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Exploration changes could cost industry

The peak body representing Australia's oil and gas industry is disappointed by the Federal Government's announcement that it will introduce cash bidding as a basis for awarding offshore exploration acreage in "mature areas".

While the measure was flagged in the recent Energy White Paper, the change risks introducing a method for awarding exploration acreage that is more costly than the existing system. The existing system, which has been in place for many years, assesses proposed work programs and their likelihood of success.

APPEA Chief Executive David Byers said: "APPEA has consistently been a strong supporter of the work program bidding system. Cash bid payments reduce the overall pool of funds available for companies to undertake exploration, because they divert funds from the drilling of wells to the payment of government access charges.

"The introduction of cash bidding has the potential to impact on Australia's small explorers who may have limited funds available for exploration. Many of these companies have been directly responsible for identifying the resource potential of regions and basins that are now producing oil and gas in Australia.

"It is important the industry and the Government work together to ensure the cash bidding system is not introduced in a way that impairs Australia's overall attractiveness for exploration activity. This includes continuing the work program bidding system where appropriate and providing clarity on cash bidding application rules where they apply. APPEA therefore welcomes the Government's commitment to work with the industry on the detailed application of cash bidding.

"APPEA also supports the Government's planned introduction of a five-year Acreage Release Strategy as it will assist long-term exploration planning.

"The Government's restated commitment to continued funding of Geoscience Australia represents a significant recognition of that organisation's vital role in contributing to the body of scientific and technical knowledge of Australia's resources."

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The Australian Petroleum Production & Exploration Association represents the upstream oil and gas industry in Australia. APPEA member companies produce around 98 per cent of Australia's oil and gas.