OPPORTUNITY IN COLLABORATION

AUSTRALIAN DOMESTIC GAS OUTLOOK 2019

BY SENEX ENERGY MANAGING DIRECTOR AND CEO IAN DAVIES

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Good morning everyone.

Let me acknowledge the Eora People, the traditional custodians of the land on which we meet today.

It's an absolute pleasure to be here.

Events such as this play an essential role in telling the story of our great natural gas industry.

Although views may differ on the state of our industry or the health of our domestic gas market – and sometimes they differ a lot – we benefit by hearing from all sides of the debate.

Ladies and gentlemen.

Let me start with a reminder of what an amazing job the people in this industry do, day in and day out.

The industry contributes substantially to Australia's prosperity and energy security.

It supports a vast supply chain of businesses in manufacturing, services and construction.

The industry bought more than $27 billion of goods and services from local businesses in 2016-17.

A total of more than 100,000 Australians are employed in the industry directly and indirectly.

Oil and gas companies invested more than $300 billion in the Australian economy over the past decade and $230 billion of projects are in the pipeline.

You may not be surprised to know that there is a rising demand for natural gas.

Natural gas is used by power stations and emits around half the emissions of coal when used to generate electricity.

We use it to heat our homes and cook our food.

It's a raw material feedstock for plastics and fertiliser.

And, as I'm sure a lot of us may find out after today's formalities, well, natural gas is used in fermentation in brewing and winemaking, too.

In Queensland, the industry has helped rejuvenate regional areas; broadened farm incomes; increased school enrolments; and improved health services and roads.

Critically, it has given young people a reason to work and live in their home towns.

Overseas the industry is helping people breathe cleaner air in some of the developing world's most populous cities and providing electricity so people do not have to cook using firewood, coal or cow dung.

In short, the industry is pulling its weight at a time of great political and economic uncertainty.

And I'd like to thank our technical professionals, staff and contractors, for the contribution they make to our fantastic industry.

The big question is: how do we ensure we maintain these benefits and showcase them to the community including, of course, the noisy minority of inner-city folk obsessed with tearing apart this great engine of prosperity?

Let me begin to answer that by describing what is not helping – and that's disruption in the value chain.

We've all seen the stories about the oil and gas industry not stepping up to the plate to supply gas to customers.

In fact, we heard some more yesterday at this very conference.

Plainly, gas is available, just no longer at historically low prices.

Prices today reflect different cost structures from those of previous decades and you will already have heard a lot about this throughout yesterday.

Since the start of last year, more than 15 gas supply agreements have been signed in Australia, with more not publicly disclosed.

Even if you discount the very large agreements between Arrow, QCLNG and APLNG in Queensland, there have been deals for a total of more than 170 petajoules of gas.

Just last week Santos and Perdaman Group signed a non-binding 20-year deal for the sale of 14.5 petajoules a year from the proposed Narrabri Gas Project.

Also last week Origin signed an agreement to buy all the natural gas produced from GB Energy's Golden Beach field, in the offshore Gippsland Basin, estimated at up to 50 petajoules over three years.

There are clearly more agreements in the works, including by Senex.

It takes the entire value chain of the oil and gas industry to work together to succeed, including producers, infrastructure providers, financiers, customers, governments and local communities.

Customers have an obligation to step up as part of that value chain and work with upstream producers, infrastructure providers and government.

They play a critical role in accepting gas contracts when they make sense.

Producers also need to work with customers to provide contracts that make sense and to ensure that there are win-win outcomes.

As an industry we need to take some responsibility for the continuing noise and focus on solutions to increase supply to the domestic market.

Isn't it ironic that this conference is being held in New South Wales.

This state is desperate for more natural gas.

Unnecessary restrictions mean that New South Wales's own considerable potential to produce natural gas for its own needs, and that of its workers, is being held back.

Ninety-six per cent of the gas that this state needs comes from interstate.

It's a terrible state of affairs.

1.3 million households, 33,000 businesses and more than 250,000 jobs in New South Wales rely on an affordable supply of natural gas.

More than a third of the gas used here supports manufacturing of essential items such as glass, bricks, paper, cement, steel, alumina, fertilisers, plastics and chemicals.

You can only hope that common sense eventually prevails.

The New South Wales Opposition's announcement that it would stop the Narrabri project, regardless of an independent review's findings, is economic and social vandalism on a grand scale.

They're prepared to put at risk not only supply of potentially half the state's gas needs, but hundreds of jobs in regional NSW and the associated benefits for small businesses and communities.

Let's not even start on Victoria.

In contrast, what's happened in Queensland over the past 10 years – started, I might add, by a Labor government – is a stunning effort and shows what can come from the co-operative combination of government, industry and host communities.

Let me commend the Palaszczuk Government in particular and, indeed, governments that have come before.

The Palaszczuk Government has done the heavy lifting for the domestic market by dedicating new gas acreage for east coast supply – a first for Australia.

Senex was quick to seize on this opportunity and our company is proud that the Queensland Government has entrusted us to deliver the first of this acreage, called Project Atlas.

Significantly, the investment in Senex's growth, and that of supply to the domestic market, over the next three years is close to $400 million – all on material, long-life gas assets.

Late last year we took Final Investment Decisions for our two Surat Basin natural gas developments in Queensland.

These 30-plus-year developments are: Project Atlas; and Roma North, which is part of our Western Surat Gas Project.

They involve the drilling of about 110 wells, initially, over the next 12 months.

In each case we're constructing a processing plant and pipeline to take gas to customers.

The initial combined capacity of these plants is 56 terajoules a day, some 3 million barrels of oil equivalent a year, before expansion.

We're on schedule to produce natural gas for customers through these plants in the middle of this year, for Roma North, and by the end of 2019 for Project Atlas.

Over their lifetime these developments will produce gas volumes approaching 100 million barrels of oil equivalent, roughly the equivalent of the entire world's oil demand for a day.

When operating at capacity, these projects will provide enough energy to power a city about the size of Toowoomba.

Here I'd like to acknowledge the role of Jemena, the major infrastructure owner and operator.

Jemena has committed $140 million to build the Project Atlas gas processing facility and a 60km pipeline into the Wallumbilla Hub, with Senex paying a toll to Jemena over the life of the project.

This will be the first true open-access processing facility in the Surat Basin, designed to encourage other gas producers in the area to feed in additional gas volumes from new developments.

The pay-off will be transportation efficiencies and less infrastructure duplication – positive outcomes for industry, the community, customers and investors.

It's this sort of successful collaboration that's helping Senex become an important supplier of gas on the east coast, easing supply pressures and contributing to broader economic prosperity.

Independent small and mid-tier producers are an incredibly important part of the solution to increase gas supply to the east coast market.

We've seen the benefits of smaller players in the Cooper Basin, for example, one of Australia's oldest oil and gas basins.

The introduction of independents in the late 1990s and early 2000s opened the western margin of the Cooper/Eromanga Basins in South Australia, known as the Western Flank.

The discoveries of fields such as Growler and Snatcher – operated by Senex – and Bauer – operated by Beach Energy – arrested a 10-year drought in oil replacement in the Cooper.

This area is now approaching 100 million barrels of discovered oil resource in place.

The point of this example is that independents play an incredibly important role in finding new sources of supply.

We're seeing the benefits to the domestic gas market of having a healthy group of independent producers, both large and small, from Senex to Santos to Comet Ridge, from Beach to Cooper Energy – a real success story.

Together with the LNG projects in Queensland, without which the vast Queensland coal seam gas resources would never have been developed, producers are playing their part.

But it needs cooperation and collaboration of all the players along the value chain: producers, infrastructure providers, financiers, customers, governments and local communities.

Ultimately, for the east coast of Australia, this means more supply, developed efficiently and effectively for the benefit of Australian workers, consumers and the economy as a whole.

Thank you.

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