



**LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY**

**12th Assembly**

**Committee on the Northern Territory's Energy Future**

**RECORD OF MEETING**

10.30 am – 5.15 pm, Friday, 8 November 2013

**Members**

Mr Gary Higgins, MLA, Chair, Member for Daly  
Mr Kon Vatskalis, MLA, Deputy Chair, Member for Casuarina  
Ms Larisa Lee, MLA, Member for Arnhem  
Mr Francis Kurrupuwu, MLA, Member for Arafura  
Mr Gerry McCarthy, MLA, Member for Barkly  
Mr Gerry Wood, MLA, Member for Nelson

**INPEX**

Mr Brad Williams: Manager External Affairs  
Mr Sean Kildare: General Manager Darwin

**Association of Mining and  
Exploration Companies Inc**

Mr Simon Benison: Chief Executive Officer, AMEC  
Mr Bernie Hogan: Regional Manager Eastern States &  
Northern Territory AMEC (via teleconference)  
Mr Ian Mulholland: Managing Director, Rox Resources  
Mr William Belbin: Exploration Manager, Rox Resources  
Ms Alison Morely: Chief Executive Officer, Brumby Resources  
Mr Brett Manning: Managing Director, Ferrowest Ltd

**ENI Australia  
(NOT FOR PUBLICATION)**

Mr Andris Blankenburgs: Vice President, Commercial and  
Business Development  
Mr Simone Rizzi: New Projects Commercial Manager

**In Attendance**

Ms Julia Knight: Committee Secretary

## INPEX

10.30 – 12.15 pm

1. **Impact of cultural, economic, environmental, geographic, regulatory or other factors on:  
a) the exploration, development and production of energy producing resources; and  
b) availability of developed resources for the domestic energy market.**

### ***Economic Factors***

- Australia is an attractive place in which to invest because it is a stable democracy. The parliamentary system, strong political parties representative of the broader community and legal and social frameworks that ensure the rule of law allows investors and their financial backers to be confident that government policies will be framed in a considered and informed manner.
- Australia's oil and gas industry is in a period of unprecedented growth and transformation with \$193 billion of construction activity underway across seven major LNG projects and the Northern Territory is well positioned to benefit from continued growth in the sector.
- Successive NT governments have created a positive investment environment for the oil and gas industry. NT acknowledged as a very certain place to do business. Industry Capability Network NT highlighted as an excellent resource for companies wishing to establish projects in the NT.
- One of the major challenges to future investment and growth is the capacity for Australia to maintain its international competitiveness, especially given the fact that LNG projects are particularly expensive to build. By international standards Australia is a high-cost location: relatively high cost of labour (both direct and indirect); regulatory framework compliance is time consuming and costly; introduction of carbon tax added another line item to project overheads; lack of infrastructure required to facilitate large scale projects.
- From an industry perspective, given the investment opportunities arising elsewhere in the world, the challenges facing Australia are increasing. Whilst Australia has significant offshore and onshore natural gas reserves, it is important to ensure that the economic setting encourages the exploration and development of these reserves.
- Whilst a domestic gas reservation policy may well ensure on-going access to gas for the domestic market it can be a concern to the financial institutions providing the capital for projects. Essentially it means that there is a certain amount of gas sitting there that no-one knows if or when it will be sold and at what price. However, a domestic gas reservation policy whilst not necessarily deterring future investment in the NT by INPEX would likely affect its investment framework.

### ***Access to Labour***

- Darwin sits adjacent to major offshore gas, oil and condensate reserves and is already a substantial gas processing, supply and service hub for projects of northern and north-western Australia. However, there is a significant shortage of appropriately qualified labour to support the specific needs of oil and gas operations and developments in the region. Given the scale and expected life of the Ichthys project (at least 40 years), INPEX and the Ichthys Project has contributed \$3 million towards the Larrakia Trade Training Center, \$3

million towards construction of the North Australian Centre for Oil and Gas at Charles Darwin University and \$ 3 million towards the Northern Territory Open Education Centre.

- Due to the NT's relatively small population, sourcing labour from the local labour market to meet the needs of large scale exploration and production projects presents issues around striking a balance between employing locals and ensuring this does not then have a negative impact on local businesses' employee base. As such, it was suggested that large projects will inevitably be reliant upon a certain amount of fly in, fly out workers. Availability of accommodation to house fly in, fly out workers in a particularly tight and expensive rental market is also a consideration for large projects; hence development of the Accommodation Village at Howard Springs. It was further noted that INPEX is currently working with the Department of the Chief Minister to consider ways in which the Project can source additional workers from regional centres.

### ***Gas for the Domestic Market***

- Potential capacity for Ichthys Project to supply gas to the NT when trains 3 to 6 come on line. Primary issue facing NT when it comes to securing gas for domestic use is that it is currently such a small customer.
- NT needs to acknowledge that the costs associated with tapping into the reserves available are significant. For example, in the case of the Ichthys Project, all of the gas had to be committed for sale to obtain the capital required to develop the project. As such, it is common for customers to become stakeholders thereby facilitating development of projects and ensuring access to the gas they require. Ichthys Project joint venture participants include: INPEX 66.07%, TOTAL 30%, Tokyo Gas 1.575%, Osaka Gas 1.2%, Chubu Electric 0.735% and Toho Gas 0.42%.
- Becoming a stakeholder in future projects as a customer could be a potential option for the NT Government in order to secure gas for the domestic market.
- The Gas Export Pipeline from the Ichthys resource in the Browse Basin to Darwin contains a number of tie-in points which are designed to cater for future expansion of the Blaydin Point processing facility for other gas resources in the region.

### ***Regulatory Factors***

- The regulatory environment in Australia can be time consuming and costly, particularly where projects cross jurisdictional boundaries. The Ichthys Project has required regulatory compliance at the Commonwealth, State, Territory and Local Government level: WA gov't, NT gov't, Commonwealth gov't, Darwin City Council and Litchfield Shire Council. Whilst noting that it took a lot of time and effort, INPEX advised that it actively project managed and developed a bilateral agreement between the NT and Commonwealth Governments which ultimately achieved cost savings for the project.
- From an industry perspective, regulatory hoops associated with dealing with more than one jurisdiction or level of government does not necessarily improve the process. For example, it was noted that the NT regulations regarding conservation and management of the environment were far better than the Commonwealth's. The notion of delegating regulation of the petroleum industry to the States and Territories was seen to be a particularly positive

move as the Commonwealth tends to be both less engaged and less efficient than the States and Territories.

- In noting that INPEX was interested in both offshore and onshore opportunities, involvement in onshore prospects was considered quite difficult. Potential sites, such as the Beetaloo basin, are already tightly held by other interests with very little turnover of acreage. It was further noted that the rules associated with relinquishing 50% of an exploration lease every five years where the holder has not engaged in any activity were not considered to have been operating properly and represented a disincentive to investment.

## **Association of Mining and Exploration Companies Inc**

2.00 pm – 3.10 pm

1. **Impact of cultural, economic, environmental, geographic, regulatory or other factors on:**
  - a) **the exploration, development and production of energy producing resources; and**
  - b) **availability of developed resources for the domestic energy market.**

### ***Geographic / Infrastructure***

- Much of the NT's resources are located in remote areas that lack the necessary infrastructure (roads, housing, and access to energy) required to support exploration, development and production.
- Potential for more collaboration and public private partnerships between mining companies, Territory and Commonwealth Governments regarding infrastructure development to facilitate projects that have the capacity to be of long term benefit to the NT.
- Access to energy was highlighted as an area that could also benefit from a greater level of collaboration, to both reduce costs and overcome the current situation where each company has to develop its own power generating capacity.
- The current lack of infrastructure represents a real bottleneck when it comes to project development in the NT.
- More work needs to be done to develop intrastate transport links – exporting via the NT is a viable option for many parts of Qld and would facilitate development of road, rail and port facilities.

### ***Cultural Factors***

- Accessing land can be a particularly lengthy and costly process given the compliance requirements under the *Native Title Act*, *Aboriginal Land Rights (Northern Territory) Act*, *Heritage Act (NT)*, *NT Aboriginal Sacred Sites Act* and associated regulations.

### ***Regulatory Factors***

- Concern was raised that the '*Use it or Lose it*' policy fails to take into consideration the limitations on commencing or progressing exploration in the more remote locations that are inaccessible during the wet due to the absence of all weather roads and/or subject to compliance with land access regulations. Mine management plans and requirements for heritage assessments to be completed every five years were considered to be a significant regulatory barriers given the wet season and subsequent time limitations on access to exploration sites.
- The notion of land banking was considered to be ill conceived given the money required to do so. Existing regulations regarding forfeiture of 50% of lease areas every five years where the holder had been inactive fail to acknowledge that it can take longer than that to gain access to the land. Concern was expressed that the department was getting much stricter on giving waivers on exploration licences irrespective of land access issues.
- Whilst other states are working towards decreasing the amount of red and green tape associated with exploration activities, the NT was seen to be both increasing the level of regulation and becoming less flexible when it came to the application of regulations in spite

of the aforementioned issues that explorers do not necessarily have any control over. It was suggested that in an increasingly competitive environment these types of issues were diminishing the NT's attractiveness as an investment destination.

- It was noted that the NT could do well to consider participating in initiatives aimed at achieving greater alignment between the states when it came to policies and regulations governing exploration and mining.