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the voice of australia's  
oil and gas industry

Media Release

13 May 2014

## Oil and gas industry Budget response

Announcements contained in tonight's Budget represent an important first step in improving Australia's fiscal sustainability and laying the foundation for long-term economic growth.

Past and current investment in the oil and gas industry has underpinned Australia's economic performance over the past five years and will provide an important stream of revenues for the Australian community when projects under construction reach production.

In seeking to begin the process of fiscal consolidation, the Australian Government has recognised the challenges that lie before it – relatively weak productivity growth, falling terms of trade, and an ageing population. Importantly, there are opportunities to continue to benefit from the rapid economic development that continues throughout the Asia-Pacific.

We therefore need as a nation to increase our economy's competitiveness and attractiveness for global investment; and this means investing in infrastructure, encouraging innovation, and building capacity in the form of a skilled workforce.

The oil and gas industry today is part way through an investment of around \$200 billion on seven LNG projects, peaking with investment in 2013-14 of more than \$50 billion.

The industry also has tens of billions of dollars' worth of projects under consideration. Australia's competitiveness and attractiveness as a place to do business will determine whether they proceed.

It is noteworthy that Budget Paper No.1 says: ***"exports of LNG are expected to grow significantly by 2015-16 as the more advanced LNG projects begin production. By 2015-16, the value of LNG exports is expected to be roughly double its current level. This would see it surpass both thermal and metallurgical coal, currently Australia's second and third largest exports by value. Continued robust growth is also expected beyond the forecast years as additional projects come online, with Australia likely to overtake Qatar to become the world's largest LNG exporter before the end of the decade."***

In relation to east coast domestic gas supply, Budget Paper No.1 recognises that supply challenges impact the market, saying: ***"restrictions on the spread of new gas extraction technologies are likely to make this problem more acute."***

APPEA Chief Executive David Byers said: "The decisions announced this evening spread the burden across all segments of the Australian community and the economy.

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"There is no simple or single solution that will ensure that Australia captures a new wave of growth and prosperity.

"Securing economic growth in an ongoing and sustainable manner will require us to focus as a nation on enhancing our productivity performance by removing unnecessary regulations, freeing up firms and workers to respond flexibly in a changing market, and to promote a culture of innovation.

"The critical role that Australia's oil and gas industry can play is through investment in the next phase of projects currently under review.

"The ongoing challenge for the Australian Government is to rein in spending, search for expenditure savings, impose Budget discipline, and unshackle Australia's productive sectors via vital reforms of the labour relations regulatory framework.

"The Australian Government has made an important start in improving Australia's fiscal position, and with it, Australia's capacity to endure future global economic turbulence."

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