging year for APPEA, in which we saw the collapse of oil and gas prices, and demand destruction, on a scale not seen in any of our lifetimes.

In responding to a once-in-a-hundred year pandemic, APPEA did the heavy lifting for our industry to work with governments and our members to put in place workable protocols, particularly for interstate travel, to allow us to:

- keep production going
- keep as many of our people in jobs as possible
- keep the lights on for Australian households, and
- keep energy flowing to Australian industries, in particular essential services such as manufacturing of health supplies, hospitals, pharmacies and supermarkets.

APPEA has also been successful in putting gas at the forefront of the national agenda with the Prime Minister making our industry the cornerstone of Australia's economic recovery from COVID-19.

In addition, APPEA has played an important role in this year's pivot of the Australian Government from picking winners, such as renewables and batteries, to a technology-neutral approach to reducing carbon emissions.

This approach recognises that gas will be a critical fuel and feedstock for at least the next two decades.

This is a game-changing policy shift that is essential to ensure the long-term sustainability of our industry in the face of rapidly increasing climate change activism.

Such activism is no longer a fringe activity of NGOs, but is now a mainstream activity of banks, superannuation funds, insurers, proxy advisors, stock exchanges and the community of company directors.

That said, it is worth noting that the top 15 NGOs in Australia targeting an end to fossil fuels, including gas, were funded to the tune of almost \$120 million for their advocacy in 2019 alone, and this figure is rising every year.

Their level of sophistication is growing with NGOs commissioning their own economic research from activist consultants, university academics and “think tanks” such as IEEFA, funded by the Rockefeller Foundation.

Increasingly, mainstream media and the broader community are seeing these sources as credible.

In particular, their aim is to stop the opening of new hydrocarbon provinces like the Beetaloo and the Great Australian Bight.

This is despite the fact that, when combined with carbon capture and storage, and nature-based offsets – in which Australia is opportunity rich – I believe our industry can deliver zero emissions faster and at lower cost than any other pathway.

Our industry is also the best placed in Australia to capture the potential of hydrogen as technology and markets develop, with unparalleled adjacencies – we have the right skills and capability, the hydrogen customers of tomorrow are the LNG customers of today, and so on.

These exciting opportunities, however, will elude us if we fail to move quickly and radically to address the very significant challenges we face over the coming year and beyond.

I've already mentioned climate activism, but the other great challenge is illustrated by the east coast gas market where there is a widespread belief that Australian customers are paying higher gas prices than Asian customers are paying for Australian LNG.

This is simply untrue – and always has been – but the facts seem immaterial to politicians, customers and the broader community.

There is growing support for some form of domestic price mechanism to which gas producers should be held, with customers pointing to exits of manufacturing and jobs from Australia if they don't get lower gas prices.

Let me also say this is not just an east coast issue – the west coast has been here before, and with many investments having been delayed or deferred, it could find itself here again very easily.

We ignore this issue at our peril in an environment where COVID-19 has delivered Australia's first recession in 29 years, high and rising unemployment, and massive and rising government debt.

Economic anxiety, the impact of lockdowns and uncertainty about the future has the collective mood of Australians defined by insecurity, with people looking inward, and their priorities local and personal.

COVID exposed structural weaknesses in the Australian economy such as a manufacturing deficit – Australians perceived that we had to scramble to make the things we needed to respond to the pandemic.

They want to feel safe, secure and “self-sufficient” – those are the things they will vote on, and that is what politicians will therefore seek to give them.

At the moment we run the real risk of Australians believing that lower gas prices are essential to keep manufacturing and jobs in Australia.

Politicians believe gas market intervention is therefore a consequence-free decision.

This is notwithstanding that our industry generated almost \$60 billion in export income last year for Australia and supported around 80,000 jobs.

APPEA’s job over the next year is to convey the very real consequences of further market intervention in a local, personal and credible way:

- the baker that will close in Roma or Karratha
- the drilling company that will fold in Toowoomba or Perth
- the small producers who add competition to the market but whose cost of supply could not withstand lower gas prices
- And the jobs and families who will be impacted by all of this.

Our advocacy must match the sophistication of the climate activists.

We need to extend our reach into our workforces and communities, and activate them in support of our industry.

We need them to speak directly to their local members.

Our presence in Canberra and our voice in national newspapers, on TV and radio is also important, but it is not enough.

APPEA's job is to keep Australia open for business for our industry.

Never before has that been more challenging.

Over the past 12 months we have worked hard to urge governments to resist the temptation to intervene in gas markets, because the solution to lower prices and energy security is more supply, not more controls.

Last year we saw:

- the lifting of moratoriums on conventional drilling in Victoria
- planning approval for development of Narrabri in NSW, nearly a decade in the making
- Federal Government support to accelerate development in five new basins and develop a National Gas Infrastructure Plan, and
- time limits for federal environmental approvals.

In the coming year we will continue working to improve the environment for investment in our industry:

- focusing on reducing red and green tape, and the enormous costs of regulation that sit at odds with the desire for lower gas prices
- extension of the investment allowance announced in the federal budget and other measures to ensure an internationally competitive taxation regime, and
- continuing access to land and marine areas for exploration and production.

To be effective in all of this, we need to make some changes to APPEA itself, to its Constitution and governance to ensure it provides appropriate representation of its exploration and production members, and that it is outwardly and single-mindedly focused on ensuring a strong future for our industry in Australia.

We will be consulting with members on these issues over the coming months with a view to then bringing forward to members a proposal for a modernised Constitution and more efficient and effective governance some time in 2021.

One observation I would make is that the environment we are in means that the time demands on Board members – many of whom also have companies to run – are greater than I believe they ever have been and it is incumbent on each and every one of us to take our roles seriously and contribute to the heavy lifting that is required on the issues I have talked about today.

I sincerely thank all our members for investing in the success of our Association.

The increase in member fees this past year, while challenging, was essential to ensure the stability of the Association in the near term.

However, again, there are some changes that still need to be made to ensure a fairer approach to member fees and to reduce the maximum fees

in an environment where the whole industry is focused, by necessity, on cutting costs.

APPEA will work to the best of its ability to ensure your investment is well rewarded over the coming year.

Many of our members also contribute the time and expertise of their commercial, corporate affairs, tax, decommissioning and many other specialists to assist the APPEA Secretariat and our Board Committees – and I thank you for that very considerable investment in the success of our industry association.

Thank you.

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