

NOTABLE ENERGY DEVELOPMENTS IN AUSTRALIA SINCE EWG22

National Energy Market Reform

- From 1 January 2002, nearly 5 million households in Australia's biggest two states, NSW and Victoria, will be able to choose who supplies their electricity, while in NSW customers will also be able to select their gas supplier.
- State/Territory jurisdictions and industry are developing and implementing market operating arrangements for attaining the goal of nationwide legal full retail contestability in gas by 1 July 2002 and practical retail contestability by 1 January 2003.
- An Independent Review of Energy Market Directions, currently in progress, is expected to report in late 2002 to the Ministerial Council on Energy that was established by Federal, State and Territory Governments in June 2001 to oversight the continuing development of a competitive energy market. The review will address issues critical to the long-term competitiveness and sustainability of energy markets.
- The Ministerial Council on Energy will also consider the merits of a single national regulatory structure, including the potential for a national energy industry regulator, consistent with increasing convergence of the gas and electricity markets.

Greenhouse

- Australia has not made a decision on ratification of the Kyoto Protocol at this time. However, it is the Government's consistent position that
 - in meeting its greenhouse objectives, Australia is not prepared to sacrifice competitiveness and jobs in its industries; and
 - an effective global climate change agreement must involve all major emitters, including the US and developing countries.
- Australia welcomes President Bush's announcement on alternative approaches to climate change
 - elements of this approach appear consistent with Australia's long-standing views on how climate change can best be addressed; and
 - will closely examine its future climate change strategy in the light of this announcement and other developments in relation to the Kyoto Protocol.
- The Australian Government has committed to develop and fund domestic programs to meet Australia's Kyoto target, whether or not the Protocol enters into force
 - the Government has committed \$1 billion over 5 years to implement a comprehensive package of greenhouse gas mitigation policies; and
 - has spent as much, if not more than most other industrialised countries on climate change, (on a per capita basis).

Coal, Oil and Gas Markets

Coal

- The Australian coal industry is going through a period of major expansion. Capital expenditure of \$A2.5 billion has already been committed to projects that will expand production by around 40 Mtpa over the next few years. Coal port terminals are expanding to accommodate this expansion. Competition reforms have been progressed through the

privatisation of railways in New South Wales and the Dalrymple coal port terminal in Queensland. Coal industry productivity has increased by over 15% a year since the introduction of work place relation reforms begun in 1997. These reforms will continue to support further improvements in productivity, but larger contributions will come from the consolidation of mine ownership, new capital and technology.

- World thermal coal trade is expected to continue to grow strongly, despite slower world economic growth. The price of high quality coking coal has been increasing, reflecting supply shortages. The market is expected to remain tight even taking into account the impact of slower world economic growth on steel demand and production.
- Two recent publications by the Australian Bureau of Agriculture and Resource Economics (ABARE) contribute to improvements in market transparency. These are *Global Coal Markets, Prospects to 2010*, and *Leading Economic Indicators for Australia's Coal Contract Prices* – the results of which are now published quarterly by ABARE. It is intended that the model for Global Coal Markets which uses the Global Trade Environment Model will be made available for use in policy and business simulations.

Oil and Gas

- The Government is currently developing, in consultation with industry, a Downstream Petroleum Policy Framework to set parameters that will be used to guide policy development for petroleum refinery and retail over the next three to five years. The document identifies:
 - each of the key issues facing the industry – investment attractiveness, trade and competition, regional issues, alternative fuels, safety and environment, security of supply, market structure and intervention;
 - the views of key stakeholders; and
 - policy initiatives to be pursued by the Department of Industry, Tourism and Resources over the coming years.
- There is also strong interest in the development of a gas to liquids (GTL) industry in Australia to take advantage of abundant gas resources and provide cleaner transport fuels and greater self-sufficiency
 - proposals for ten GTL projects in Australia are currently under consideration.
- The Government gave strong support to the GTL industry in the election policy statement “Backing Australia’s Resources and Energy” and is currently considering advice from its GTL Taskforce regarding issues involved in the establishment of a GTL industry in Australia.

Upstream Petroleum

- In 2000-01, Australia produced around 84 per cent of its liquid petroleum needs in net terms and all of its gas needs, and exported over \$11.6 billion of oil and gas with a balance of trade surplus of \$2.76 billion.
- The Minister for Industry, Tourism and Resources is expected to announce the release of 41 offshore petroleum exploration areas on 22 April 2002. These areas range from relatively mature to frontier areas, and offer exciting possibilities for exploration companies of all sizes. Bids for seven of the areas close on 24 October 2002, and for the remaining 34 areas on 10 April 2003. An information package on the release areas is available on CD-ROM free of charge (e-mail your request to petroleum.exploration@industry.gov.au) and on the departmental website at www.industry.gov.au/petexp.

- A record number of oil and gas discoveries were made in Australia in 2001. This has helped address the perception held by a number of foreign companies that the chances of making further commercial discoveries of oil in Australia are low.
- In a recent survey undertaken by Robertson Research International on countries outside North America most attractive to international oil companies for new ventures activity in 2002, Australia was ranked third. This maintains Australia's position in the top five out of 146 countries in the last five years.
- While there are more than one hundred companies involved as investors and/or operators in petroleum exploration and production in Australia, about 12 companies carry out the bulk of the exploration activity and are responsible for most of the oil and gas production. These companies are: Apache, BHP Billiton, BP, ChevronTexaco, ExxonMobil, Magellan, Nexen, OMV, EnCana, Santos, Shell and Woodside.
- Australia's abundant gas resources and excellent record as a liquefied natural gas (LNG) supplier make Australia ideally suited to play an increasingly important role in the Asian energy scene. Recent important policy initiatives by the Australian Government, such as the implementation of the LNG Action Agenda, provide a stable operating environment conducive to attract investment for export expansion.
- Utilising large quantities of natural gas found off northern Western Australia, the North West Shelf (NWS) joint venture has developed a world class LNG facility on the Burrup Peninsula near Karratha. The NWS produces over 7.5 million tonnes per annum (mtpa) of LNG for export, valued at \$2.6 billion per annum, from three gas liquefaction "trains", along with LPG and crude oil.
- Plans to further expand the NWS project to meet expected growing demand in Asia are well advanced, with construction of a new 4.2 mtpa fourth train underway. To date, Australian companies have won more than \$500 million in train four project contracts, and this is expected to climb to near \$1 billion by project completion in 2004.