

Upstream Oil and Gas

Energy Security Update
Canberra, 6 May 2009



Australian Petroleum Production & Exploration Association
(APPEA)

Presentation Outline

- Focussing on two major issues:
 - Energy security in the context of Australia's upstream oil and gas industry; particularly the development of the Energy White Paper; and
 - Security of energy supply in the upstream oil and gas industry; protection of energy critical infrastructure, response to energy emergency events and resilience.

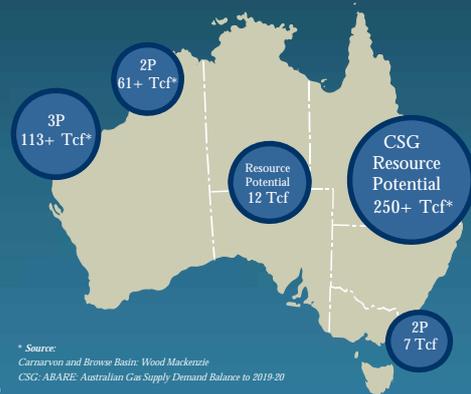


Industry overview

- Share of primary energy: 54%
- Value of production (07/08): > \$30bn
- Direct tax payments (07/08): > \$8b
- Estimated share of GDP: 2.5%
- Gas reserves to production: > 100 years
- Oil reserves to consumption: < 10 years
- Exploration expenditure: \$3b pa
- Exploration activity: Stagnant



Gas Reserves and Resources



Energy security and energy policy development in Australia

- APPEA's interest in energy security issues and broader energy policy development is long-standing.
- Almost all of what APPEA does is in some way energy policy related.
- The investment decisions by explorer and producer member companies of APPEA are the vehicle for providing Australians with a reliable, competitively-priced energy source under world's best practice environmental and safety management regimes.



Energy security and energy policy development in Australia

- From an oil and gas industry perspective, principally, energy policy must address:
 - the projected decline in Australia's production of crude oil and condensate supply;
 - the need to ensure that natural gas plays a greater role in the energy mix; and
 - the fiscal and other issues impacting on the competitiveness of Australia's current and potential gas exports.



Energy security and energy policy development in Australia

- ⇒ The development of the Energy White Paper, supported by activities such as the National Energy Security Assessment, provide key vehicles to ensure the industry plays its role.
- ⇒ APPEA's involvement will be underpinned by our years of work on the *Upstream Oil and Gas Industry Strategy*.



The Security of Energy Supply

- ⇒ The safety of our workers and the security of our facilities are of paramount importance to our industry. People come first.
- ⇒ Security is a priority for our offshore facilities, onshore plant and associated transportation networks.
- ⇒ Our infrastructure is fundamentally different to electricity transmission and supply networks. Energy is our common link.
- ⇒ A coordinated approach to protection provided to APPEA members operating critical infrastructure installations is essential.



Information and Responses

- ⇒ We have focused our engagement towards government agencies that are directly responsible for security.
- ⇒ Single point of entry and relevant information is the key.
- ⇒ Our business is exploring for and producing petroleum – security is an input.



Information and Responses

- ⇒ Our members are committed to ensuring that relevant government agencies fully understand our security issues and our desire for timely information.
- ⇒ The Oil and Gas Security Forum is our main coordination group.
- ⇒ We are members of the Energy Industry Infrastructure Assurance Group, and we value the Trusted Information Sharing Network, however needs are specific. We want to focus our dealings towards the groups with information so that responses are quick and risks are minimised.



Emergency Response Management

- ⇒ APPEA's approach to natural gas emergency management arrangements has been underpinned for a number of years by a set of guiding principles.
- ⇒ The most important of these is the need for effective communication between market participants and effective and efficient consultation between market participants and government during the time of an emergency.



Emergency Response Management

- ⇒ APPEA is a member of the Natural Gas Emergency Response Advisory Committee (NGERAC). APPEA has been a participant in NGERAC since its formation and supports its ongoing operation.
- ⇒ NGERAC's role is to advise Ministers on the use of their emergency powers and responses to gas supply shortages affecting multiple jurisdictions.
- ⇒ A key principle is that, where possible, market forces should be given every opportunity to resolve an emergency and that Government intervention should be exercised as a last resort.

