

**APGAS  
1-2 SEPTEMBER 2005  
PERTH**

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**Slide 1 - Heading**

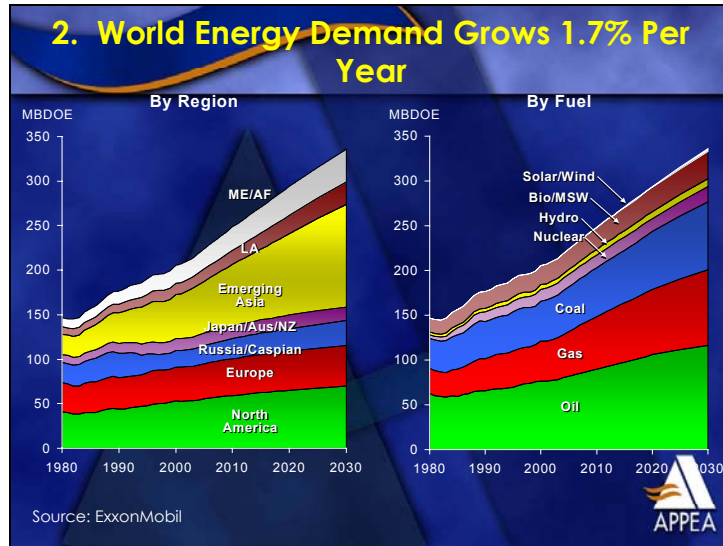


In preparing for this session I spent some time asking around the APPEA membership about industry regulation and what they considered to be the key issues for cross-border trade in LNG.

More than a few members responded with the view that having something to regulate in the medium to longer term was the key overriding concern. I think what my members are getting at here is the imperative for all governments to examine domestic policy settings to ensure that the right conditions are in place for the full realization of production potential. So I'd like to spend just a moment on this before moving into regulatory issues more directly.

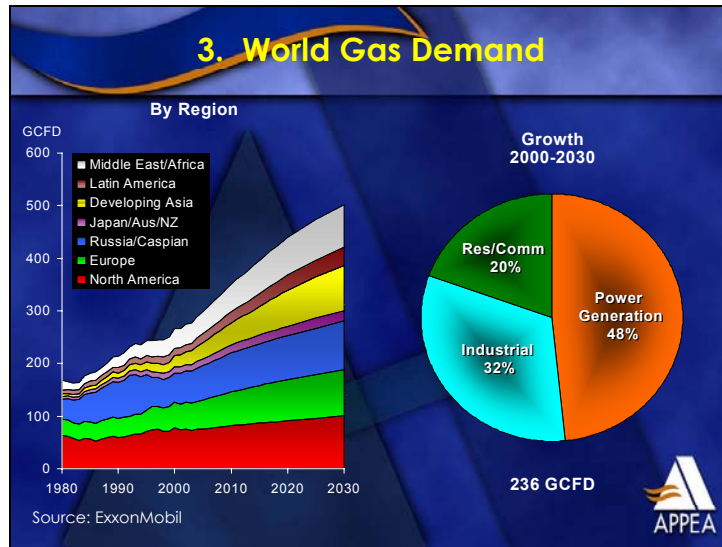
I think many of you would agree that the rate of growth of demand for all forms of energy seems to have caught the world a little by surprise. There are a lot of APEC countries seriously worried about how their future energy requirements are going to be met and a lot of countries thinking about how they can best supply them in the long term and at competitive prices.

Slide 2 –World energy demand grows 1.7 % per year



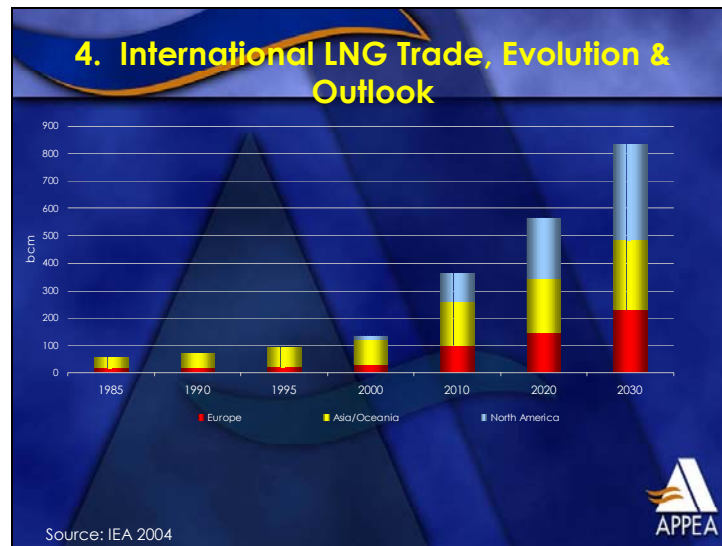
Exxon/Mobil in their world energy outlook anticipate that between 1980 and 2030 world energy demand will grow by 1.7 per cent. Asia can be reasonably expected to double its demand.

### Slide 3 –World gas demand



And the fastest growth is expected to be in gas – more than 2 percent per year - driven primarily by power generation. And the biggest numbers again are in Asia's emerging economies – 2.7 percent per year.

## Slide 4 – Regional Trade



Shows the increase in international trade in LNG.

And what will be the impact on demand for gas from a world increasingly concerned about climate change and the need to move to less greenhouse intensive fuel sources; concerns over urban air quality; and energy importers concern about security of supply leading to a “portfolio” approach to energy policy – where fuel diversity is a key objective? Perhaps these forecasts are conservative.

- First and foremost ensuring that appropriate policy settings are in place to ensure that countries with large supplies of gas are attractive places for exploration and production investment.

High and increasing demand along with a US\$10/gigajoule price for gas in the US means that, for Australia, finding gas is no longer the booby prize. But there is a very very competitive market out there filled with low cost producers eager for a piece of the action.

Australia has a strong future in LNG. We are currently exporting around 9 million tonnes of LNG and there is a reasonable expectation that this will grow to 50 million tones by 2011. We are fortunate in that Australia is politically stable and has a strong reserves base. The industry has a track-record of supply reliability, and a strong safety record. We are also fortunate in having a federal government that understands and appreciates the significance of LNG for Australia and state governments that also appreciate the contribution that our industry's make to the economic, environmental and social well-being of their jurisdictions.

In recognizing the need to encourage exploration and production the Australian Government has taken some important and commendable first steps and to its great credit has stated that it will be further reviewing Government policy, including changes to taxation arrangements, to see if more can be done.

And now to regulation.

- In relation to regulation, streamlining and harmonizing, to the maximum extent possible environmental, planning, licencing and safety regulatory and approvals systems is the key.

If producing countries are to be in a position to supply the needs of an energy hungry region, reducing the amount of unnecessary red-tape is a worthy objective. Reducing costs and accelerating approvals and regulatory processes through better and more efficiently targeted processes enables companies to spend more of their cash on things that matter and more speedily meet their contractual obligations.

Our industry recognizes that there is probably only one thing worse than regulation and that's no regulation.

The community, governments and responsible companies expect economically informed and well-targeted regulation of industrial activities. There is a view that the most successful countries for energy production are those that have clear, well-defined and transparent regulatory regimes. Good regulation also minimizes the risk of cowboy operators sullyng the reputation of the industry as a whole. And in many instances APPEA members companies have a corporate policy to exceed the requirements of regulatory agencies.

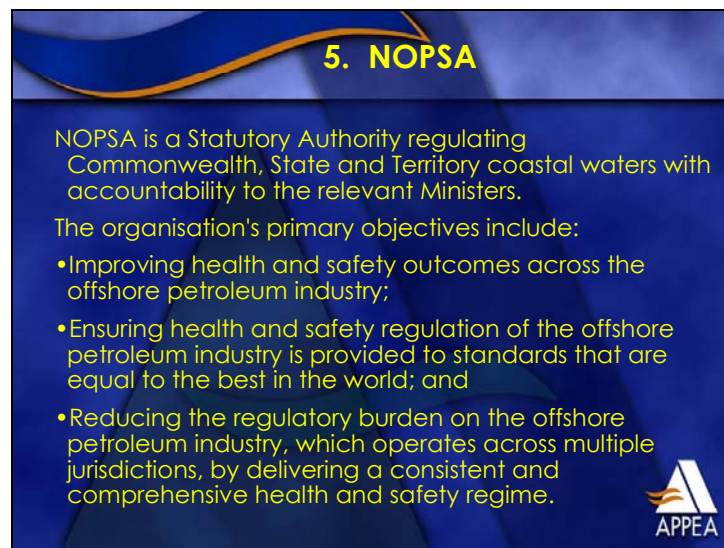
But regulation is only acceptable if it is clear, avoids duplication and unnecessary costs, incorporates appropriate flexibility and is well-focused. As an aside it is worth pointing out that in a speech delivered to the Commonwealth public service senior executive earlier this month, the Prime Minister said

*I apprehend in the community, particularly the business community, that there is a growing concern about the level of red tape emanating from government. . . some of these complaints aren't justified, some of them are justified ... but I do foreshadow the fact that it's an issue to which the Government will be giving increasing attention as time goes by.*

I also note and strongly support the West Australian Government's stated commitments to streamlining state environmental approvals processes.

It's always easy to point to regulatory processes and institutions that give industry grief but I thought it might be useful to highlight a regime that we in APPEA consider has a number of very positive features. Perhaps there are elements of this that could be considered by APEC energy ministers that may have broader application in an international context.

## Slide 5 – NOPSA




**5. NOPSA**

NOPSA is a Statutory Authority regulating Commonwealth, State and Territory coastal waters with accountability to the relevant Ministers.

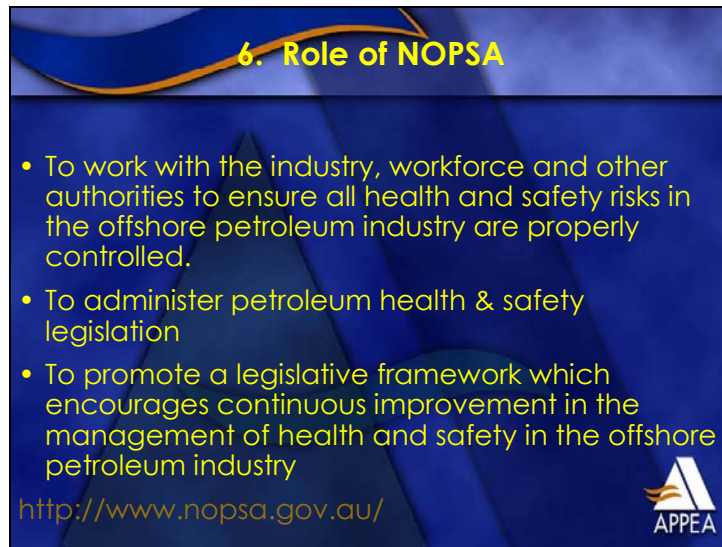
The organisation's primary objectives include:

- Improving health and safety outcomes across the offshore petroleum industry;
- Ensuring health and safety regulation of the offshore petroleum industry is provided to standards that are equal to the best in the world; and
- Reducing the regulatory burden on the offshore petroleum industry, which operates across multiple jurisdictions, by delivering a consistent and comprehensive health and safety regime.



Some of you may be familiar with NOPSA – that is the National Offshore Petroleum Safety Authority (NOPSA). Its role is to administer offshore petroleum safety legislation.


## Slide 6 – Role of NOPSA



6. Role of NOPSA

- To work with the industry, workforce and other authorities to ensure all health and safety risks in the offshore petroleum industry are properly controlled.
- To administer petroleum health & safety legislation
- To promote a legislative framework which encourages continuous improvement in the management of health and safety in the offshore petroleum industry

<http://www.nopsa.gov.au/>



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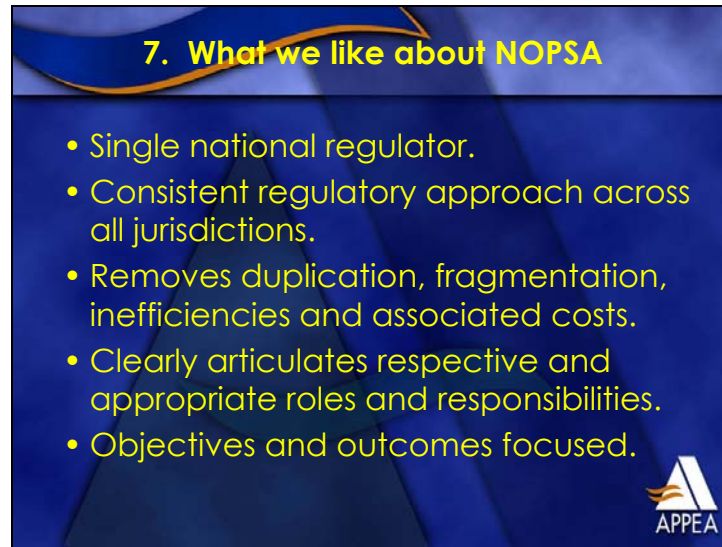
It came about in response to a review conducted in the late 1990s that found:

*...the Australian legal and administrative framework, and the day to day application of this framework, for the regulation of health safety and environment in the offshore petroleum industry is complicated and insufficient to ensure appropriate, effective and cost efficient regulation of the offshore petroleum industry.*

Read the specifics.

On 1 January of this year, a single regulatory agency, NOPSA, was created to regulate safety in Commonwealth and State/territory waters.

## Slide 7- What we like about NOPSA



What we like about it is:

- A single regime and regulator that removes the regulatory burden particularly for those operating in more than one jurisdiction;
- Consistent regulatory approach across all jurisdictions.
- Efficient, effective and well-resourced.
- Provides a clear understanding of roles and responsibilities.
- Objectives and outcomes focussed-based based on goal setting.

This last point is its major strength. Rather than prescribing safety plans, companies develop their safety plans as they see fit and demonstrate to NOPSA that safety risks are as low as possible. This outcomes or objectives based approach permits companies to design plans that best fit their particular circumstances. The flexibility also stimulates innovations and creativity. I am aware that BHPBilliton have now adopted this approach in all their operations around the world including in places where there is no mandated requirement to do so. In their view, NOPSA is a useful framework for ensuring the safety of their workers and makes good business sense.

Its still early days to sign off on a report card but the early signs are positive.

If there is something that we don't like, it's that it doesn't deal with environmental regulation as was originally proposed. Also states and territories still have widely variable approaches in assessing safety plans – some greater consistency could be encouraged.

However, when it comes to regulation, it is important to give credit where it is due. Regulation and regulators are easy marks for criticism.

### **APEC recommendations**

With LNG trade at record levels and strong growth prospects, governments will be increasingly challenged on a number of fronts, including the regulatory climate, in their efforts to maintain a stable trading environment and foster further growth and investment. APEC energy Ministers can play a useful role here.

- I'd like to draw attention to the signing on Monday by Australia's Minister for Industry, Tourism and Resources, Ian Macfarlane and the Mexican Secretary for the Economy, Fernando Canales of a bilateral Investment Promotion and Protection Agreement (IPPA). It deals with a number of issues but the overall objective of the agreement is, and I quote, "to give investors ... greater clarity and confidence in the investment environment in which they are operating." This follows on from the signing earlier in the year of a Memorandum of Understanding on energy cooperation in January.
- Assisting member countries develop and adopt harmonized approvals and regulatory processes would be a positive outcome. These would have an emphasis on clarity, flexibility and providing investment confidence for LNG exporters and importers.