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***Avoiding a misfire: the real role of gas in long term  
economic recovery***

***Check against delivery***

**Gas-fired recovery debate**

Natural gas has been at the forefront of the recent debate about Australia's recovery from the COVID-19 recession and the future of energy in this nation.

The focus on gas is welcome. It has unique advantages that make it the optimal energy source to deliver a **gas-fired recovery** for our nation. Gas is used in just about every part of the economy, from people cooking on their gas stoves and weekend BBQs, to generating more than a quarter of the nation's electricity and providing heat and feedstock to manufacture products.

Much of the investment in oil and gas projects directly benefits regional and rural Australia bringing jobs and supporting local business.

While there's been a narrow debate played out in the media about the role of gas in manufacturing, the real benefits of a gas-fired recovery are much bigger and reach to every part of our economy, our community and our cleaner energy future.

**Oil and gas contribution**

I am sure everybody tuning in here understands the economic value of the oil and gas industry.

I would just make the point that oil and gas contributes much more than just extracting natural resources.

In the last decade, the industry invested more than \$350 billion in Australia in projects for domestic supply and exports to trading partners.

The industry supports more than 80,000 people in jobs, many of whom are located in regional and rural areas. Hundreds of thousands of more Australians depend on a reliable gas supply for their job.

Gas is an essential feedstock to create every day products made in Australia, such as fertilisers, plastics and chemicals.

Last year Australia overtook Qatar to become the largest LNG exporter in the world, exporting around 79 million tonnes of LNG worth \$48 billion.

The industry has weathered the storm of the COVID-19 pandemic, rising to the challenges of protecting the health and safety our workers while also continuing to supply gas to all Australians who rely on it in their daily lives.

### **The Gas Fired Recovery**

It's been the oil and gas industry's ability to continue to operate and support other sectors of the economy that is driving the focus on a gas-fired recovery.

Herein lies the opportunity before us. A recharged gas sector will stimulate growth in other industries and provide a multiplier effect across the economy.

Every additional person employed in oil and gas will support 10 other additional jobs and innumerable small businesses.

And as we look to the future, a gas-fired recovery will achieve a cleaner energy future for Australia, helping reduce greenhouse emissions both here and overseas.

### **The challenges are significant**

But the challenge is how to return the industry to growth so that it can be the enabler for Australia's broader economic recovery.

2020 has been a year like no other. Even before the onset of the COVID-19 pandemic, oil prices had begun to fall sharply and this was exacerbated by the global pandemic.

The shutdown of industry and businesses the world over and billions of people living in lockdown decimated demand for oil and gas. Oil prices fell more than 75% in the first four months of 2020. Prices now are still well below pre-pandemic levels.

With most of the world still grappling with the virus, capital markets remain depressed and volatile. Investor confidence is low and the capital needed to kickstart new oil and gas projects is in short supply.

The result is a 'triple whammy', impacting the industry's appetite for the new investments that are needed to support Australia's COVID recovery.

The challenge we face is how to restore confidence, encourage investment and return to growth.

## Actions to encourage investment

Making the gas-fired recovery a reality depends on getting the settings right for investment.

In August I presented to government APPEA's investment recovery blueprint - **Powering Australia's Recovery**. The blueprint puts forward the policy actions that government can take to restore industry confidence and encourage new investment.

### 1. Improve fiscal settings esp. investment allowances

- Some of the actions are relatively simple changes. For example, the government could immediately encourage more projects by removing the \$5 billion revenue ceiling on the **Instant Asset Write Off** announced in the federal budget. This arbitrary ceiling is a disincentive for large businesses and runs counter to the government's objective of encouraging major investment dollars into new projects.
- Reducing depreciation periods and making employee wages on large projects deductible are also relatively simple and effective measures to boost long term investment.

### 2. Streamline green and red tape

- Streamlining environmental regulation is one of the most important actions government can take to encourage investment.
- The overlap of environmental requirements between states and the Commonwealth and duplication of processes increases costs and delays while doing nothing to help protect the environment.
- A one-year delay to a major offshore LNG project can cost in the order of \$500 million to \$2 billion in net revenues lost. For a smaller project, the same delay would cost around \$26 million to \$59 million. (Productivity Commission estimates)
- The current review of the Federal *Environmental Protection and Biodiversity Conservation Act* (the EPBC Act) is an opportunity to reduce uncertainty and duplication while ensuring the environmental outcomes are protected.

### 3. Support exploration and development

- Improving the investment landscape by extending the [Junior Minerals Exploration Incentive](#) to allow junior oil and gas explorers to attract scarce and mobile capital.

### 4. Promote open and competitive markets (not intervention)

- Sensible reforms that help the market to operate efficiently encourage investment. On the flipside, when governments intervene in ways that impede market efficiency, they impact investor confidence and discourage new projects and entrants.
- In Australia, there is a flawed debate that attempts to pit LNG exports against gas for the domestic market.
- But it is not a case of exports OR domestic gas supply. Both are happening and will continue to happen.
- The Australian Competition and Consumer Commission and the Australian Energy Market Operator have repeatedly found that the domestic gas market is well supplied, and that Australia's wholesale prices are well below our Asian neighbours.
- In fact, the LNG export market is an important enabler to the development of Australia's gas resources for both domestic and export customers – without it, development would not have happened to the extent that it has.
- Despite the evidence that there is sufficient supply to domestic customers, the government released last month a new discussion paper (*Gas Reservation Issues Paper*) to consider options for a prospective national gas reservation scheme. This is on top of the *Heads of Agreement* and the *Australian Domestic Gas Supply Mechanism* already in operation.
- Increasing intervention is not the solution to supply. If industry confidence is impacted it will lead to less investment and less supply -the opposite of what is needed. More gas is the answer to more supply, and that needs the industry's confidence and investment, not more controls.

### Strategic Basins Plan – a positive step to growing investment

The potential of Australia's gas resource is immense - about ~280,000PJ, or enough to last 106 years at current production rates.

And so it has been pleasing to see some important first steps being taken to support new development including the lifting of moratoriums on conventional drilling in Victoria and the planning approval of the Narrabri Gas project in NSW.

We strongly support the Government's Strategic Basins Development Plan announced in September. The Plan is a significant step to accelerating exploration in the Beetaloo Basin here in the NT and the North Bowen and Galilee Basins in Queensland.

Unlocking exploration in these reserves will create jobs in regional communities, support local business and boost Australia's gas supply.

## **Emissions Reduction**

The benefits of natural gas in lowering emissions means we need to develop more, not less, gas if we are to make a meaningful contribution to climate change.

As a start, Australia's greenhouse emissions could be reduced simply by increasing natural gas in generating electricity. LNG has about half the emissions of other traditional fuels.

The government estimates that Australia's LNG exports will assist our trading partners in Asia to reduce their emissions by up to 169 million tonnes. This equates to more than a quarter of Australia's total annual emissions.

And as Australia increases the uptake of renewables, natural gas is the perfect complement – easily ramping up and down to meet demand and support the intermittent energy from wind and solar.

Our members are already taking steps to decarbonise their own businesses. Chevron's carbon capture and storage project at its Gorgon operation is the largest CCS project in the world. Around 3.5 million tonnes of greenhouse gases are safely stored underground every year, adding to around 100 million tonnes over the project's life.

We applaud the Government's recent announcement to prioritise carbon capture and storage and hydrogen in its *Emissions Reduction Technology Investment Roadmap*. It's acknowledgement of the importance of gas in helping Australia meet its emissions reduction commitments.

## **Why does the gas debate rage?**

With a gas-fired recovery we have a pivotal moment to support Australia back to growth.

However, we are challenged by a vocal minority that would prevent responsible development of Australia's reserves, preferring instead to turn the community and political decision-makers against the industry and its role.

Professional activists have set their sights on the gas sector, not unlike the coal industry before us. They seek to delegitimise our members' activities and divert investment away from the sector.

### **Community support outweighs opposition 3:1**

At APPEA we have been responding to the activism issue through our community-focused programs, Brighter and Energy Information Australia.

The results of those programs are we now have the lowest level of opposition to the gas industry since we began polling in May 2018.

Compare 16% opposition to 47% support and current community support for the industry outweighs opposition 3:1.

Around 75% of Australians agree there is a role for gas in a clean energy future.

These results tell us that activist campaigns are yet to make a major impact on community sentiment toward oil and gas. But the risk for our members is that the noise will get louder and government and investors may increasingly take their cues from these groups.

### **Telling the facts; sharing our story**

As an industry we must be proactive and bust the myths and misinformation using facts and evidence.

We know from our research that the more people are provided the facts about gas and its role in our lives; the more favourable they view the sector. We all understand this. The more we educate, the less impact misinformation campaigns by activist groups will have.

Our Energy Information Australia initiative is an important first line of defence against activism - providing factual, evidence-based information about the industry to reduce the impact of activist campaigns.

The Brighter community program tells the story of gas, its role in our economy and our lives, and the stories of the people working in our sector.

We'll keep working to build community awareness, and as community sentiment towards the industry grows, we also ensure that policy makers and government stakeholders are aware of this positive change.

## **Getting on with the job**

The oil and gas sector stands ready to support the Government's gas-fired recovery plan.

Natural gas is an essential part of our lives in Australia and securing the investment to capture the next wave of gas exploration and production projects will be a catalyst to helping our nation return to growth.

While recent debate has focused on gas' role to recharge manufacturing in this country, the real opportunity is much greater.

Gas powers our homes, schools and hospitals and is essential to industries like mining and manufacturing.

The strength and speed of Australia's recovery will depend on the decisions and actions that government takes now to put in place the conditions that encourage, rather than discourage, investment.

If we get this right, then the prize for Australia is immense.

Thank you.