

Submission
No 6

**INQUIRY INTO COAL AND GAS LEGISLATION
AMENDMENT (LIVERPOOL PLAINS PROHIBITION)
BILL 2021**

Organisation: Australian Petroleum Production and Exploration Association
(APPEA)

Date Received: 23 June 2021

23 June 2021

The Hon. Mark Banasiak MLC
Committee Chair
Portfolio Committee No.4 – Industry
NSW Legislative Council

Via email

Coal and Gas Legislation Amendment (Liverpool Plains Prohibition) Bill 2021

Dear Mr Banasiak

The Australian Petroleum Production & Exploration Association (APPEA) is the peak national body representing upstream oil and gas explorers and producers active in Australia. APPEA's member companies account for more than 95 per cent of Australia's petroleum production. Further information about APPEA can be found on our website, at www.appea.com.au.

APPEA welcomes the opportunity to provide comment to the Committee's consideration of the Coal and Gas Legislation Amendment (Liverpool Plains Prohibition) Bill 2021. This submission incorporates the views of APPEA members.

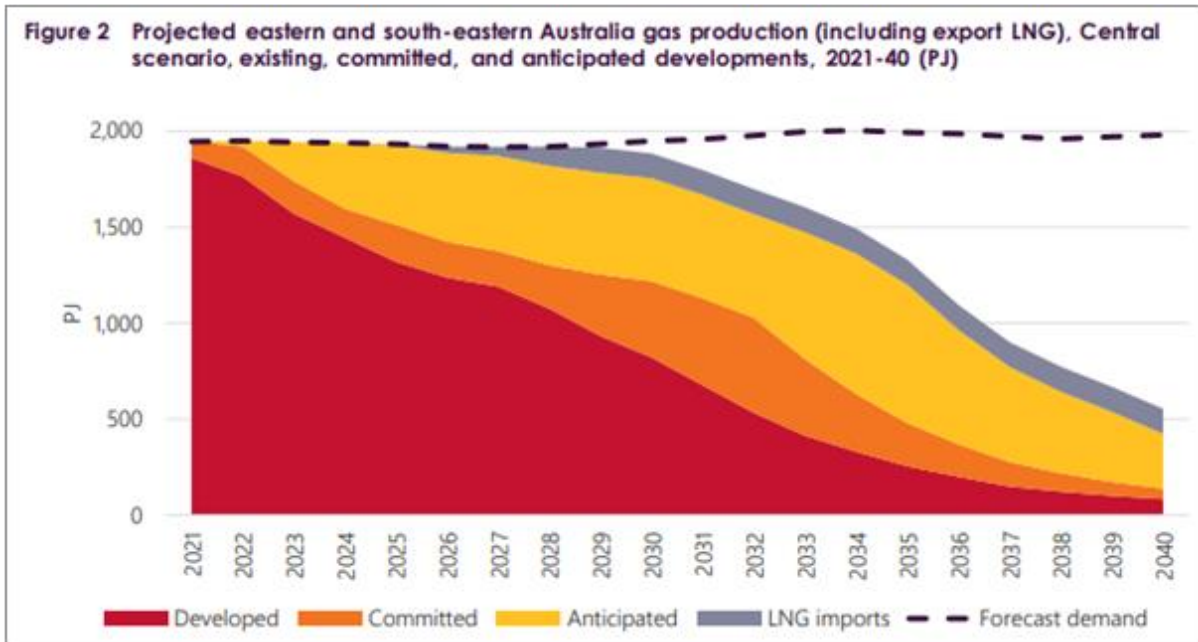
APPEA does not support the Bill. The Bill seeks to prohibit all new coal and gas mining and exploration in the Liverpool Plains.

APPEA continues to urge state governments to adopt policies that consider and manage the risks of individual gas development projects, rather than implementing blanket moratoria and regulatory restrictions. Governments wanting lower gas prices, more investment and more diversity of supply have the solution to hand – follow the Northern Territory's recent example and support the safe, responsible development of the resources within their jurisdiction.

The Australian domestic gas market is at a critical juncture of its development. A continuing failure to unlock new gas supplies will place homes and businesses under increasing and unnecessary price and supply pressure. The key to downward pressure on prices is increased investment and supplies.

This was again highlighted in the March release of the *Gas Statement of Opportunities* released by the Australian Energy Market Operator, which confirmed the need to remove barriers to new gas supply and projects in Australia.¹

¹https://aemo.com.au/-/media/files/gas/national_planning_and_forecasting/gsoo/2021/2021-gas-statement-of-opportunities.pdf?la=en



GSOO modelling indicates that overall supply from committed projects, be it for domestic use or export, is forecast to significantly reduce from 2023. New supply can only come from a new wave of investment across exploration, development, construction and operation.

Reliable, secure and competitively priced energy is crucial to our everyday lives in Australia. Oil and gas plays a key role in meeting many of our energy needs. Our abundant natural gas resources in particular, place Australia in an enviable position to maintain long-term, cleaner energy security domestically and internationally. Maintaining and enhancing this contribution will be vital as Australia looks to its recovery from the COVID-19 recession.

Regulatory stability is important for investment confidence

A study conducted by Energy Consulting Firm Wood Mackenzie² identified that Australia’s oil and gas industry has been built on stable and predictable regulatory and investment settings.

The report examined the conditions precedent to ensure investment can occur. Of particular focus was the decade (1999 to 2009) of regulatory stability provided the foundation for an unprecedented wave of investment and activity through the early 2010s.

The period saw the investment of approximately AU\$350 billion, and such a scale of investment has delivered direct and indirect benefits in the form of long-term tax payments to governments, increased local employment, supply chain growth through the reliance of local communities to service works, industrial activity to service construction, infrastructure build out, education and upskilling of workers.

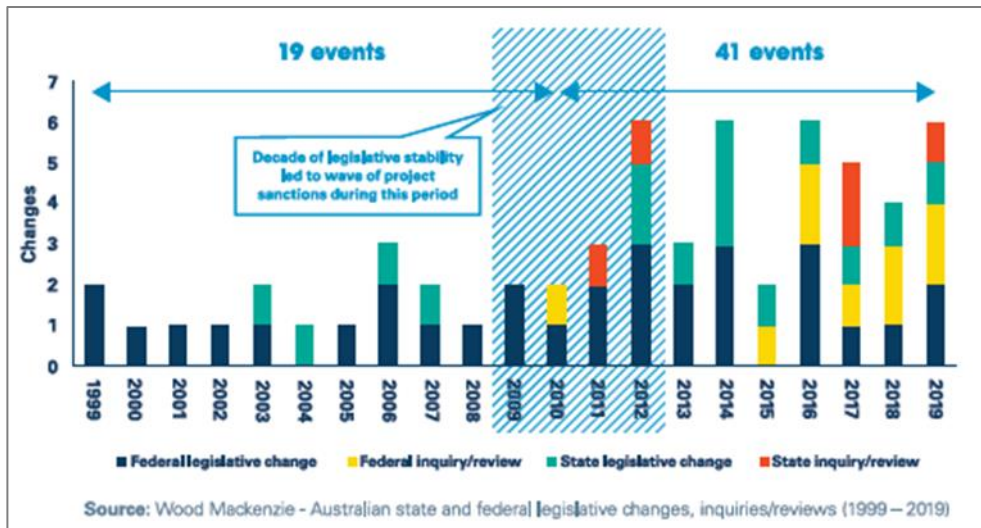
The significant contributions and more recent successes of Australia’s oil and gas industry has made Australia a world leader in energy supply. This has now culminated in Australia receiving a significant and lasting increase in its export terms of trade account as the country topped Qatar as the largest exporter of LNG. This is even more significant when considered in the context of the oil and gas

² Australia Oil & Gas Industry Outlook Report: <https://appea.com.au/wp-content/uploads/2020/06/Australia-Oil-and-Gas-Industry-Outlook-Report.pdf>

industry being truly global, and where projects must compete against each other on a global scale for a limited pool of funds available for both exploration and resource development.

However, regulatory instability, intervention and uncertainty since 2010, coupled with being a high cost³ destination for doing business has diminished the attractiveness of Australia as an investment destination and in doing so, has reduced the investment appetite of many industries, and not just the oil and gas industry.

Chart 1: Australian state and federal legislative changes, inquiries, and reviews – 1999 to 2019



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 significantly reduced demand for oil and gas. Oil prices fell more than 75 per cent in the first four months of 2020. 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. The task the industry, and Australia more broadly, now faces is how to restore confidence, encourage investment and return to growth.

The economic dividends from securing a new wave of oil and gas developments are large. Economic analysis prepared by EY as part of their report, *Australia’s oil and gas industry: kickstarting recovery from COVID-19*, finds that if we can secure the key projects which are in the industry pipeline, then under their “high growth trajectory” scenario national economic output is estimated to increase by over \$350 billion with over 220,000 jobs created over the next two decades.

This means that as the industry grapples with challenging market conditions and fierce competition for scare investment capital, regulations which suppress the industry’s potential to develop Australia’s resources, like the proposal to prohibit gas development in the Liverpool Plains can impose heavy economic costs. The economic efficiency losses of regulations which prevent the industry’s investment pipeline from being realised could far exceed those from Australia’s worst performing taxes. In fact, for every billion dollars of industry activity lost through regulation there could have an overall efficiency loss of up to \$1.79 billion to the economy. Such costs should be

³ Also adding to this costs is the fact that Australia’s oil and gas resources are more geographically remote and more difficult to develop.



recognised alongside the potential social and environmental risks of projects which many regulations are seeking to manage or avoid.

In contrast, the gains from reinvigorated activity in the oil and gas industry have the potential to spread throughout the economy, providing a kickstart for Australia's industrial base by lowering energy prices, boosting demand for services, and generating wealth for all Australians.

Significant caution needs to be exercised when considering regulatory interventions that risk the attractiveness of Australia as an investment destination for upstream oil and gas industry investment and which send worrying signals to both domestic and international investors and major trading partners. These include investors and trading partners with whom the Australian industry has spent a generation building relationships. These trading partners are also, in many cases, significant investors in Australian natural gas projects.

APPEA recommends that the Bill be rejected, and instead Government and Members should work with industry to understand the commercial drivers and requirements for resource development to occur in NSW.

Yours sincerely

Ashley Wells
NSW Director