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Energy White Paper Taskforce
Department of Industry
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APACHE COMMENTS ON THE FEDERAL ENERGY WHITE PAPER ISSUES PAPER

Apache Energy Limited is the principal Australian subsidiary of Apache Corporation, one of the largest independent oil and gas exploration and production companies in the world. With a presence in Western Australia for more than 20 years, Apache Energy is now one of Australia's most significant producers of oil and gas, and the most active offshore explorer over the past ten years.

Apache has interests in more than 31,000 square kilometres (7.8 million acres) of offshore acreage, including exploration permits and production licenses, predominantly in the Exmouth and Carnarvon Basins offshore Western Australia.

Current Australian production operations include the Varanus Island, Devil Creek and Macedon domestic gas and condensate facilities, and the Stag and Pyrenees oil production facilities.

New projects under development include the Coniston and Balnaves oil projects, and the Halyard and Spar-2 gas projects.

Apache is also joint venture participant in the Wheatstone Project, which will produce LNG, domestic gas and condensate using gas from the Apache-operated Julimar and Brunello gas fields.

Apache welcomes to the opportunity to provide brief comments on the Energy White Paper Issues Paper and endorses the submission of our national industry representative body, the Australian Petroleum Production and Exploration Association (APPEA) to the Issues Paper.

Security of Energy Supplies

Apache is at the forefront of delivery of new domestic gas (domgas) capacity to the Western Australian domestic gas market with the commencement of production of the Devil Creek domestic gas plant in 2012 and Macedon BHPBP-operated domestic gas project in 2013.

This new capacity reflects a functioning gas market acting on price signals and market demand without imposed reservation policies. Apache strongly opposes market intervention through any mandated reservation regime and argues that these policies act as a serious disincentive for producers to bring domestic gas into the Western Australian energy market by potentially stalling the development of smaller non-LNG candidate gas fields.

As an operator of critical energy infrastructure in a remote area of Australia, Apache highly values the role of Government in ensuring the physical security of oil and gas operations. Apache works closely with the national security agencies and recently participated in a high level tactical exercise with the Australian Defence Force rehearsing protection capabilities.

Regulatory reform

Apache has welcomed the Australian Government's commitment to create a one-stop-shop approval process for offshore petroleum activities in Commonwealth waters. Apache strongly supports the view that there is capacity to create a faster and more efficient environmental approvals process with significantly reduced duplication in environmental assessment and regulation, whilst maintaining the overall integrity of the current national environmental approvals process.

The efficiency of the environmental approvals process is a critical consideration for Apache in terms of project delivery and our commitment to ongoing exploration and development opportunities in Australia. Specific comments regarding the proposed changed regulatory arrangements have been submitted through a separate consultation process with the Department of Industry.

Growth & Investment

The creation of prosperity in Australia over the last century has to a large extent been driven by foreign investment in the Australian resources sector. Current capital investment by a range of US companies, including Apache, involved in the development of the Western Australian resources sector continues to underpin the growth of the Western Australian State economy and is closely aligned to the demographic and economic growth of Asia's largest economies and nations.

Asian energy demand growth over coming decades will continue to provide many opportunities for US investors such as Apache, and for Australia to capitalise on shared resources and expertise.

As evidenced in recent US studies, the increased share of natural gas into national energy markets can stabilise greenhouse emissions and contribute to lower CO2 levels. The Energy White Paper provides an opportunity to promote the role of natural gas in mitigating the nation's greenhouse emissions without penalising economic growth.

Workforce Productivity

The Australian oil and gas industry remains concerned that labour productivity, broadly interpreted as the time an employee spends on their allocated task or job, is generally ranked as lower than in competing economies.

Along with our industry representative organisation APPEA, Apache suggests that there may be an opportunity for public policy outcomes that address regulatory constraints and skills shortages.

Policy recommendations include continued access to global skilled talent through the section 457 visa process, reform of labour market regulation to encourage flexibility and more productive employer-employee relationships and an increased investment in training and collaboration in skills development.

Apache has a long term commitment to apprenticeship and training programs and year on year has continued to expand the scheme and evolve the program. Apache also commenced an upskilling program aimed at recognising the skills and knowledge of experienced offshore personnel as a further enhancement to the capability of the operating workforce.

The recruitment and retention of a skilled workforce is expected to remain a major issue for the sector over the coming decade.

Alternative and Emerging Energy Sources and Technology

The development of Australia's natural gas resources could further encourage new gas technologies such as remote LNG and gas transport fuels as an addition to the existing national energy mix. Gas transport fuels can be an important contributor to improving air quality and reducing greenhouse emissions in the fast growing transport sector. The Energy White Paper could consider actively encouraging and fostering development of gas transport fuels to demonstrate a commitment to gas utilization in the domestic energy market.

Summary

The Energy White Paper provides an important opportunity for the Australian Government to establish a template for national energy policy over the coming decade. This can be both operational and aspirational, providing policy direction that inspires and leads the development of energy policy across Australian Governments. Apache offers these introductory comments to assist in the initial preparation and development of the Energy White Paper and welcomes the opportunity for further engagement over coming months.

Yours faithfully



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