



appea

the voice of australia's oil and gas industry

Annual Report 2013–2014



APPEA: the voice of Australia's oil and gas industry

The Australian Petroleum Production & Exploration Association is the peak national body representing Australia's oil and gas exploration and production industry.

At 30 June 2014, APPEA had 83 full member companies and 274 associate members. The full members are oil and gas explorers and producers active in Australia. APPEA members account for an estimated 98 per cent of the nation's petroleum production. APPEA's associate members are companies that provide a wide range of goods and services to the upstream oil and gas industry.

APPEA works with Australian governments to help promote the development of the nation's oil and gas resources in a manner that maximises the return to the Australian industry and community.

APPEA aims to secure regulatory and commercial conditions that enable member companies to operate safely, sustainably and profitably.

It also seeks to increase community and government understanding of the upstream petroleum industry by publishing information about the sector's activities and economic importance to the nation.

In addition, APPEA hosts conferences each year to exchange ideas and contribute to the development of the industry's policy positions.

Vision and strategic goals

APPEA's vision is to achieve a growing and internationally competitive Australian oil and gas industry that makes a vital and sustained contribution to the nation's economy.

APPEA's strategic goals are to:

1. Promote excellence in safety, health, environmental performance and community engagement.
2. Achieve timely and secure access to resources for exploration and development.
3. Facilitate access to capital through a regulatory framework that supports investment and industry productivity.
4. Enable access to domestic and international markets on globally competitive terms without distortionary and interventionist policies.
5. Facilitate the implementation of best practices and core values among members.

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From the Chairman and the Chief Executive

In 2013-14, the Australian oil and gas industry continued developing major new projects and made significant advances in its safety agenda.

There were some exciting milestones passed this year. Australia has seven liquefied natural gas mega-projects at various stages of construction — and each is well on track for completion.

APPEA member companies also made significant offshore gas discoveries 2013-14, mostly off Western Australia but also in waters off the Northern Territory.

There were also encouraging oil finds. In the Browse Basin, the Lasseter-1 well (Chevron, Santos and INPEX) discovered a major gas condensate field with a high liquids ratio. In the offshore Canning Basin, Phoenix South-1 (Apache, Carnarvon, FINDER and JX Nippon) found four columns of light crude and may have opened up a major new frontier play. And in the Perth Basin, shortly after the end of the financial year, the Senecio-3 well (AWE and Origin) made what might turn out to be Australia's largest onshore gas discovery since the 1960s.

These discoveries are very encouraging indications that our industry has significant potential for future growth.

In early 2014, LNG passed education to become Australia's third largest export by value, exceeded only by iron ore and coal. In 2013-14, Australia produced 24 million tonnes of LNG. The value of these cargoes was \$16.4 billion, up 14.7% from 2012-13.

This contribution will continue to grow as Australia's LNG industry is about to begin a transition into a major new export phase. This shift will begin before the end of 2014 when Queensland Curtis LNG starts production. By 2018, Australia is forecast to be the world's leading LNG exporter, producing more than 85 million tonnes a year.

By 2020, the oil and gas industry is projected to put almost \$65 billion annually into the Australian economy, paying almost \$13 billion a year in tax, and accounting for 3.5% of GDP.

Despite worked hours expanding considerably in 2013-14, the industry made great strides in its health and safety strategic agenda, and the industry is proud of achieving a marked improvement in its safety performance at a time of such high levels of activity.

In 2013, reported hours worked by both employees and contractors increased by 29 per cent from 2012 (the industry's safety statistics are collected for the calendar year). Yet the number of lost time injuries per million hours worked was 0.54 – 33 per cent lower than the 2012 rate of 0.81 per million hours. The total recordable injury frequency rate was 3.79 injuries per million hours worked – 23 per cent lower than the previous year.

The industry is performing strongly and has plenty of potential for further growth. Additional growth in Australia's LNG sector would deliver valuable infrastructure and regional development, thousands more jobs, and billions of dollars in extra tax revenue. To do this, we must close the cost gap between Australian projects and overseas competition.

There are many reasons for Australia's relatively high-cost environment. Costs in US dollars are the focus for companies making investment decisions. While government and industry cannot control the appreciation of the Australian dollar, the industry is taking responsibility to address other factors – such as improved project delivery methods – and doing what it can to tackle overly high Australian labour construction costs. While there has been a more recent softening in the broader labour market, the industry is working to eliminate unproductive clauses in enterprise agreements to maximise effective hours at work.

But other issues lie squarely in the realm of public policy, and Australia needs its governments – state and federal – to grasp the nettle of reform.

The Federal Government has expressed commitment to reducing red tape and in particular in more effective, efficient and streamlined development assessment processes. This includes environmental regulation where the Federal Government is to be commended for establishing NOPSEMA as the single Federal offshore safety, environmental and operational regulator.

The Federal Government has also committed to delivering a 'one-stop shop' for Federal-state environmental approvals. However, the Opposition, minor parties and independents have not supported this agenda in the Senate.

But at least in federal politics - and in most states - there is clear bipartisan agreement that government intervention in gas markets is poor policy.



APPEA Chairman, Rob Cole.



APPEA Chief Executive, David Byers.

In 2013-14 the Federal Government, the Northern Territory and all of mainland states – apart from Western Australia – reaffirmed opposition to gas reservation and other policies that subsidise gas users at the expense of gas producers.

And in Western Australia, the state's independent Economic Regulation Authority released a report warning that WA's gas reservation policy threatens energy security and discourages the investment needed to increase supply and reduce prices.

Unfortunately, other serious policy issues remain unresolved and are affecting the industry's international competitiveness.

Ineffective labour market and industrial relations systems have hampered many Australian industries – including the resources and construction sectors. Restrictive workplace laws encourage high labour costs and low productivity on major resource project construction. They facilitate the continued ratcheting up of wages and allowances under greenfields agreements and add to the cost burden of building major projects.

APPEA has advocated a new form of enterprise agreement – Major Project Agreements – that would specifically apply to major capital projects, such as multi-billion dollar LNG plants, and has sought a streamlined visa system that allows the development of a flexible, mobile and skilled workforce.

But these changes will not be enough if the industry does not have secure access to resources and is not working under regulatory frameworks based on sound science and real-life operational practices. Regulation in some parts of Australia has been based on political rather than operational, environmental or scientific imperatives, resorting to arbitrary moratoriums and ad hoc no-go zones.

This is already affecting exploration and production. It will lead to an unnecessary tightening of gas supply in eastern Australia. Policies that undermine the development of energy projects and curtail energy production impose costs on the Australian community, in jobs, in economic growth and ultimately in higher energy bills.

A key message in 2013-14 has been that Australia benefits from a viable oil and gas industry contributing to its long-term economic prosperity.

Good progress is being made. However, APPEA will continue to push for more to be done, as vital policy action taken now will improve the industry's international competitiveness and help secure future investment and project expansion.

Welcome and thank you

In October 2013, APPEA was pleased to announce that former Federal Resources and Energy Minister Martin Ferguson AM had accepted the newly-created position of Chairman of the APPEA Advisory Board. Martin provides invaluable strategic advice to the APPEA Chair, Board, and Chief Executive. He brings a wealth of experience to this role and possesses a deep and intricate understanding of the issues facing the oil and gas industry.

We also want to thank the staff of APPEA for their dedication and commitment and the Board for its support of the organisation in a challenging era. We also thank our member companies.

We will continue to work together and aim even higher in the coming year to build on the industry's considerable achievements.

Key achievements in 2013-14

APPEA has made significant progress in several areas of advocacy.

Taxation and commercial

- Worked closely with Treasury and the Australian Taxation Office to ensure the implementation details of the extended Petroleum Resource Rent Tax were made clear and announced on a timely basis to help companies transition projects into the regime.
- Achieved the continued immediate deductibility of most exploration costs arising from the decision in the 2013-14 Federal Budget to change the taxation treatment of mining rights.
- Began a drive to abolish crude oil and condensate excise for onshore and state water areas.
- Participated in the Productivity Commission's review of non-financial impediments to resource exploration. The Commission's final report supports many of the industry's concerns and advocates reducing the regulatory burden.
- Argued for removing duplicative and burdensome local content impositions in the Australian Jobs Act and returning to a more flexible local content framework.

Labour productivity

- Argued for reforming restrictive workplace laws that drive up labour costs and impair productivity on major resource project construction.
- Delivered the first major piece of work from the new APPEA Productivity Committee: a report – *Improving Labour Productivity: a regulatory reform agenda* – that has become a key tool in our advocacy.

Climate change policy

- Highlighted the low emissions qualities of natural gas and the need to maintain the industry's competitiveness following the repeal of the Clean Energy Act 2011 and the development of the Emissions Reduction Fund White Paper.
- Worked with the CSIRO to develop and manage the first comprehensive research study of methane seeps from an Australian gas field development – the Surat Basin.

Energy policy

- Worked with various governments to successfully maintain a market-based approach to energy policy in most jurisdictions. The Eastern Australian Domestic Gas Market Study and the Issues Paper for the Energy White Paper endorse market-based approaches. APPEA is very pleased that the Australian Government and state governments on the east coast and in the Northern Territory Government continue to publicly reject market interventions such as domestic gas reservation. In Western Australia, efforts continue to secure a review of the Domestic Gas Policy in 2014-15.
- Helped develop the WA Gas Bulletin Board and Gas Statement of Opportunities. This helps enhance transparency and participation in WA's gas markets, supporting market-based, rather than interventionist, energy policies.
- Advocated floating LNG's long-term economic benefits to the WA Legislative Assembly Inquiry into the Economic Impact of Floating LNG. The Inquiry's final report acknowledged FLNG could generate significant opportunities for local Australian suppliers.

State-based regulation

- Worked with peak farming bodies to develop draft land access frameworks in several jurisdictions.
- Facilitated a rebalancing of land access rights via Queensland's Regional Planning policy development process and a review of the Land Access Framework. Government and the agricultural and the petroleum sectors all consider the new system to be an improvement.
- The Queensland Government has now begun a comprehensive review of the tenure framework and all associated processes. The government has also immediately implemented a two-year relinquishment "holiday" to allow time to complete and implement the review's findings.

A silhouette of a worker wearing a hard hat and safety gear, standing on a metal platform or railing. The background is a hazy, blue-tinted sky and sea, suggesting an offshore oil or gas rig environment.

Safety, health, and environment

- Helped achieve major streamlining of duplicative environmental approvals of offshore activities. The Commonwealth accredited the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) as the sole environmental assessor for offshore activities, making Commonwealth Department of Environment approvals unnecessary.
- Worked closely with the Australian Government and NOPSEMA to produce new polluter pays and financial assurance requirements for Commonwealth waters that impose minimal additional regulatory burden.
- Advocated reducing duplicative and unnecessary regulation for the onshore sector and coastal/state waters, and working with Federal and State Governments on bilateral agreements on assessments and approvals.
- Began work on three high-priority projects (marine sound, impacts of unplanned discharges, and an upstream industry oil spill response capacity review) under the industry co-funded Marine Environmental Science Program.
- APPEA's newly formed Oil Spill Response Forum completed two projects – oiled wildlife response and a report on planning for the use of dispersants – and has now started three new projects.
- Significantly improved stakeholder engagement and interaction with commercial fishing industry associations, leading to the development of an inter-industry memorandum of understanding and a roundtable process.
- Established a new Stand Together for Safety Leadership Steering Committee (with agreed representation from APPEA's members, contractors, regulators and frontline workforce) to prevent the loss of containment of hydrocarbons and to build a strong process safety culture across the oil and gas industry.

Policy development and advocacy

APPEA's work increased in scope and volume throughout the seven jurisdictions in which our industry is now operating.

APPEA is the main contact point for policymakers, media and the community for information and analysis of issues affecting our industry.

The association works with federal, state and territory governments to develop and advocate policies that promote investment and facilitate development of the nation's oil and gas resources.

APPEA also seeks to increase community and government understanding of the upstream petroleum industry by publishing information about the sector's activities and its economic importance to the nation. This includes submissions to governments, major reports and media releases.

In 2013-14, APPEA consolidated its presence in Perth, Brisbane and Sydney by recruiting key staff, and opened a Darwin office that is now actively supporting members operating onshore and offshore in the Northern Territory.

While APPEA's geographic footprint expanded, so too did the scope and scale of our advocacy. The industry's rapid growth, coupled with a fluid political environment, and increasing anti-industry activism, requires a wider range of communication, advocacy and policy work.

APPEA has achieved much in a difficult environment, resolving many important policy, operational, and public affairs matters. But much remains to be done. The industry continues to face significant competitiveness challenges and APPEA's work to facilitate increased access to resources; access to markets; and the enhancement of our industry's reputation is more important than ever.

Communications activity

APPEA's communications activity is an integral part of the association's work and is focused on increasing understanding of and support for our industry's activity.

In 2013-14, issues such as onshore gas, energy policy (including domestic and export gas production, sales and distribution), productivity, workplace relations, local content, approvals processes and carbon pricing were major stories. In addition there was continuing growth in major project investment and activity.

APPEA invested significant effort into countering the misinformation being spread by opponents of onshore gas operations.

Through media releases, opinion articles, participation in community forums, presentations at APPEA's national conference, political advocacy and submissions to parliamentary inquiries, and publishing a series of web pages detailing the industry's operations and its economic and environmental contributions, APPEA was a consistent and forceful participant in national public debates.

The organisation has also been much more active in the media and representing the industry at community events throughout Australia. The aim is to ensure that a more balanced perspective is presented through all forms of media, including social media. APPEA and industry representatives have also been available to debate industry critics and to discuss onshore gas-related issues with landholders and the community in general.

In Queensland, NSW, Western Australia, South Australia and the Northern Territory, APPEA is participating in community forums and has developed print and online resources to explain how commercialising natural gas from coal seams or shales in these regions could deliver cleaner energy and stimulate economic and regional development.

As we enter 2014-15, there are encouraging signs that this fact-based advocacy for onshore gas is bearing fruit. But the battle is far from won and APPEA will continue to work hard in this area.

The media room at the 2014 APPEA Conference.



Our Natural Advantage

In the lead-up to the 2013 federal election, APPEA launched the Our Natural Advantage campaign to increase public awareness of the importance of natural gas and public support for the industry's activities.

Our Natural Advantage highlighted the importance of Australian oil and gas development, jobs and local investment. And it forcefully challenged the misinformation of industry opponents and the influence of activism in public policy development.

So far, the campaign has recruited more than 12,000 supporters who continue to voice their support of our industry to state and federal leaders.

Technical communications

APPEA has also initiated a Technical Communications Plan aimed at building trust in the science and technological acumen underpinning the petroleum industry's work.

This has three components:

- Aligning science and APPEA's advocacy positions on technical subjects, ensuring a consistent and scientifically rigorous position
- Communicating the technical case to opinion leaders and the technically curious
- Activating third-party technical support to build trust in the industry's science.

APPEA is also building stronger links to leading Australian research institutions to maximise value from research and reassure the public on the industry's scientific foundations.

Widespread news coverage of APPEA 2014

More than 60 journalists representing 41 media outlets covered the APPEA Conference & Exhibition, which was held in Perth in April 2014.

As well as specialist business reporters, some political journalists also covered the event.

As always, the media room was well organised and the conference delivered a strong flow of policy and industry news with several stories making the front pages of major newspapers and receiving coverage on radio and television.

Media organisations represented at the event included:

- Television and radio stations
- Australian and international newswire services
- Metropolitan and national newspapers
- Rural and regional newspapers
- Australian and international industry and investment publications.

Approvals and regulation

Regulatory approaches vary widely between different jurisdictions.

Reducing red and green tape

APPEA continues to advocate more effective, efficient and streamlined development assessment processes, particularly with regard to environmental regulation (see page 33 for an overview of environmental regulation).

A Productivity Commission Inquiry report – *Non-financial Barriers to Mineral and Petroleum Exploration* – released in March confirms the need to minimise duplicative approval processes and regulations for oil and gas projects. The report also notes that there should be transparency in decision-making processes and that those decisions should be based on scientific evidence.

Policies that undermine the development of energy projects and curtail energy production impose real costs on Australia through lost jobs, forgone economic growth, and higher energy bills.

APPEA welcomes the Federal Government’s efforts to curb the high costs and inefficiencies associated with project development in Australia. The oil and gas industry hopes the “Repeal Day” legislation process – which began with inaugural legislation introduced on 26 March 2014 – marks the start of a concerted effort to boost the sector’s global competitiveness.

Queensland

APPEA has entered a partnership agreement with the Queensland government through its ResourcesQ initiative – a 30-year plan for improving competitiveness of the State’s resources sector.

The Government has identified the resources sector as one of four key pillars for growing the Queensland economy (others include tourism, agriculture and construction). The initiative has strong commitment from the Premier, the Deputy Premier and other key Ministers.

Regional Planning

The Government’s Regional Planning Bill presented a risk of new restrictions being placed on industry activity. After detailed negotiations with the Government, APPEA has secured an

outcome that has diminished the administrative burden and reduced restrictions on activity.

Under the new regime, if there is agreement with a landholder there is no further regulatory requirement. This outcome is significant as the Strategic Cropping Land (SCL) regime no longer applies where there is landholder agreement within a Priority Agricultural Area (PAA).

Where there is no landholder agreement, the Government will authorise an impact on the Priority Agriculture land use of up to 2 percent. The Government maintains this will provide industry with a stronger foundation as companies will be operating either on the basis of explicit landholder support or explicit Government support.

Where impacts are contained to a single property, companies can apply for a “Property Level Impact” approval that neighbouring landholders cannot appeal against. In a situation where the impact covers more than one property, the approval pathway is considerably more onerous. However, the gas sector is expected to not often require this form of approval.

Tenure reform

In response to ongoing requests for reform from APPEA and industry, the Queensland Government has begun a major overhaul of the state’s tenure framework.

The framework will shift from the existing prescriptive and inflexible approach to one based on performance. The new framework’s positive features are expected to include:

- 12-year exploration tenure terms with a “check-in” at 6 years.
- Potential for no relinquishment of exploration tenure at the six-year check-in if a proponent meets performance objectives
- The ability to manage tenures on a project basis
- A retention tenure to replace the potential commercial area policy
- Removal of restrictions on the size of development authorities
- An annual forward program for land releases with a formal process for industry input



APPEA continues to advocate for more effective, efficient and streamlined development assessment processes.

Land access review

APPEA's representations to the Review of the Land Access Framework have achieved a positive outcome for the industry. The Government has accepted the following points advocated by APPEA in the Review:

- Heads of compensation for land access should not be expanded to include landholder time or loss of visual amenity
- The Land Court should not be able to issue injunctions relating to conduct – this preserves proponents' existing access rights
- Minimum timeframes for access should be maintained – a new form of dispute resolution will be introduced, but it must operate within the existing statutory timeframes.

Streamlined environmental conditions

Following consultation with APPEA, the Department of Environment and Heritage Protection has implemented streamlined conditions for petroleum production activities.

Western Australia

Hydraulic fracturing inquiry

In August 2013, the WA Legislative Council established an Inquiry into the Implications for Western Australia of Hydraulic Fracturing for Unconventional Gas. The terms of reference focus on operational issues, including impacts on current and future land use, use and reuse of ground water, land rehabilitation and disclosure of chemicals. APPEA provided two submissions that emphasised the importance of shale gas, the need for hydraulic fracturing to access shale gas, current operator practices and industry commitment to continuous improvement. APPEA and member companies reinforced these messages during public hearings in February 2014. The report is expected in 2015.

Draft resource management regulations

APPEA coordinated an industry response to the release of the WA Department of Mines and Petroleum's draft resource management regulations. The new regulations – expected to be finalised in late 2014 – include a mix of objective and prescriptive oversight aimed at delivering high standards of well integrity during all stages of shale and tight gas operations.

WA Land access

APPEA continued to work with companies, the WA Government and peak farming organisations to develop a standard land access agreement that clarifies operators' and landowners' rights and responsibilities during petroleum exploration activities. A final draft agreement is expected to be presented to all parties for endorsement in late 2014.

South Australia

APPEA has been collaborating with the Department for State Development (formerly the Department for Manufacturing, Innovation, Trade, Resources and Energy), member companies and key stakeholders to further the objectives of the South Australian Roadmap for Unconventional Gas. The Roadmap and associated Roundtable process have facilitated effective consultation across government and industry, and continue to help in refining an operational and regulatory framework that is considered a model for other jurisdictions.

In 2014-15, APPEA will work closely with the South Australian Chamber of Minerals and Energy to address community information needs and promote resources development in that state, which has considerable opportunities for growth.

Continued overleaf.

Approvals and regulation

Northern Territory

Hydraulic fracturing inquiry

In March 2014, the Chief Minister initiated an Inquiry into Hydraulic Fracturing in the Northern Territory. APPEA's submission was one of more than 230 received. The inquiry is expected to deliver its report in December 2014.

Regulatory reform

In 2013-14, APPEA worked closely with the Department of Mines and Energy to develop and implement reforms arising from a review of petroleum legislation. Priorities include finalising environment and resource management regulations, rewriting the legislation and dealing with actions arising from the Inquiry into Hydraulic Fracturing.

Access and compensation for landholders

APPEA has been working with the NT Cattleman's Association on a model access and compensation agreement for voluntary use between oil and gas companies and pastoral stations.

In March, the NTCA passed a resolution calling for greater government regulation of access agreements between pastoralists and resource companies. But APPEA believes an approach based on cooperation and relationship-building would be a better option and is seeking to finalise and release the model agreement as soon as possible.

New South Wales

The regulatory environment and shifting goalposts in NSW have created substantial uncertainty for onshore gas operators.

In early 2014, the Government initiated a review of the state's arbitration framework for land access. The Review found that the current arbitration fundamentals were sound, but operational transparency, accountability and consistency should be improved.

In May 2014, the NSW Government set a worrying precedent for resource development by suspending previously approved exploration drilling at Metgasco's Rosella project.

The industry recognises there are people with genuine concerns regarding resource development who are open to consultation, science-based evidence, and reasonable negotiation; and there are others who are not. But the decision implied that government and regulators would consider protest action to be a proxy for "ineffective" consultation, and therefore grounds for license suspension.

The Metgasco work program had been approved by relevant regulatory bodies, including the NSW Department of Resources and Energy; the NSW Office of Coal Seam Gas, in consultation with advice from the NSW Office of Water; the NSW Department of Primary Industries; the Environment Protection Authority; and the NSW Office of Environment and Heritage.

The NSW Chief Scientist's Independent Review of Coal Seam Gas Activities in New South Wales, delivered in October 2014, found that the risks associated with coal seam gas operations are manageable.

The report states that the technical challenges and risks posed by the industry can be safely managed and noted the high standards of engineering and professionalism in natural gas companies. The industry hopes this will provide a solid platform for the regulatory changes needed to enable development of NSW gas resources.

Victoria

The Victorian Gas Market Taskforce report, delivered in November 2013, found there was a compelling need to develop the state's onshore gas reserves.

The Government announced that it would not accept most of the Taskforce's recommendations and would continue a moratorium on hydraulic fracturing until at least July 2015. A further major setback to the development of onshore gas occurred in May 2014, when the Government imposed a ban on work plan approvals for onshore gas approvals.

APPEA has been active in its representations before the Government and Opposition and is pursuing the removal of all moratoriums and bans on onshore exploration and production following the November 2014 State election.



Taxation and commercial

The oil and gas industry requires a stable fiscal regime to underpin investments that often take decades to generate positive economic returns.

Governments should not underestimate the impact of taxes on commercial decisions and the economics of marginal projects.

During 2013-14, APPEA worked closely with members, government agencies and advisory firms on a range of taxation issues affecting on the industry. A key priority in 2014-15 will be the Federal Government's Taxation White Paper.

Industry and Treasury joint forum

In a joint initiative, APPEA and the Federal Treasury have established a new forum comprising senior representatives from APPEA member companies and Treasury. This Oil and Gas Taskforce lets industry and government share information and address tax policy issues of mutual concern. It will provide an important vehicle to allow Treasury to better understand the industry's performance and the factors that influence investment decisions.

Petroleum Resource Rent Tax (PRRT)

Taxation ruling – scope and definition of exploration

APPEA liaised closely with the Australian Tax Office and lodged detailed submissions regarding the draft taxation ruling TR 2013/D4 – Petroleum resource rent tax: what does 'involved in or in connection with exploration for petroleum' mean? APPEA expressed concern that the ATO's proposed new position was inconsistent with the policy intent of the PRRT regime; that it failed to reflect the changing nature of the industry's operations; and that inconsistent outcomes could arise for taxpayers in the same project (depending on individual fact and timing patterns of when deductions can be claimed). Constructive discussions have shaped a potentially pragmatic outcome.

Extension of PRRT onshore

APPEA continued to work closely with the ATO regarding final details associated with the decision to extend the PRRT to onshore areas. Following extensive consultation between the industry and the ATO, in 2013-14 the ATO released material on

interpretative and compliance issues for companies using the 'look-back' approach for transitioning projects into the extended PRRT regime. This material helps taxpayers make informed election decisions for petroleum projects, retention leases and exploration permits.

APPEA continues to work with the ATO on the release of guidance material for administrative and technical matters associated with the regime.

Production exemption – onshore projects

To address the potentially negative impact that aspects of the transitional PRRT provisions are having on some onshore projects, APPEA continues to seek the introduction of a 'barrel of oil equivalent' exemption from PRRT for new onshore projects.

Onshore administration

The decision to extend the PRRT regime to capture onshore activities has now been law for some time, but it still poses compliance and interpretative challenges for many companies.

This is regardless of whether production exists or if a tax liability will ever be incurred. In late 2013, the Government committed to addressing this growing administrative burden. APPEA is now pressing to see real movement in implementing this commitment.

Future PRRT priorities

APPEA is placing a high priority on the following issues associated with the future operation of the PRRT regime:

- resolving the complexity and uncertainty associated with defining 'excluded expenditure'
- ensuring that the ATO's future compliance activity is undertaken on a systems basis rather than through the verification of all source documents held by companies
- seeking to simplify the compliance obligations on smaller companies in the industry.



APPEA continued to work closely with the Tax Office on final details associated with the extension of the PRRT to onshore areas.

Excise and royalties

Crude oil and condensate 'production' excise

As part of its 2014-15 pre-Federal Budget submission, APPEA has sought the abolition of the existing crude oil and condensate excise regime for production sourced from all areas onshore and from fields within state waters areas.

As the Federal Government has now committed to applying the PRRT to all upstream oil and gas operations in Australia, it is now appropriate to abolish the excise regime, particularly in areas where no liability exists.

Removing the excise regime would also be consistent with the Government's commitment to remove unnecessary and duplicative red tape.

Petroleum royalties – Queensland

Several aspects of the operation of Queensland's petroleum royalty regime need reform. Consultations are being held with the Office of State Revenue (OSR) on the regime's administrative aspects (including seeking clarification around the imposition of penalties) and its policy and interpretative provisions. APPEA is also represented on a new resources forum that OSR has established to address a range of royalty issues.

Company tax

Definition of exploration – income tax

APPEA is engaging with the ATO, aiming to clarify the scope and definition of 'exploration' for income tax purposes. Consultations are expected to extend over the next 12 months. APPEA advocates a definition that reflects that exploration is intended to generate commercially recoverable reserves of oil and gas.

Continued overleaf.

Taxation and commercial

Exploration 'first use' review

The Government announced it intended to proceed with both thin capitalisation and a change to the immediately deductibility for the costs of acquiring mining and petroleum rights. APPEA provided Treasury with detailed comments on the industry's concerns with the proposed new treatment, and highlighted a range of practical issues that are likely to confront oil and gas companies.

APPEA has stressed that the provisions must not discourage project realignments or risk sharing, which are critical to continued exploration and the efficient development of any discovered resources.

Income tax – function currency rules

APPEA and the Minerals Council of Australia worked together to object to the ATO's proposed change in interpretation regarding the repayment of loans made by taxpayers when such loans are taken out in a functional currency. The consultation process (which included a number of professional bodies and advisory firms) led to the ATO's proposed position being overturned.

Income tax – thin capitalisation rules

The Federal Government tabled legislation to introduce rules to limit how much debt taxpayers can claim in relation to funding their Australian operations for income tax purposes. The provisions consist of several statutory debt limit tests, as well as a new test for inbound investors to restrict tax-deductible gearing of Australian operations to the level of gearing for the worldwide group.

Income tax 'effective asset lives' – CSG operations

The ATO approached APPEA seeking industry input into a review of the effective lives for depreciation purposes of assets used in coal seam gas extraction. It is expected that the review will be completed by mid-2015. Several member companies with interests in CSG operations are working with APPEA and the ATO in conducting the review. The industry's view is that most lives should be the same as those that exist as part of conventional oil and gas operations.

Cash bidding for exploration acreage

APPEA strongly supports the work program bidding system for the release of all Australian exploration acreage.

This system has served Australia well and has positioned the nation to be a leader in the supply of gas to both domestic and global markets.

Notwithstanding the industry's view, Federal Parliament passed legislation in late 2013 that introduced cash bidding for selected offshore acreage.

APPEA provided comments on the development of guidelines intended to set key parameters for the regime's operations.

Issues that must be carefully monitored include prequalification provisions, the application of the 'reserve price', compliance costs for applicants and the impact on smaller companies in the industry. APPEA will be carefully assessing the operation of the regime.

Northern Territory – NT Build scheme

In April, the NT Government announced changes to its NT Build scheme, which provides long service leave benefits for construction industry workers.

Following strong representations from APPEA and industry, the Government agreed to restructure and reduce the levy that applies to major projects and to clarify the exemptions applying to oil and gas exploration and operations.

This work is being progressed by a joint industry-government working group; the changes are expected to be implemented by the end of 2014.

Labour productivity

Industry and government must work to improve productivity and enhance access to the skilled workforce needed to build and operate the oil and gas projects now under construction.

Industrial relations

APPEA released a substantial report – *Improving Labour Productivity: A Regulatory Reform Agenda* – at the 2014 APPEA Conference in April.

The report recommends:

- Amending the Fair Work Act 2009 in the areas of greenfields agreements, union rights of entry, protected industrial action and allowable matters under enterprise bargaining agreements. In particular, amend the Fair Work Act 2009 to introduce a new category of Major Project Agreements that would apply specifically to megaprojects such as LNG developments and large mines.
- Using genuine industry engagement to develop national occupational licensing through a process that accounts for labour mobility, productivity and safety considerations.
- Abolishing the bureaucratic additional regulatory obligations placed on project developers that were introduced as part of the Australian Jobs Act 2013.
- Repealing requirements for labour market testing for subclass 457 visas, and removing engineering occupations and qualifications from the ‘protected experience’ and ‘protected qualification’ categories.
- Having the Department of Immigration and Border Protection work with industry to ensure that the subclass 457 visa program operates with optimal flexibility and speed, and supports the demand for skilled migrants.

In meetings with Ministers, the Opposition and government officials, APPEA has argued for the implementation of these recommendations. The concept of a Major Project Agreement that would last for the duration of construction is squarely on the agenda and APPEA is now developing broader reform proposals.

Growing a skilled and mobile workforce

The industry is making a significant contribution towards training and upskilling of as many Australian workers as possible to meet the future needs of LNG projects’ operations and maintenance phase.

The shift to “mega-projects” has created a “training gap” for front-line supervisors who have few opportunities to learn on smaller developments before running more complex projects.

Skill shortages among supervisors, project service managers, project engineering and some major trades areas (such as welders) have been experienced.

As some major projects move into the operational stage, the pressure on construction will ease. But the need for improved first line supervisory skills remains.

APPEA is examining broadening its Safe Supervisor Competence Program (SSCP) to increase its focus on productivity-enhancing practices and project management skills.

While much is being done to train and up-skill process operators and other direct operations employees, there is some concern about the volume and depth of skills available to the maintenance and shut-down contractors who will undertake most of this work.

Demand for the specialist skills – such as project planners, cost controllers and schedulers – needed to ensure this work is done in a timely and efficient manner will also be critical in maximising productivity.

Continued overleaf.

Labour productivity

Workforce mobility and work visas

Industry and government can encourage labour participation and mobility by encouraging flexible work arrangements, removing barriers and investing in regional infrastructure.

These themes are addressed in a report commissioned by APPEA in 2014 to support its response to the Joint Select Committee on Developing Northern Australia Inquiry.

The report, *Heading north: the importance of labour mobility in developing Northern Australia*, emphasised the centrality of labour mobility in any strategy to develop Northern Australia.

As well as training local workers, industry must also have access to the skills and expertise of temporary skilled migrants to construct, operate and maintain the new generation of LNG projects.

Temporary skilled migrants support Australian projects and create local jobs. Often their skills are also transferred to local workers.

A stable and flexible temporary skilled migration program is a vital need for the industry.

APPEA opposed labour market testing of the subclass 457 visa (introduced by the previous Government) in a submission prepared in late 2013, and will continue calls for its repeal.

The measure was introduced on false claims of widespread rorting and it adds more red tape, undermines competitiveness and puts local jobs at risk.

Continued access to temporary skilled migrants in the offshore construction sector is vital.

This preserves the capacity for operators to engage specialised vessels that employ a small number of highly skilled crew members on specialised vessels.

A sustainable and streamlined visa system that does not impose an unacceptable regulatory burden on the industry continues to be a vital component in delivering access to the skilled workforce on which the oil and gas industry relies.

Industry training fund

APPEA established an industry training fund, to help companies meet the local training requirement (Training Benchmark A) for skilled migrants on 457 visas.

Funds deposited into this training fund have been used to support APPEA's scholarship program for local engineering students studying in oil and gas-related programs.

This strong support has prompted APPEA to move to extend the program into the trades areas.

Skilled migrants support Australian projects and create local jobs.



The industry is developing the skills needed to build and operate the oil and gas projects now under construction

Energy policy

Investments made by APPEA members provide Australia and Asian export markets with reliable, competitively priced energy produced under rigorous environmental and safety management regimes.

Natural gas must be allowed to compete effectively and on a level playing field for power generation and process energy in Australia. Any final decision on the choice of fuel inputs should be based on a fuel's intrinsic economic and technical merits, not political considerations.

To encourage continued investment that underpins energy security, Australian energy policy must address:

- The need to increase the proportion of energy produced by natural gas.
- Fiscal, greenhouse policy and other issues affecting the competitiveness of Australia's LNG exports.

A comprehensive national energy policy

The Minister for Industry released an Issues Paper in December 2013, launching a process for developing a new Energy White Paper.

APPEA provided comprehensive written comments on various aspects of the Issues Paper and associated documents, and pressed the case in person with the Minister for Industry and officials from the Department of Industry.

The Issues Paper articulates the important role that Australian natural gas will play in delivering economic growth and energy security, both domestically and throughout our region.

The Issues Paper was followed by the release of an Energy Green Paper in September 2014.

Recognising the critical importance of market-based energy policies, the Green Paper has ruled out imposing a national domestic gas reservation policy. It also provides an important focus on addressing the issues impairing Australia's investment attractiveness.

The White Paper is expected to be released in late 2014 or early 2015. It must guard against Australia's oil and gas companies being disadvantaged against international competitors or against producers of other energy sources in Australia.

Domestic gas

In all sectors of the economy — not just oil and gas — Australia benefits from maintaining access to open and competitive markets.

Australia's gas industry is delivering substantial, economy-wide benefits through investment, jobs, and regional development.

For this benefit to be sustained, governments must resist calls for policy interventions that impose non-commercial outcomes.

In 2013-14, the Federal, Queensland, NSW, South Australian, Victorian and Northern Territory governments all announced or reaffirmed that they would not implement market interventions such as domestic gas reservation.

Despite these statements, some domestic buyers have continued to press for such policies, citing concerns over tightening supply in eastern Australia as Queensland LNG project begin exports.

A gas reservation – in effect – taxes domestic gas production while subsidising domestic gas consumption.

Like all taxes and subsidies, gas reservation distorts economic decisions and generates an unequivocal economic loss – one that compounds over time as future investment decisions are affected.

A 2013 Deloitte Access Economics report commissioned by APPEA, *The economic impacts of a domestic gas reservation*, found introducing gas reservation in eastern Australia would impair the nation's economic welfare.

In January 2014, the Australian Government released its Eastern Australian Domestic Gas Market Study.

Designed to help address information gaps and inform debate on gas policy, this study will feed into the development of the Energy White Paper.



The Moomba gas plant. Photo courtesy Santos.

The study showed that the market is working to supply natural gas for both domestic and export use.

It also found that maintaining the market's capacity to deliver depends on continued exploration and development.

Onerous regulatory restrictions in some jurisdictions (notably NSW and Victoria) are hindering the development of Australia's vast gas resources.

APPEA's submission noted that the Australian Government must focus on removing barriers to the development of eastern Australia's gas industry and not be distracted by calls for intervention into the domestic gas market.

The submission also called for all governments to work together to remove regulatory and other barriers so that more gas flows to the market.

Continued overleaf.

Energy policy

Western Australia

WA's domestic gas reservation policy came under heavy scrutiny in 2013-14. As part of its Inquiry into Microeconomic Reform, the state's independent Economic Regulation Authority conducted a detailed examination of the policy before warning that it threatened the Western Australia's energy security and discouraged the investment needed to increase supply and reduce prices. Despite these findings, the WA Government ruled out any changes to the policy.

In August 2013, WA's Independent Market Operator (IMO) launched a Gas Bulletin Board (GBB) and a Gas Statement of Opportunities (GSOO) for the state's gas market. These initiatives are intended to enhance the security, reliability and availability of natural gas supply.

The GBB is a website that includes information relating to short and near-term natural gas supply and demand, and natural gas transmission in WA.

The GSOO is a periodic statement that includes information and assessments relating to medium and long-term natural gas supply and demand, and natural gas transmission and storage capacity in WA.

During 2013-14, the IMO released two GSOO reports (August 2013 and January 2014). Both clearly showed there is more than enough gas and processing capacity to meet a range of demand scenarios. The IMO intends to release an annual GSOO in December each year.

Victoria

The Victorian Gas Market Taskforce was established in January 2013 and was chaired by former Howard Government Minister Peter Reith.

Its purpose was to provide policy options to improve the operation and efficiency of the east coast Australian gas market (with a particular focus on market transparency and transmission capability) and suggest ways of increasing gas supplies.

APPEA used its membership of the Taskforce to press for removal of regulatory impediments to developing Victoria's onshore gas and to resist market interventions such as domestic gas reservation policies.

The Taskforce delivered its final report to the Victorian Premier in

November 2013. The Taskforce's key recommendation was that the Victorian Government act immediately to develop new gas supplies from onshore resources.

The Victorian Government has not accepted most of the Taskforce's recommendations and has extended its moratorium on hydraulic fracturing until July 2015.

The onshore gas industry received a further setback in May 2014 when the Government imposed a ban on exploration work plans. This has effectively placed a hold on the approval of any work and operational plans for onshore gas exploration activities, regardless of whether or not they use hydraulic fracturing.

New South Wales

Australia's oil and gas industry has for two years been warning that poor NSW energy policy settings would result in higher-than-necessary east coast gas prices and declining investment in NSW gas operations.

In June 2014, the Independent Pricing and Regulatory Tribunal (IPART) made a final determination that will see retail gas prices increase by an average 17.8 per cent across NSW from 1 July (this estimate was subsequently revised down to 11.2 per cent following the repeal of the carbon price mechanism).

Gas prices have been lower in eastern Australia for the last 15 years but are now rising due to a range of factors, including increased supply costs and restrictions on the ability of companies to adequately obtain access to resources.

Industry has long argued that downward pressure cannot be placed on rising gas prices without expanding the natural gas industry in NSW. Yet policy settings that provide certainty for industry to explore and produce natural gas are lacking.

During 2013-14, APPEA continued to make the case for the NSW Government to lift a freeze on exploration and giving urgent consideration to projects that would increase supply. The call was supported by modelling conducted by ACIL Allen Consulting for AGL Limited and released in July 2014. The report, *Future NSW Gas Supply and Usage: Economic Benefits of Increased Coal Seam Gas Development*, showed the benefits of increasing gas supplies in NSW, including placing downward pressure on gas prices, increasing the real incomes of NSW residents and increasing economic activity in NSW.

Climate change policy

In 2013-14, APPEA worked with the Commonwealth, the states and the Northern Territory on a range of climate change policy issues.

The goal of climate change policy should be to deliver carbon abatement at least cost while ensuring the Australian oil and gas sector's domestic or international competitiveness is not harmed.

Greater use of Australian natural gas – in the domestic market, and in Asia as LNG exports – can significantly reduce greenhouse gas emissions, while also delivering other environmental, economic and social benefits both in Australia and in LNG customer nations. Using more natural gas in Australia's power generation and resource processing would significantly enhance the nation's ability to meet increasing energy needs while at the same time reducing greenhouse gas emissions.

Clean energy legislation

The Australian Government's carbon tax had its second full year of operation in 2013-14. The election of a new Government in September 2013 saw legislation introduced to repeal the carbon tax and to develop and implement an alternative approach, the Emissions Reduction Fund.

In 2013-14, APPEA liaised with the Government and with officials to ensure the carbon pricing mechanism, then in operation, worked as efficiently and cost-effectively as possible.

Several complicated administrative arrangements underpinned aspects of the scheme, particularly those applying to natural gas liability.

APPEA advocated changes so that compliance with the scheme did not impose unnecessary extra costs on the industry nor disrupt existing commercial arrangements.

In addition, APPEA successfully sought more flexible arrangements for managing liabilities and changes in the treatment of joint ventures and managed to achieve some changes in these areas.

Emissions Reduction Fund

In October 2013, the Government began consultation on developing its Emissions Reduction Fund (ERF).

This consultation featured a Terms of Reference document, a Green Paper and a White Paper.

APPEA provided submissions during each of these consultation processes.

In brief, APPEA advocated:

- The proposal to set the emissions baseline on the highest level of reported emissions for a facility over the historical period 2009–10 to 2013–14 must be further refined to ensure that these baselines can accommodate variability in emissions, particularly variability that sees emissions grow over time.
- Any proposal to use a 'best practice' approach with regard to new investments must be treated with caution. It is far more appropriate to treat these investments in the same way as existing investments by setting a baseline once an appropriate time series of data is available.
- Compliance arrangements must be flexible.

With some elements of the ERF proposed to start 1 July 2014 and other elements on 1 July 2015, consultation will continue into 2014-15.

APPEA will continue working with the Australian Government on further development of the ERF to enhance Australia's international competitiveness as a destination for oil and gas investments.

APPEA also advocated expediting the removal of the hotch potch of policies and programs that regulate greenhouse gas emissions across Australia.

Continued overleaf.

Climate change policy

National Greenhouse and Energy Reporting (NGER)

The Government, in conjunction with the CSIRO, continued work on a project to assess estimation and reporting arrangements for emissions sources associated with natural gas exploration and production especially from coal seams.

In May 2014, the Government released for public comment draft amendments to National Greenhouse and Energy Reporting (Measurement) Determination 2008 that propose some minor changes to the measurement determination.

The amendments would apply to the reporting year 2014–15 and would affect NGER reports to be submitted in October 2015.

The draft amendments also extend a voluntary method for estimating fugitive emissions associated with coal seam gas to other sources of natural gas.

The proposed changes are voluntary and apply across the entire industry.

These amendments were made in the National Greenhouse and Energy Reporting (Measurement) Amendment Determination 2014 and will apply to the reporting year 2014-15.

Review of the Renewable Energy Target

In 2013-14, APPEA participated in a review of the Renewable Energy Target. APPEA's submission to the Review maintained our long-held view that the Renewable Energy Target is an inefficient policy approach that should be discontinued.

If the RET is retained its operation should be streamlined and simplified. The existing exemption from RET obligations for those generating their own electricity on site (such as some LNG facilities) must be maintained.

The Australian Industry Greenhouse Network

APPEA is part of the Australian Industry Greenhouse Network (AIGN), a group of industry associations and businesses that coordinates industry action on climate change policy issues to promote sustainable industry development.

In 2013-14, the AIGN provided input to numerous submissions, with a particular focus on the operation of the Clean Energy Act 2011 and on the development and proposed implementation of the ERF.



Greater use of Australian natural gas – domestically and in export markets – has global benefits.

Safety and health

APPEA programs support excellence in the Australian oil and gas industry's health and safety performance.

APPEA works with members and key stakeholders to improve the efficiency and effectiveness of regulation, share best practices in addressing health and safety risks, and develop new approaches to improving health and safety performance.

A strategic agenda to deliver a step-change in safety performance was established in 2007 with the inaugural CEO Safety Leadership Forum. Since then, industry lost time injury rates have been reduced to one-third of 2008 rates (from 1.64 to 0.54 in 2013) despite activity almost tripling (54.3 million hours in 2008 to 154.4 million in 2013), demonstrating the desired breakthrough in performance delivery.

2013 health and safety performance

In 2013, activity across industry continued to expand – worked hours increased by 29 per cent, from 119.4 million to 154.4 million. Despite this increase, data reported to APPEA in 2013 showed a significant improvement in injury frequency rates:

- Reported hours worked by both employees and contractors increased by 29 per cent from the previous year.
- The number of lost time injuries per million hours worked was 0.54 which is 33 per cent lower than the lost time injury rate of 0.81 per million hours worked in 2012.
- The total recordable injury frequency rate was 23 per cent lower than the previous year, with a rate of 3.79 injuries per million hours worked.
- Most reported incidents occurred during construction, production and development drilling activities, similar to 2012.
- Most incidents continued to occur onshore – 92 per cent of reported incidents in 2013.

2013 CEO Safety Leadership Forum

The CEO Safety Leadership Forum comprises chief executives from exploration and production companies, major contractors and service providers.

At its 2013 annual meeting, the forum resolved to develop a new safety leadership program to bring together oil and gas companies, workers, contractors and regulators to reduce the risk of major accident events.

This initiative will transform APPEA's widely recognised and well supported "Stand Together for Safety" (STFS) brand from being an annual industry-wide stop-work safety event into an ongoing program.

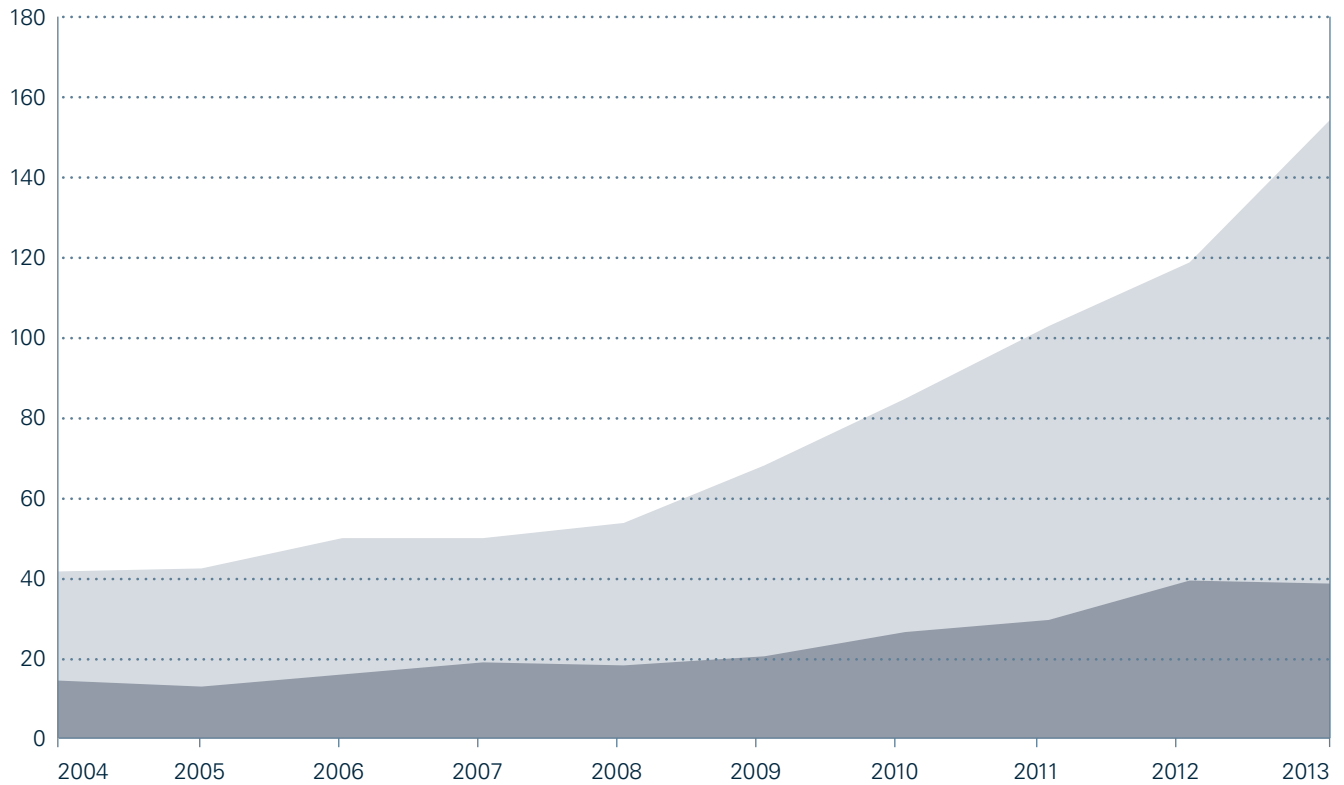
The initial priority for STFS is process safety. A video – "Process Safety – Who's Responsible" – was produced soon after the end of the financial year. It is intended to encourage informed conversations amongst all participants.

The next phase of the program will include building on the barrier concepts in the video, developing critical leadership behaviours for process safety, and creating materials for facilitated workshops to engage and enrol a broad variety of stakeholders.

A redeveloped STFS website will provide a portal for process safety information.

Other new materials, resources and toolkits are being developed and will be rolled out under the STFS leadership banner. These practical solutions will have industry-wide application.

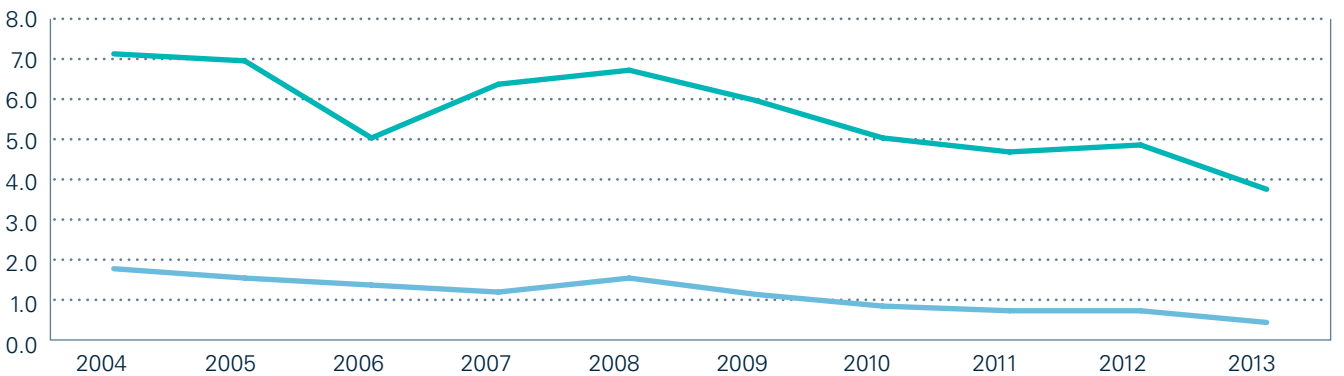
Hours worked in the Australian oil and industry
millions



■ Work hours contractor ■ Work hours company

Source: APPEA Safety Performance Report – 2013 data.

Lost time injury frequency and total recordable injury rate
per million hours worked

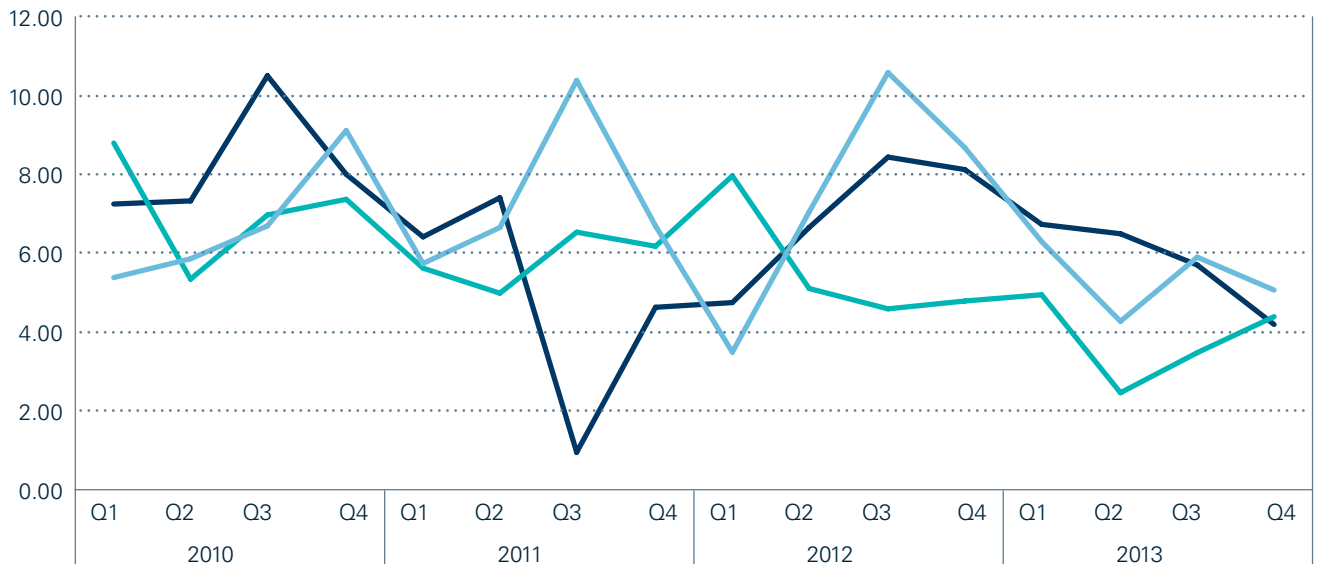


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Source: APPEA Safety Performance Report – 2013 data.

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Total recordable injury rate - offshore, onshore, CSG
per million hours worked

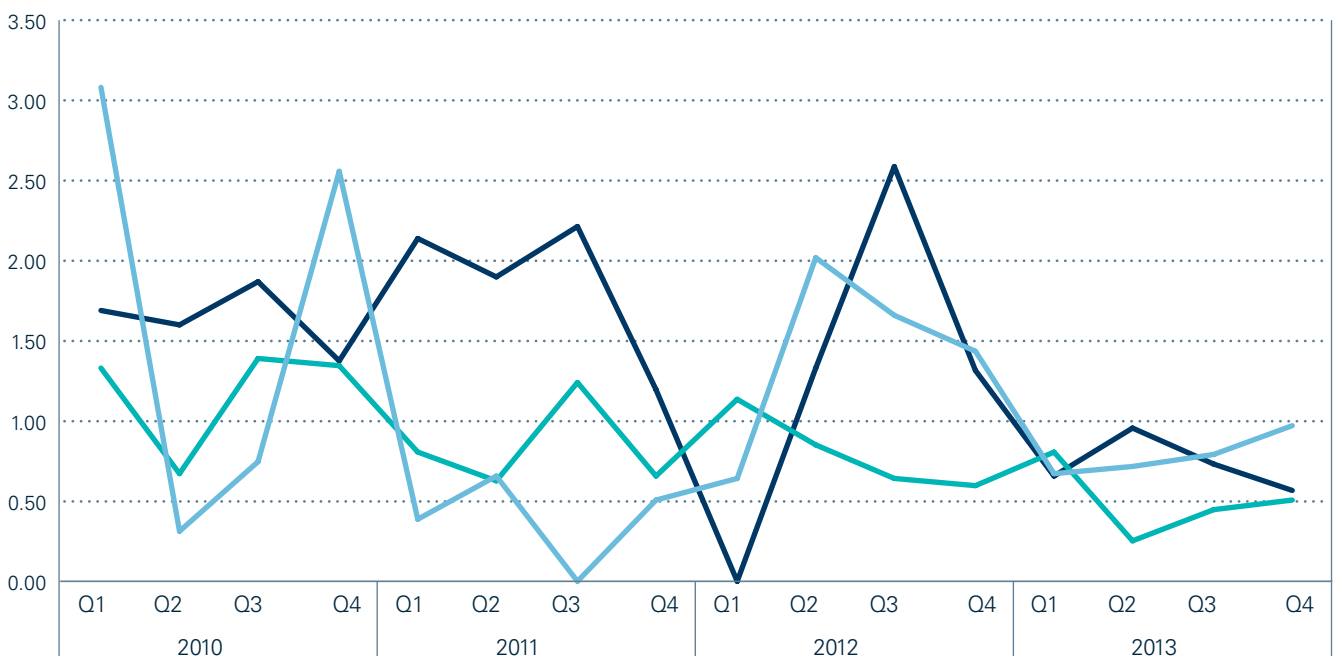


	2010				2011				2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Offshore	7.24	7.33	10.50	8.00	6.41	7.40	0.95	4.61	4.74	6.67	8.43	8.13	6.75	6.49	5.69	4.21
Onshore	8.78	5.35	6.97	7.38	5.64	4.99	6.53	6.19	7.95	5.09	4.59	4.80	4.96	2.46	3.46	4.39
CSG	5.40	5.86	6.71	9.10	5.75	6.65	10.40	6.69	3.49	7.06	10.60	8.66	6.30	4.29	5.89	5.05

— Offshore — CSG — Onshore

Source: APPEA Safety Performance Report – 2013 data.

Lost time injury frequency – offshore, onshore, CSG
per million hours worked

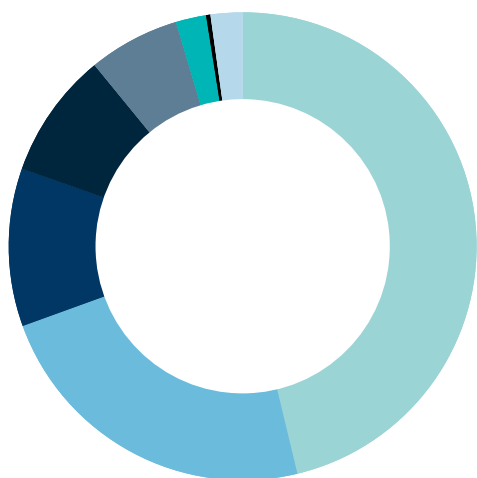


	2010				2011				2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Offshore	1.69	1.60	1.87	1.37	2.14	1.90	2.22	1.20	0.00	1.33	2.58	1.32	0.65	0.95	0.73	0.57
Onshore	1.33	0.67	1.39	1.35	0.81	0.62	1.24	0.66	1.14	0.85	0.64	0.60	0.80	0.25	0.45	0.51
CSG	3.08	0.31	0.75	2.55	0.38	0.66	0.00	0.50	0.64	2.02	1.66	1.44	0.67	0.71	0.79	0.97

— Offshore — CSG — Onshore

Source: APPEA Safety Performance Report – 2013 data.

Incidents by activity
(% of incidents with each activity)



	NUMBER	%
Construction, commissioning, decommissioning	270	46.2%
Drilling, workover, well services	136	23.2%
Production operations	64	10.9%
Maintenance, inspection, testing	51	8.7%
Ancillary support	37	6.3%
Seismic / survey operations	12	2.1%
Transport - people	2	0.3%
Transport - other	13	2.2%
Total	585	

Source: APPEA Safety Performance Report – 2013 data.

Workers at the Mutineer-Exeter field.
Photo courtesy Santos.



Continued overleaf.

Safety and health

Safety training programs

APPEA has continued to work hard to ensure the Common Safety Training Program (CSTP) and the Safe Supervisor Competence Program (SSCP) are underpinned by clear, efficient and consistent processes so that they achieve high standards.

The CSTP and SSCP provide a fully immersive and simulated style of learning that directly links the training environment and the workplace — so that the same safety behaviours and culture are delivered and reinforced in learning, demonstration and assessment.

Both programs are overseen by the Industry Advisory Group (IAG) established by APPEA. IAG members are drawn from various part of the industry on a voluntary basis. CSTP is now recognised as a world leader because of its fully immersive, workplace simulation and hands-on approach to developing safety skills and culture from the onset of a worker’s career in the oil and gas industry, backed up by workplace demonstration of key safety behaviours.

Over the last 12 months CSTP has achieved enormous growth in

take-up across the Australian offshore oil and gas industry.

The substantial take up and positive experience built up in both programs, is leading to increased interest from across industry in Australia and even internationally.

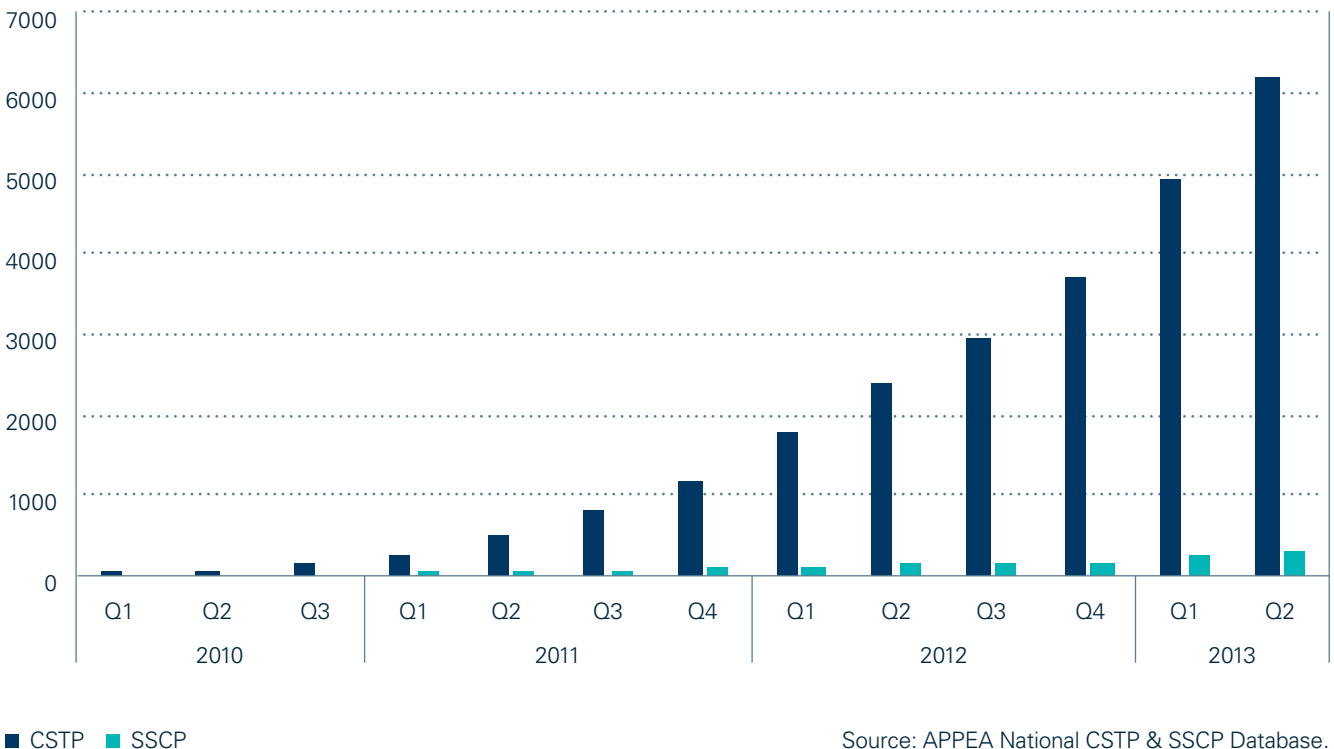
High potential incidents

Industry continued to share high potential incident information, root causes and lessons learned in order to help guard against repeat failures.

APPEA maintains a database of lessons learned for use by industry. In 2013-2014, these incidents were shared with the international Oil and Gas Producers Association to leverage further value from this best-practice Australian approach.

APPEA also facilitates a peer-to-peer sharing of these lessons via the members of its Health Safety and Operations Committee.

Total CSTP & SSCP participants



Source: APPEA National CSTP & SSCP Database.

Environmental management

APPEA has coordinated efforts to further improve the industry's environmental performance.

In 2013-2014, APPEA worked with members and regulators to finalise responses to the 2009 Montara incident, which prompted an increased focus on oil spill preparedness and response.

Oil Spill Response Forum

The APPEA Oil Spill Response (OSR) Forum was established in 2013 to support joint industry initiatives and facilitate greater information sharing between OSR specialists.

A workshop convened in March 2014 identified five priority areas:

- A tool to improve access to key OSR meta-data.
- An industry-wide assessment of OSR preparedness and capacity.
- A best practice guide to developing tactical response plans.
- A consistent approach to oil spill impact assessment and modelling.
- A common understanding of remote sensing and surveillance technologies.

The first of these priorities has been addressed with the start of the Industry-Government Environmental Meta-data (I-GEM) pilot project.

This will streamline access to a common meta-data set in order to increase efficiency of oil spill planning and response.

The benefits will include rapid identification of key environmental data sets during a major oil spill event and providing consistent access to the most up to date data by both oil and gas companies and government agencies.

Oiled Wildlife Response Group

In 2013-14, APPEA's Oiled Wildlife Response Group worked closely with Western Australian government agencies, Apache Energy and Vermilion Oil and Gas Australia to oversee the development of regional OWL response plans for northern waters off Western Australia.

These plans are now being integrated with those of the WA Department of Parks and Wildlife.

The group also produced an operational OWL response manual and facilitated AMOSC's uptake of a containerised mobile OWL Response centre for use by all of its members across Australia.

Dispersant Use Working Group

In 2013-14, APPEA's Dispersant Use Working Group issued a best practice guidance document for oil and gas operators to plan for the use of dispersants in Australia, as a response strategy to marine oil spills.

This document describes a process to deliver assessment and documentation of a chemical dispersant response strategy.

There is an increased focus on oil spill preparedness and response.

Environmental management



The industry has increased research and stakeholder engagement to deal with issues such as seismic surveys.

Marine Environmental Science Program

In 2013, the industry's investment in environmental research was organised into the Marine Environmental Science Program, which brings together several discrete projects. The first of these – "Underwater Sound and Vibration from Offshore Petroleum Activities and its Potential Effects of Marine Fauna: An Australian Perspective" – was awarded to Curtin University's Centre for Marine Science and Technology. Work began in March 2014. The program was expanded during the year to develop technical communication products for use with key stakeholders (such as technical reports, fact sheets and web pages).

Stakeholder engagement

In mid-2013 APPEA began engaging with four of Australia's peak Commercial Fishing Industry Associations – the Northern

Territory Seafood Council, Seafood Industry Victoria, WA Fishing Industry Council, and the Commonwealth Fisheries Association, aiming to reduce the burden of stakeholder engagement between these parties. This led to a draft Memorandum of Understanding that lays out a three-tiered framework:

- A cross-industry roundtable process to facilitate improved communication.
- The development of joint policy frameworks.
- The identification, development and delivery of joint cross-industry opportunities.

APPEA's Environment Committee also established a Fishing Industry Engagement Reference Group. This has representation from nine member companies that provide guidance to the participants in the cross-industry roundtable process.

Environmental regulation

APPEA worked with governments throughout 2013-14 to achieve more efficient environmental regulation regimes.

One-stop shop

The Federal Government has committed to delivering a 'one-stop shop' for environmental approvals to improve Australia's investment climate. If achieved, this will simplify the approvals process for businesses and investors while maintaining high environmental standards.

In 2013, APPEA advocated for the Commonwealth Government's accreditation of the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) to fulfil the requirements of the Commonwealth Environment, Protection and Biodiversity Conservation Act 1999 (EPBC Act). NOPSEMA is now the sole assessor for environmental assessments of petroleum activities in Commonwealth waters.

APPEA has also supported the ongoing dialogue between the Commonwealth, and the States and Territories for the delivery of a one-stop shop for onshore environmental approvals under the EPBC Act, through a series of bilateral agreements.

Significant efficiency gains can be made by achieving robust environmental approvals through consistent regulatory practices. There is also a direct benefit to the environment as regulatory streamlining lets companies put more resources into environmental management and less into administering environmental approvals.

APPEA will continue to advocate in all jurisdictions for the continuation of this significant national regulatory streamlining process.

Water trigger

The "water trigger" introduced into the EPBC Act before the last federal election addresses political rather than environmental objectives.

The law requires Commonwealth approval of coal seam gas projects and large coal mining developments. It was developed without any regulatory impact statement.

It covers only the activities of resources companies while ignoring the vast majority of water users. It duplicates existing state laws, requires new resource sector project proponents to pass both federal and state environmental assessments, and adds unnecessary layers to approvals processes that can increase project costs by millions of dollars.

Throughout 2013-14, APPEA has strongly advocated for the repeal of these amendments and has worked closely with Australian Government agencies to limit the extent of the regulatory burden of the implementation of the water trigger, as far as practicable.

Financial assurances

The Offshore Petroleum and Greenhouse Gas Storage Amendment (Compliance Measures No. 2) Act 2013 enshrines the "polluter pays" principle.

This compels titleholders to demonstrate what has been commonly referred to as a Financial Assurance, before environmental plans can be approved.

The draft regulations presented to the industry in late 2013 impose significant additional administrative burden on titleholders well above what APPEA believed to be the original intent of the legislation.

APPEA has been working closely with its members and the Commonwealth Department of Industry, and liaising with NOPSEMA to develop a practical alternative – a set of compatible industry and regulatory guidelines that will allow titleholders to make a rapid and efficient determination of the assurances they must demonstrate to the regulator.

Constructive dialogue between government and industry has led to a robust outcome while keeping administrative burden to a minimum.

APPEA expects that agreement on the guidelines will be reached by all parties in 2014-15.

APPEA Health and Safety Awards

The 2013 APPEA Health and Safety Awards were presented at the Conference and Awards Dinner.

The winner was Weatherford Australia for its Rig 9 RADAR Rap, which used music and humour to push a strong safety system message.

During a site visit to meet the crews, Weatherford senior executives overheard the crew of Rig 9 rapping about RADAR (Recognise, Approach, Discuss, Agree, Report).

The crew had incorporated the RADAR definitions into an entire song on their own initiative, mainly in order to help the younger members of the crew.

The end result was a music production team visiting Rig 9 to film and produce the rap video.

The response from industry has been overwhelming. Many companies now use the video in their inductions.

Weatherford has seen health and safety performance on its rigs steadily improving since the launch of the RADAR Rap. The rap video can be found on YouTube.

Apache Energy's submission, Giving and Receiving HSE Feedback, was highly commended.

All finalists' submissions were displayed in the poster presentation in the exhibition area.

The Industry Choice Award was determined after the delegates had the opportunity to vote for their favourite initiative.

The winner of the Industry Choice Award was Weatherford for Rig 9 RADAR Rap. Esso Australia was a close runner-up for its Elevated Helicopter Inspection Platforms.

APPEA HSR of the Year Award

This award recognises an outstanding Health & Safety Representative in the Australian oil and gas industry who has made a valuable contribution to the health and safety of fellow workers. The recipient was Sean Turnbull, a process operator at Santos's Tirrawarra site in the Cooper Basin.



A still from Weatherford Australia's Rig 9 RADAR Rap video

2014 Safety Excellence Award



Esso Australia received the 2014 APPEA Safety Excellence Award at the APPEA 2014 Conference Dinner in Perth on 8 April.

The judges found that Esso Australia had been outstanding in several key areas – prevention of major accidents, safety culture, workforce engagement, and industry safety leadership.

In 2013, the company worked to complete the Kipper Tuna Turrum project in Bass Strait.

This saw a new offshore production facility – Marlin B – beginning production in October.

Despite the concentrated effort and pressure involved with building a major project, Esso Australia achieved a record year in its safety statistics.

It posted a total recordable injuries rate of just 1.4 incidents per million work hours.

This reflects the efforts its entire workforce made to prioritise safety.

Esso also screens its contractors on an ongoing basis to ensure that they are aligned with the company's safety focus and fully integrated into its safety programs.

Esso's contractor performance is in line with that of its own, reflecting the effectiveness of this approach.

Environment Excellence Award

A perentie lizard on Barrow Island.



Chevron Australia was presented with the Australian Petroleum Production & Exploration Association (APPEA) Environment Excellence Award at the APPEA Conference Dinner in Perth on 8 April 2014.

The judges concluded that the company demonstrated overall excellence against a broad suite of criteria.

Chevron's Operational Excellence Management System enables employees, team leaders and senior staff to evaluate environmental performance, seek continuous improvement and strive for environmental excellence.

The company also engages with independent expert panels, advisory committees and community reference groups to further improve its environmental planning and program delivery.

Chevron's formal Environmental Stewardship process communicates its core value of protecting the environment to the entire workforce.

This includes expectations that staff will:

- diligently implement environmental plans
- always consider environmental risks
- seek ways to demonstrate good environmental stewardship
- contribute to the ongoing improvement of Chevron Australia's environmental performance.

Chevron Australia has a long history of cutting-edge environmental management.

For more than 50 years, the company has operated on Barrow Island, a Class A Nature Reserve.

During this time, Chevron has successfully protected the island's conservation values.

Barrow Island continues to host both a major oil and gas hub and a rich and diverse ecosystem.

APPEA scholarships

In 2013, three outstanding students were awarded APPEA scholarships.



Engineering scholarship winner Sinee-Rose Wong.

Undergraduate Oil and Gas Engineering Scholarships

Two outstanding undergraduate students have been awarded APPEA Oil and Gas Engineering Scholarships for 2014.

The scholarship for an indigenous student went to Anthony Bailey who in 2014 entered the final year of a Bachelor of Civil Engineering degree at the Queensland University of Technology.

The other scholarship was awarded to Sinee-Rose Wong, a Curtin University student who in 2014 entered the final year of her five-year double degree in Chemical Engineering and Chemistry.

The award for each scholarship is \$5,000 per year up to a maximum of five years (full-time), and is made possible by APPEA's industry training fund.

Scholarship recipients can undertake paid work experience with an APPEA member oil and gas company during university vacation breaks.

Tony Noon Scholarship for postgraduate students

The 2013 recipient of the Tony Noon Scholarship is Simone de Morton, a PhD student at the University of Melbourne who is researching the carboniferous stratigraphy in Ireland and its relevance to Australian oil and gas exploration.

This scholarship is for students enrolled in honours, Masters or PhD programs at an Australian university. It provides a one-off grant to a maximum value of \$3,000 and is aimed at assisting students who are aspiring to or considering a career in the upstream petroleum industry.

This may include, for example, the disciplines of exploration, geology, safety, engineering, environmental management, economics or law.

Applicants must be attending university in the year of application and be an Australian citizen or permanent resident.

APPEA 2014: Sustaining our Natural Advantage

The annual APPEA Conference & Exhibition examined policy issues and industry challenges, as well as the enormous opportunities that the oil and gas industry offers Australia.



An APPEA 2014 plenary session

Every year, this event features federal and state government ministers, as well as influential experts and industry leaders from across Australia and around the world. It facilitates networking and the exchange of ideas and information in a fast-moving industry. It also conveys news about company projects and APPEA's industry advocacy messages to policymakers and media.

Held at the Perth Convention and Exhibition Centre, APPEA 2014 drew more than 3,600 registered attendees from 28 countries.

The conference featured more than 100 presentations and showcased 57 sponsors. The exhibition area covered more than 12,000 square metres and hosted more than 261 organisations.

More than 60 journalists representing 41 media outlets covered the event, and several stories made the front pages of major newspapers and receiving coverage on radio and television.

One notable key speaker was Jérôme Ferrier, President of the International Gas Union, and Senior Vice-President of French petroleum giant Total. The IGU's mission is to advocate the use of gas as an integral part of global technical and economic progress and in particular to encourage international trade in the fuel. Mr Ferrier discussed how natural gas is an integral part of a sustainable global energy future.

Another special speaker was the Hon Mr Justice Sir Charles Haddon-Cave, a judge of the High Court of Justice of England and Wales. In conducting the Nimrod review into the loss of an RAF aircraft in Afghanistan, Sir Charles has drawn conclusions on identifying and managing risks that are highly relevant to the oil and gas industry.

Other executives and experts who addressed the conference included:

- Woodside Chief Executive and Managing Director Peter Coleman of Woodside, speaking on the changing dynamic of the strategic energy challenge for Australia.
- INPEX Corporation President and Chief Executive Toshiaki Kitamura, on securing the next wave of international investment in our oil and gas industry.
- Productivity Commission Chairman, Mr Peter Harris, on policy consistency across energy markets.
- Chevron Australia Managing Director Roy Krzywosinski, on capturing the next wave of LNG development.
- Santos Vice President Eastern Australia James Boulderstone on developing Australia's gas resources responsibly.
- Wood Mackenzie Vice-President, Exploration Research, Dr Andrew Latham on Australia's contribution to global exploration performance.



The Exhibition Hall at APPEA 2014



An APPEA 2014 panel discussion

Politicians addressing the conference included:

- Federal Minister for Industry, Ian Macfarlane
- Western Australian Premier, Colin Barnett
- Queensland Minister for Environment and Heritage Protection, Andrew Powell.

The technical program was the largest-ever at an APPEA event.

The 89 presentations spread across 24 sessions included specialist analyses, technical know-how and informative case studies.

Plenary and concurrent presentations covered a wide range of issues – CSG and shale gas; LNG; new exploration opportunities; energy policy; productivity and competitiveness; safety; global and Australian gas markets; seismic, subsea and production technologies; environmental and water management; legislation and regulation; workforce strategies; tax, fiscal and commercial issues; community engagement; and more.

The conference concluded on Wednesday afternoon with the Project Updates session. With a diverse range of major projects being advanced across Australia, this session continues to grow in popularity and it was almost full to capacity.

Networking and socialising

With several dedicated networking lounges, numerous stands competing to offer quality coffee and happy hour events at the end of each afternoon, the exhibition area offered plenty of opportunities for delegates to exchange news and ideas with industry colleagues and to simply catch up with old friends.

The conference social events were also well attended. Almost 1,600 people came to the conference dinner; 2,250 people registered for the welcome reception; and 1,950 registered for the farewell cocktails.

Delegate feedback

In delegate feedback forms:

- 91% of respondents said they would recommend the APPEA Conference and Exhibition to a peer or colleague.
- 87% said they made new business contacts at APPEA 2013.
- 70% said the APPEA Conference & Exhibition is a key event in their company's strategic planning for the year.
- 87% said the plenary program was relevant to their information needs.
- 82% rated the quality of exhibition as very good or excellent.

APPEA conferences and forums

APPEA National Oil & Gas Safety Conference 6-7 August 2013, Perth

The 2013 APPEA National Oil & Gas Safety Conference was held at Crown Perth (Burswood). More than 400 delegates attended the event.

Keynote speakers included Professor Sidney Dekker who is acclaimed worldwide for his groundbreaking work in human factors and safety and Dr Ali Dale who has consulted extensively to the resources industry across 18 countries throughout Asia, the Pacific, South America, North America, Europe and Africa.

International speakers discussed changes in industry practice following the Macondo incident in the Gulf of Mexico.

Nine concurrent session streams covered process safety, human factors, safety culture and leadership, occupational health, onshore safety, emergency response, and technical and operational matters.

HSR Forum 5 August 2013, Perth

The 2013 HSR Forum was held at Crown Perth, immediately preceding the APPEA National Oil & Gas Safety Conference. It attracted almost 200 delegates.

The program provided several thought-provoking presentations, as well as many opportunities for engagement, including an interactive role play about improving safety, one act at a time, and panel discussions on fatigue, heat stress and teams, routine and change.

Onshore Gas Conference & Exhibition 1-2 October 2013, Adelaide

More than 400 people attended the APPEA Onshore Gas Conference, held at the Adelaide Convention Centre.

Panel discussions and presentations involved 53 different speakers.

Keynote speakers included South Australian Premier Jay Weatherill, Northern Territory Chief Minister Adam Giles and former Federal Resources Minister Martin Ferguson who shortly before the conference became Chairman of the APPEA Advisory Board.

All speakers highlighted the importance of natural gas to Australia's economy through job creation and investment, particularly in rural and regional communities, and the need for science-based regulation of the industry.

2013 APPEA Taxation & Commercial Conference 21-22 November 2013, Sanctuary Cove, Queensland

APPEA's biennial Taxation and Commercial Conference event brought together oil and gas industry taxation, legal, accounting and commercial professionals to discuss issues affecting the financial performance of upstream petroleum companies.

The two-day event featured keynote addresses, concurrent sessions on specific issues, and ample networking opportunities. Speakers and delegates included industry experts, representatives from advisory and legal firms, and government officials.

The next APPEA Taxation & Commercial Conference will be held 28-30 October 2015 at the Intercontinental Hotel Sanctuary Cove Resort in Queensland. A call for papers will be released in early 2015.



Panel discussion at the National Oil & Gas Safety Conference.



The welcome function at the Taxation & Commercial Conference

Membership

Full members – 30 June 2014

AGL Energy Limited
 Apache Energy Limited
 Apex Energy NL
 Armour Energy Limited
 Arrow Energy Limited
 AWE Limited
 Bass Strait Oil Company Limited
 Beach Energy Limited
 Benaris International Pty Ltd
 Bengal Energy Limited
 BHP Billiton Petroleum Pty Ltd
 Blue Energy Limited
 Bounty Oil & Gas Ltd
 BP Developments Australia Pty Ltd
 Bridgeport Energy Limited
 Buru Energy Limited
 CalEnergy Resources (Australia) Ltd
 Carnarvon Petroleum Ltd
 Central Petroleum Limited
 Chevron Australia Pty Ltd
 Clarke Oil & Gas Pty Ltd
 Comet Ridge Limited
 ConocoPhillips Australia Pty Ltd
 Cooper Energy Limited
 Cue Energy Resources Limited
 Dart Energy Ltd
 Drillsearch Energy Limited
 Eni Australia Limited
 Epic Drilling Services (Pangaea)
 ERM Gas Pty Ltd
 Esso Australia Pty Ltd (ExxonMobil)
 Exoma Energy Ltd
 Falcon Oil & Gas Australia Limited
 Finder Exploration Pty Ltd
 Galilee Energy Limited
 GDF Suez Bonaparte Pty Ltd
 Hess Exploration Australia Pty Limited
 Hunt Oil Company of Australia Pty Ltd
 Hydra Energy (WA) Pty Ltd
 Icon Energy Limited
 Inpex
 ITOCHU Minerals & Energy of Australia Pty Ltd
 Japan Australia LNG (MIMI) Pty Ltd
 Japan Energy E&P Australia Pty Ltd
 Karoon Gas Australia Ltd
 KUFPEC Australia Pty Ltd
 Lakes Oil N.L.
 Latent Petroleum Pty Ltd
 Magellan Petroleum Australia Limited
 Magnum Gas & Power Ltd
 Meo Australia Limited
 Metgasco Limited
 Mitsubishi Australia
 Mitsui E&P Australia Pty Ltd
 Murphy Australia Oil Pty Ltd
 New Standard Energy Ltd
 Nexus Energy Ltd
 Nido Petroleum Limited
 Norwest Energy NL
 Octanex NL
 Oilex Ltd

OMV New Zealand Ltd
 Origin Energy Limited
 Osaka Gas Australia Pty Ltd
 Papuan Oil Search Ltd
 Petronas Australia Pty Ltd
 PTTEP Australasia (a part of PTTEP Group)
 QGC (a BG Group Company)
 Roc Oil Company Limited
 Santos Limited
 Senex Energy Limited
 Shell Development (Australia) Pty Limited
 Statoil ASA
 Strike Energy Ltd (was Strike Oil Ltd)
 Tamboran Resources Pty Ltd
 Tap Oil Limited
 Tokyo Gas Australia Pty Ltd
 Tokyo Timor Sea Resources Pty Ltd
 Total E&P Australia
 Tri-Star Petroleum Company
 Vermilion Oil & Gas Australia Pty Ltd
 WestSide Corporation
 Woodside Energy Limited

BMT Group Ltd
 BOC Limited
 Bristow Helicopters Australia
 Broome Port Authority
 Brunel Energy Pty Ltd
 Bureau Veritas
 Cameron Australasia Pty Ltd
 Cardno Ltd
 Cenergy Services Australia Pty Ltd
 CGG Services (Australia) Pty Ltd
 Chamber of Commerce & Industry WA
 Charles Darwin University – North Australian
 Centre for Oil & Gas
 CHC Helicopters Pty Ltd
 Chicago Bridge & Iron Company NV
 Citra Tubindo Australia Pty Ltd
 Clayton Utz
 Clough Limited
 CNC Project Management Pty Ltd
 CO2CRC
 Coffey International Limited
 Competentia Pty Ltd
 Core Energy Group
 Corrs Chambers Westgarth
 Crockford Migration Pty Ltd
 Cummins South Pacific
 Curtin University of Technology
 Customer Care Pty Ltd
 Decmil Australia
 Deloitte Touche Tohmatsu
 Digibox
 Dockwise Shipping Australia Pty Ltd
 DOF Subsea Australia Pty Ltd
 DownUnder GeoSolutions Pty Ltd
 Drillstralis
 East Coast Pipe Supplies
 Easternwell Group
 EDG Australia Pty Ltd
 EIG Global Energy Partners
 EM&I (Australia) Pty Ltd
 EMAS Offshore
 Endress + Hauser
 Enerflex Process Pty Ltd
 Energy Power Systems Australia
 Energy Publications
 EnergyQuest
 EnerMech Pty Ltd
 Ensco Australia Pty Ltd
 Ensign International Energy Services
 Enterprise Risk Management Solutions Pty Ltd
 Environmental Resources Management Australia
 Environmental Risk Solutions Pty LTD
 Environmental Strategies WA
 ERGT Australia Pty Ltd
 Ernst & Young
 ESD Simulation Training Pty Ltd
 Export Finance & Insurance Corporation (EFIC)
 Exterran (Australia) Pty Ltd
 Farstad Shipping (Indian Pacific) Pty Ltd
 Fendley Consultancy Pty Ltd
 Fircroft Australia Pty Ltd

Associate members – 30 June 2014

Accenture
 Access Analytic Solutions Pty Ltd
 Access Human Talent Pty Ltd
 Accrete Ltd
 Accuterm International Pty Ltd
 ACEPT – Challenger TAFE
 Achilles Supplybase Pty Ltd
 Acting Consulting Training Australia
 Add Energy Australia Pty Ltd
 AGR Asia Pacific Pty Ltd
 Air Energi (Air Consulting Australia Pty Ltd)
 Ajilon
 Aker Solutions Pty Ltd
 Allens
 AMC Management (WA) Pty Ltd
 ANZ Banking Group Limited
 Archimedes Financial Planning Pty Ltd
 Ashurst Australia
 Asia Edge Pte Ltd
 Aspen Medical Pty Ltd
 Aspermont Limited
 Associated Water Pty Ltd
 Atwood Oceanics Australia Pty Ltd
 Australasian International Petro-Consultants (AIPC)
 Australian Institute of Marine Sciences (AIMS)
 Australian Maritime College
 Aventus Consulting
 Bain and Co
 Baker Hughes Australia Pty Ltd
 Barbaro Group Pty Ltd
 Barker Wentworth
 Barrel Chasers Pty Ltd
 Baseline Training Group
 BDO Pty Ltd
 Benson Resourcing Pty Ltd
 Beyond The Break Australia Pty Ltd

Fluor Australia Pty Ltd
 Fragomen Global
 FrOG Tech Pty Ltd
 Fugro Holdings (Australia) Pty Ltd
 G4S Secure Solutions
 Gaffney Cline & Associates Pty Ltd
 Gas Today
 GE Oil & Gas Australia Pty Ltd
 Georgiou Group Pty Ltd
 Geosoft Australia Pty Ltd
 Geotechnical Services Pty Ltd
 GHD
 Gilbert & Tobin
 GL Noble Denton
 Global Supply Line
 Gold Security Group (International) Pty Ltd
 Golder Associates Pty Ltd
 Gunggari Energy Services
 Halliburton Australia Pty Ltd
 Hart Energy
 Hatch Associates
 Herbert Smith Freehills
 HIMA
 Honeywell Limited
 HopGoodGanim Lawyers
 HWL Ebsworth Lawyers
 IBM
 IDE Technologies
 IDM Partners Pty Ltd
 IFAP – Industrial Foundation for Accident Prevention
 IHS Cera
 Ikon Science Asia Pacific Pty Ltd
 Independent Data Services (Asia)
 Independent Oil Tools Pty Ltd (IOT)
 Informa Corporate Learning
 Informia Pty Ltd
 Institution of Chemical Engineers
 International SOS Australasia Pty Ltd
 Interstaff International
 Intertek
 ION Geophysical Corporation
 ISN Software Australia Pty Ltd
 ITC Global (Australia) Pty Ltd
 Jacobs E&C Australia Pty Ltd
 Japan Oil, Gas & Metals National Oil Corporation (JOGMEC)
 Jet Financial Pty Ltd
 MJM Associates, LLC
 John Holland Energy and Resources
 JTA Australia
 K&I Gates
 KBR
 KJM Contractors Pty Ltd
 Kleinfelder Australia Pty Ltd
 KPMG
 Kvaerner Oil & Gas P/L
 Labrador Petro-Management Pty Ltd
 Laing O'Rourke Australia Pty Ltd
 Leighton Contractors Pty Ltd
 Link Health
 Lloyds Register Asia
 M Squared & Associated Pty Ltd
 Macssgroup Pty Ltd
 McConnell Dowell Constructors(Aust) Pty Ltd
 McDermott Australia Pty Ltd
 McKinsey & Company
 Media Dynamics (Christopher Beck Books)
 Mermaid Marine Australia Limited
 Minter Ellison
 Miro Advisors Pty Ltd
 Murphy Pipe and Civil Constructions
 Nalco Champion
 National-Oilwell Pty Ltd
 Neptune Marine Services P/L
 New Ground Environmental Pty Ltd
 Newpark Resources, Inc
 Ocean Nourishment Corporation Pty Ltd
 Oceaneering Services Australia Pty Ltd
 Offshore Marine Services Pty Ltd
 Oil & Gas Gazette
 Oil Lift Technology Pty Ltd
 OSD Pty Ltd
 Osmoflo
 Ostwald Bros Pty Ltd
 P&R Geological Consultants Pty Ltd
 Pacific Environment Limited
 Palantir Australia Pty Ltd
 Performance on Hand Pty Ltd
 Peroni Pumps Australia Pty Ltd
 Petroleum Exploration & Production Association NZ
 Petroleum Exploration Society of Australia
 Petrospection Pty Ltd
 Petrosys
 PGS Australia Pty Ltd
 Piper Alderman
 Pitney Bowes Business Insight
 Platform Communications
 Polarcus
 Practical Solutions Group
 PricewaterhouseCoopers Services
 Pro Expa Australia
 Quanta Services Australia
 R & D Solutions Pty Ltd
 Resource & Land Management Service
 ResourceLaw International
 Rigzone
 RII– Resource & Infrastructure Skills Centre
 RISC Operations Pty Ltd
 RLG International
 RPS
 RSM Bird Cameron – Chartered Accountants
 R-Web Australia (Petroleum Data System International)
 S2V Consulting Pty Ltd
 Safety Management & Risk Solutions Pty Ltd
 Saipem Australia
 SBA Gallagher
 Schlumberger Australia Pty Ltd
 Schneider Electric (Australia) Pty Ltd
 School of Petroleum Engineering UNSW
 Sealink International Berhad
 Searcher Seismic Pty Ltd
 Sedco Forex International Inc
 Sharpe Engineering
 Sinclair Knight Merz
 Site Skills Training
 Site Workready
 SLR Consulting Australia Pty Ltd
 Solar Turbines Australia
 SPI (Australia) Assets Pty Ltd
 SRA Information Technology Pty Ltd
 Strategic Human Resources
 Subsea 7 Australia Contracting Pty Ltd
 Superior Energy Services
 Sustainability Pty Ltd
 SVT Engineering Consultants
 TCA Partners Pty Ltd
 Technip Oceania Pty Ltd
 Teekay Marine Services
 Tenaris Global Services Australia Pty Ltd
 Terrex Pty Ltd
 TGS-NOPEC Geophysical Company Pty Ltd
 The Boston Consulting Group (BCG)
 The University of Western Australia
 Thiess Pty Ltd
 Tidewater Marine Australia Pty Ltd
 Titan Energy Services Limited
 Toll Energy Logistics Pty Ltd
 Toowoomba & Surat Basin Enterprise
 Total Depth Pty Ltd
 Tox Free Solutions Limited
 Tracerco Limited
 Training & Safety Consultants
 Training Prospects
 Transfield Services (Australia) Pty Ltd
 Trident Subsea Cable
 Trility Pty Ltd
 TSRhorizons Consulting
 UCL School of Energy and Resources, Australia
 UGL Limited
 Uniquip Engineering
 University of Tasmania (UTAS)
 URS Australia Pty Ltd
 V2i Pty Ltd
 Valve Technology Australia Pty Ltd
 Vanguard Solutions Pty Ltd
 Velrada Capital Pty Ltd
 Velseis Pty Ltd
 Veolia Environmental Services
 Veritas Engineering
 Walker Technical Consultants Pty Ltd
 WDS Limited
 Well Control School
 Welltec Oilfield Services Pty Ltd
 Western Australian Energy Research Alliance (WA:ERA)
 Wixted Pope Norea Thompson & Associates
 Wood Mackenzie (Australia) Pty Ltd
 WorleyParsons Services Pty Ltd
 Yantai Jereh Oilfield Services Group Co Ltd
 Yokogawa Australia Pty Ltd



APPEA Board and corporate governance

APPEA's Board is responsible for the company's business planning and strategic direction as determined by the association through Board and other meetings. The Board's governance obligations are defined under the Corporations Act 2001. In addition, the APPEA Corporate Governance Charter defines the respective roles and responsibilities of the Board, the directors, and senior management in setting the direction, management and control of the association. This provides structure and clear guidelines for board processes, decision making, company policy and strategies that support good governance and control practices.

The APPEA Board

Under APPEA's constitution, the APPEA Board must comprise at least six and no more than 16 directors elected by APPEA's full members. Half of the APPEA Board's members are required to resign at each annual general meeting.

At the Annual General Meeting on 28 November 2013, APPEA members elected Rob Cole as Chairman and Warren Ford as Vice Chairman.

Mr Cole, Executive Director and Executive Vice President, Corporate and Commercial, Woodside Energy Limited, replaced David Knox, Managing Director and Chief Executive Officer of Santos Limited, as Chairman. Mr Cole had previously served two years as the APPEA board's Vice-Chairman.



Members of the APPEA Board immediately following the 2013 AGM were as follows:

- Rob Cole (Chairman)– Executive Director and Executive Vice President, Corporate and Commercial, Woodside Energy Ltd
- Warren Ford (Vice Chairman) – Deputy Managing Director & Director of Projects, Apache Energy Ltd
- Robin Antrobus – General Manager, External Relations, ConocoPhillips Australia Pty Ltd
- Peter Cleary – Vice President LNG Markets and Eastern Australia Commercial, Santos Ltd
- Ernie Delfos – Managing Director, eni Australia, EastTimor and PNG
- Gerry Flaherty – General Manager – Asset Development, Chevron Australia Pty Ltd
- Philip Home – Managing Director, Exploration & Production, BP Developments Australia Pty Ltd
- Seiya Ito – President Director Australia, INPEX
- Grant King – Managing Director, Origin Energy Ltd
- Bruce Lake – Managing Director, Vermilion Oil and Gas Australia Pty Ltd
- Todd Lee – Country Manager Australia, BHP Billiton Petroleum Australia
- Richard Owen – Chairman, ExxonMobil Affiliates in Australia
- Peter Robinson – New Ventures Manager, Shell Development (Australia) Pty Ltd
- Mike Sangster – Managing Director, Total E&P Australia
- Peter Stickland – MEO Australia Ltd.
- Eric Streitberg – Executive Director, Buru Energy Ltd.

On 17 July 2014, Douglas Handyside (General Manager Australia, BHP Billiton Petroleum) and David Mendelson (Managing Director, Total E&P) joined the Board, replacing Todd Lee and Mike Sangster, respectively.

On 28 July 2014, Peter Robinson resigned. He was replaced by Andrew Smith (Country Chair, Shell Energy Holdings Australia Ltd) on 25 September 2014.

APPEA Chairman Rob Cole (left) and Vice-Chairman Warren Ford.

Management and administration

APPEA has 37 full-time staff working in areas such as policy, events, administration and communications. Its head office is in Canberra. It also has offices in Perth, Brisbane, Darwin and Sydney.

Senior management at 30 June 2014



David Byers, Chief Executive

David has spent over 20 years in the oil and gas industry with Woodside and ExxonMobil. He is a former Chief Executive of the Committee for Economic Development of Australia (CEDA), a leading national economic research and policy forum.



Noel Mullen, Deputy Chief Executive —
Access, Fiscal & Corporate

Noel is responsible for reviewing and providing recommendations on commercial, fiscal and access issues. He was previously a senior officer in the Department of Primary Industries and Energy's petroleum taxation division.



Stedman Ellis, Chief Operating Officer — Western Region

Based in Perth, Stedman leads APPEA's WA, South Australia and NT advocacy and policy development. He has held senior government and industry roles in regulation and policy, stakeholder engagement and advocacy for more than 25 years.



Paul Fennelly, Chief Operating Officer —
Eastern Region

Paul heads APPEA's policy development and advocacy for Queensland, NSW and Victoria. He has held senior executive roles in business, government and industry groups.



Michael Bradley, Director — External Affairs

Michael is responsible for APPEA's external communications, branding, media and government relations, and marketing. He joined APPEA in 2010 after more than a decade working as a journalist, media advisor and political advisor.



Damian Dwyer, Director — Economics

Damian is responsible for APPEA's economic, trade, climate and energy markets analysis and policies. His 20-year public policy career includes positions as an economist at another industry association and in the Australian Public Service.



Miranda Taylor, Director — Safety, Environment & Skills

Based in Perth, Miranda is responsible for advocacy, policy development and collaborative industry projects in environment, labour, skills and safety. She has held high-level health, safety & environment roles in the private and public sectors.



Cath Sutton, Company Secretary & Director — Support Services

Cath heads APPEA's finance and administrative team. With APPEA since 1994, she was previously Chief Financial Officer at the Real Estate Institute and worked in the print industry.



Rick Wilkinson, Chief Technical Officer

Based in Brisbane, Rick has worked in operations, project management and commercial areas of the oil and gas industry for more than 25 years.

Major submissions and reports

Reports and submissions to government play a major role in APPEA's research, policy formation and advocacy work. In 2013-14, APPEA produced and commissioned a wide range of submissions and reports.

2013 (July – December)

The Natural Gas Revolution: Natural gas from shale and tight rocks

Shale and tight gas resources have the potential to transform Australia's energy production.

Submission on the National Offshore Petroleum Safety and Environmental Management Authority Cost Recovery Impact Statement 2014-16

The Benefits of Natural Gas for NSW

Producing NSW natural gas would enhance the state's energy security, create jobs, put downward pressure on energy costs, and boost economic and regional development.

The economic impacts of a domestic gas reservation

A Deloitte Access Economics report for APPEA shows that domestic gas reservation would generate an economic loss that would compound over time.

Submission on the Emissions Reduction Fund terms of reference

Submission to the WA Legislative Assembly Economics & Industry Committee: Inquiry into Floating LNG

Submission to Inquiry into Geothermal and Petroleum Energy Legislation Amendment Bill 2013 (Western Australia)

Submission to Inquiry on the Implications of Hydraulic Fracturing for Unconventional Gas in Western Australia

Report on Western Australian Gas Statement of Opportunities

EnergyQuest report for APPEA reviews the methodology and assumptions used in the WA Gas Statement of Opportunities, and recommends changes to the modelling.

Submission: Australia's Greenhouse Gas Emissions – Targets and Progress Review Draft Report

Submission to Committee on the Northern Territory's Energy Future

Submission to Inquiry into Microeconomic Reform in Western Australia

Submission to National Commission of Audit

2014 (January – June)

Submission on the Federal Budget

Submission on the Energy White Paper Issues Paper

Submission on the Emissions Reduction Fund

Submission on WorkCover WA's Review of the Workers' Compensation and Injury Management Act 1981

Improving Labour Productivity: a regulatory reform agenda

An APPEA blueprint for workplace relations reform to improve productivity and global competitiveness.

Review of the Offshore Petroleum and Greenhouse Gas Storage Regulations 2011 – APPEA comments on issues paper

APPEA Submission to the Inquiry into the Development of Northern Australia Cutting Green Tape

- APPEA Submission to House of Representatives Standing Committee on the Environment.
- APPEA, Minerals Council of Australia and Business Council of Australia Joint Submission.



Installing the jacket at the Northwest Shelf Venture's Angel platform.
Photo courtesy Woodside Energy.

Submission to the Eastern Australian Domestic Gas Market Study

Submission on the Review of the Renewable Energy Target

Onshore Gas in Australia

An overview of onshore natural gas resources and operations.

Submission to the Senate Inquiry into EPBC amendments

Submission on the draft report of the WA Economic Regulation Authority's Inquiry into Microeconomic Reform in Western Australia

Submission on NSW Biodiversity Offsets Policy for Major Projects draft policy

Examination of the Arbitration Framework under the NSW Petroleum (Onshore) Act 1991 and Mining Act 1992

Submission to the Northern Territory Inquiry into Hydraulic Fracturing

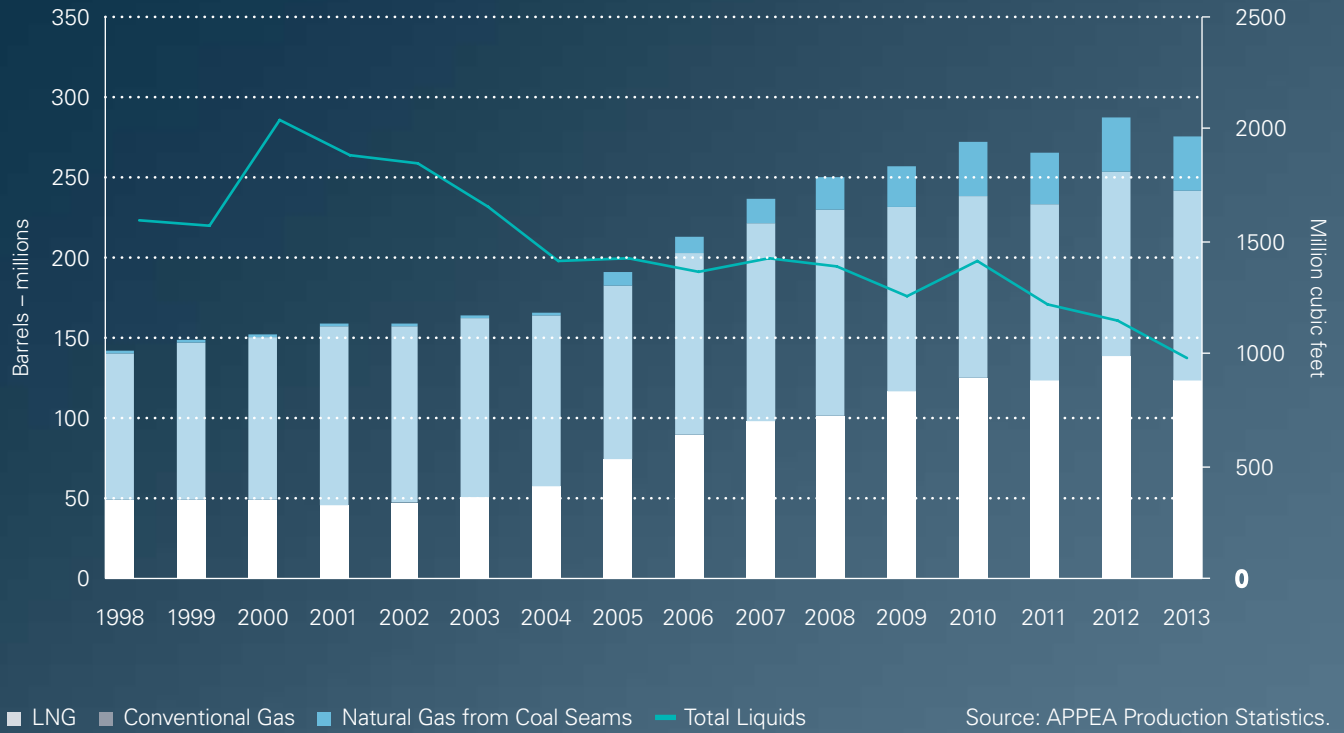
Submission on the Competition Policy Review Issues Paper

Most of these reports can be found on APPEA's website:

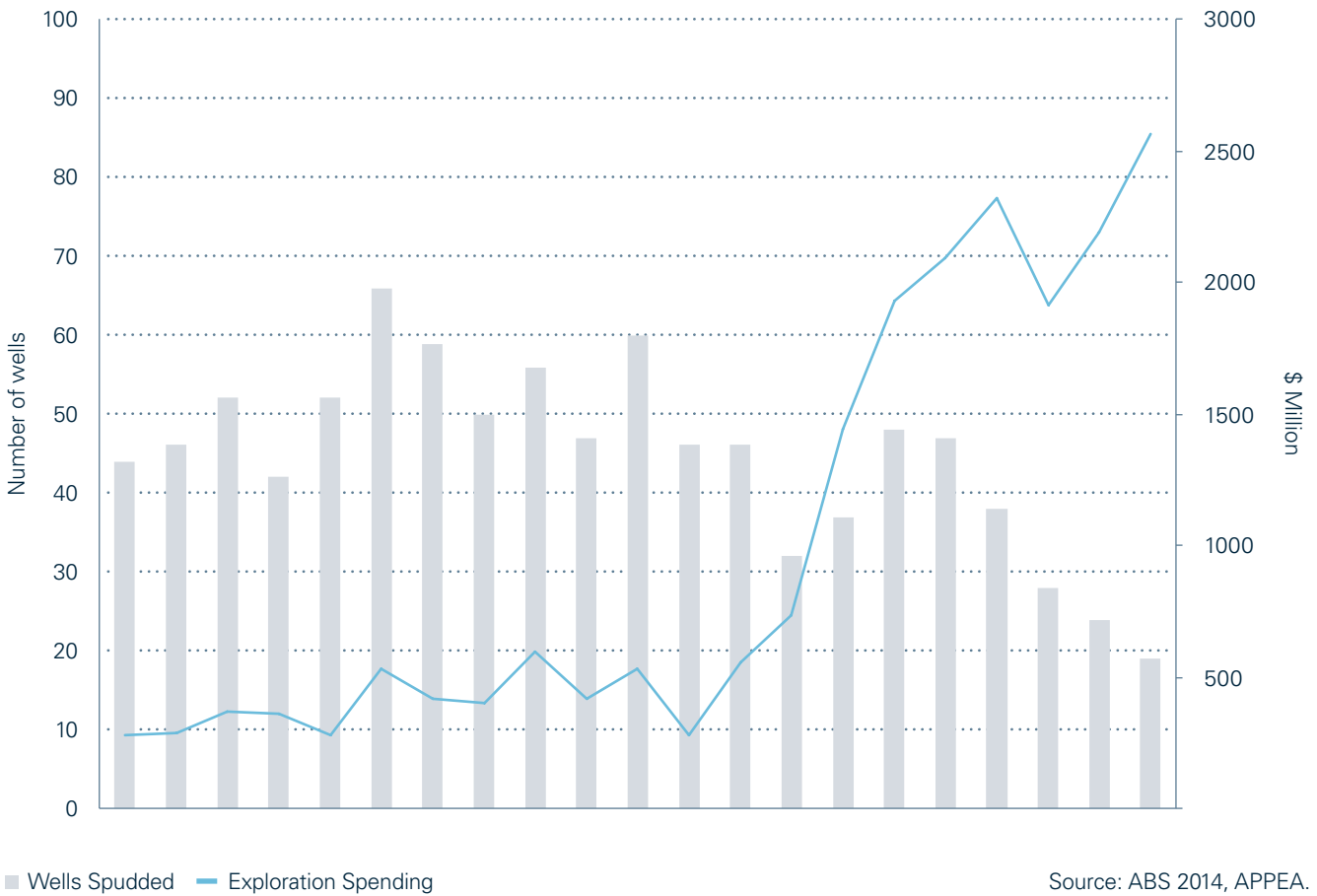
apea.com.au/industry-in-depth/apea-submissions-and-reports

Industry statistics

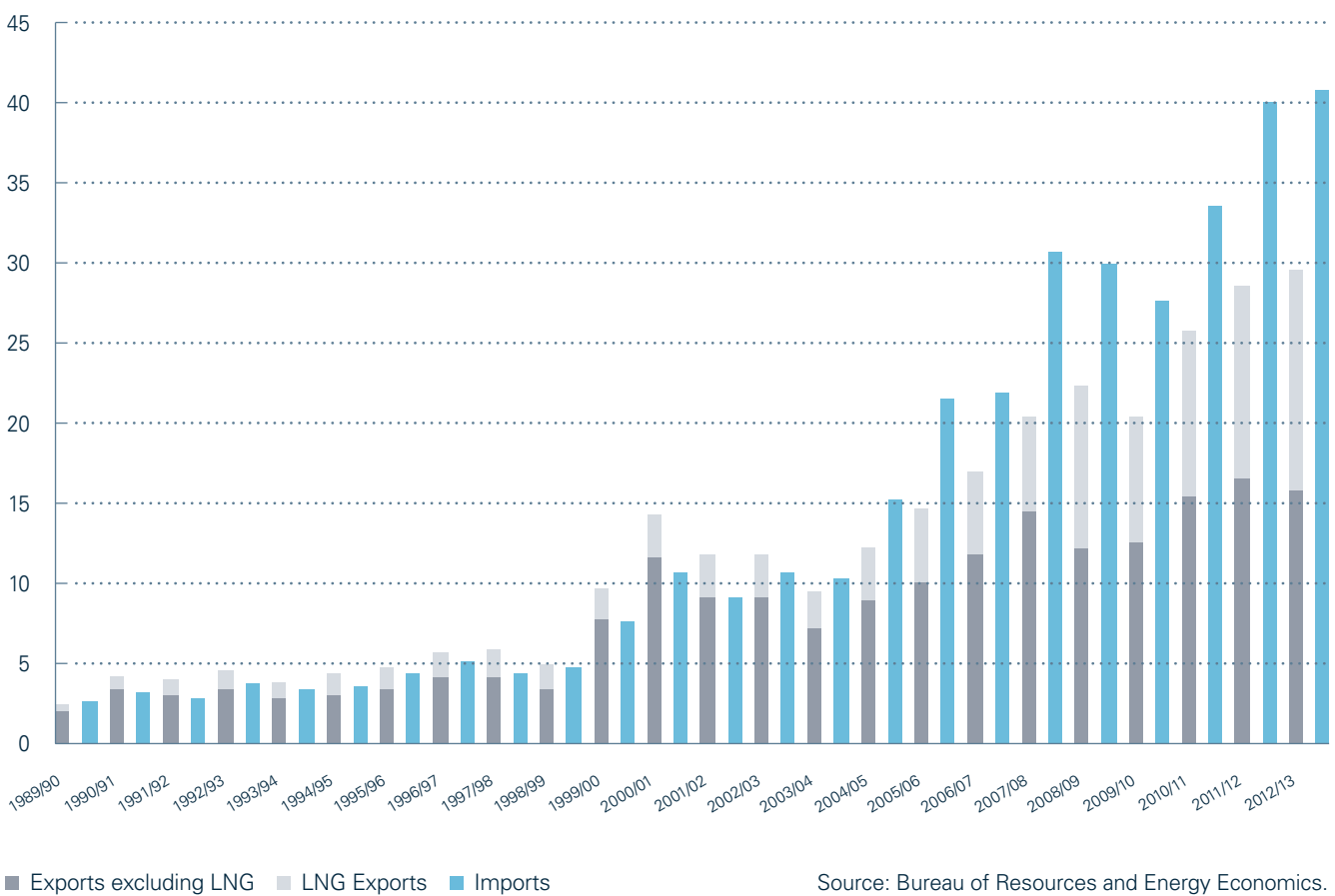
Australian Liquids Production (mmbbl) and Gas Production (mmcf)



Annual Offshore Exploration Expenditure & Activity



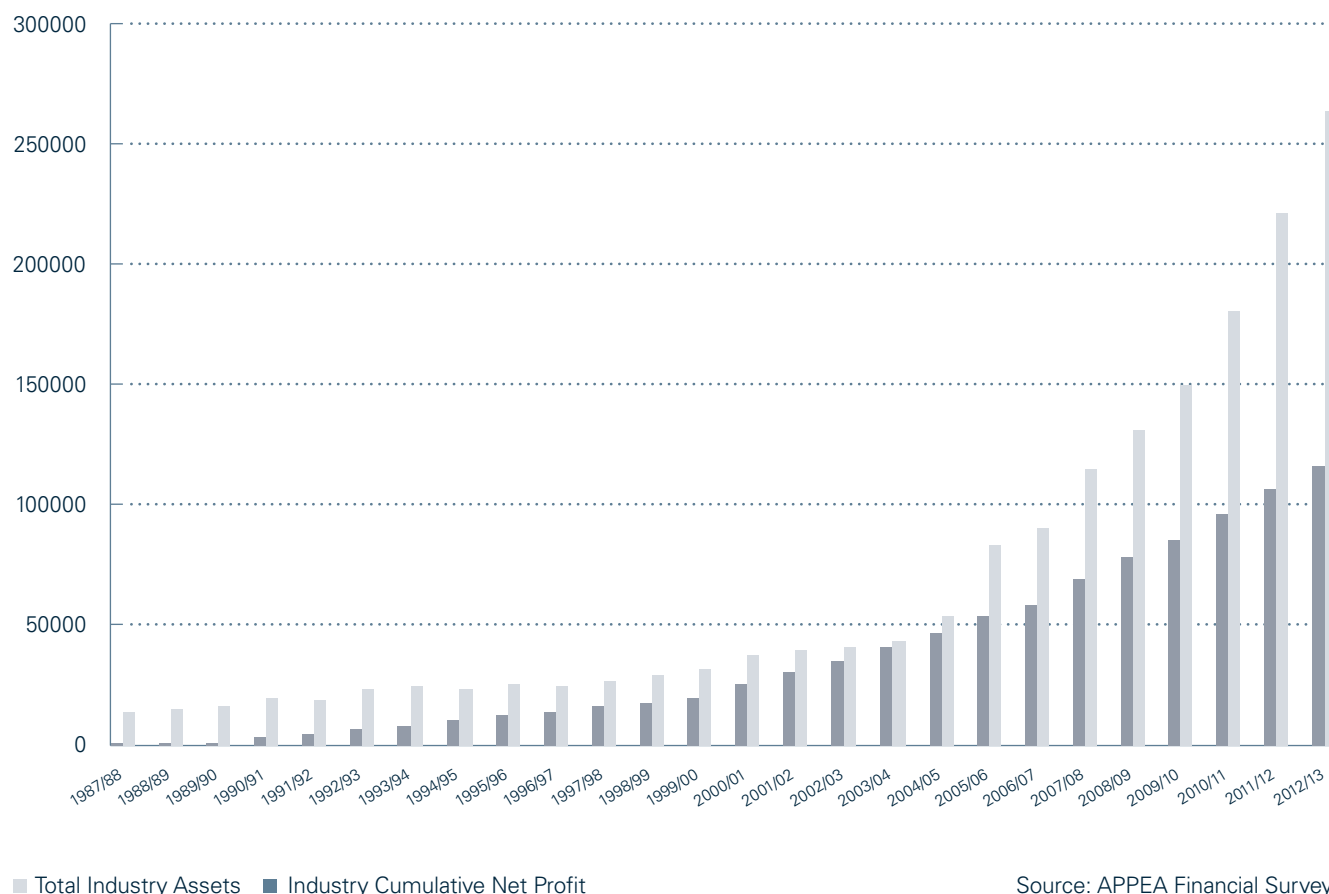
Trade in Oil, Gas and Petroleum Products (\$billion)





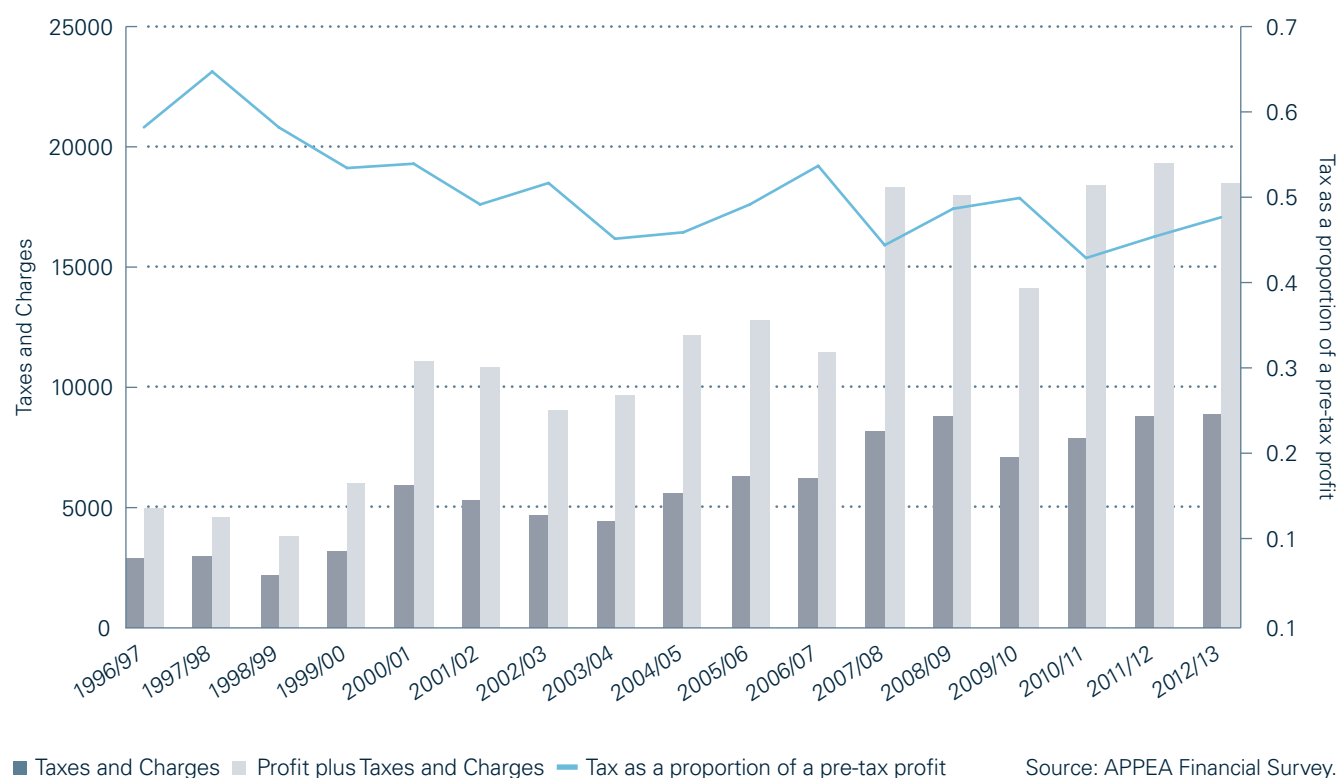
Industry Cumulative Profits and Investment

\$million



Source: APPEA Financial Survey.

Estimated Petroleum Industry Profit (Before Tax) and Taxation Contributions



Source: APPEA Financial Survey.

**Australian Petroleum Production &
Exploration Association Limited**

ABN 44 000 292 713

(A company limited by guarantee)

Financial Statements 30 June 2014

Australian Petroleum Production & Exploration Association Limited
A.B.N. 44 000 292 713

DIRECTORS' REPORT

In accordance with a resolution of the Board, the Directors submit herewith the Financial Statements at 30 June 2014 and report as follows:

1. DIRECTORS

The names, qualifications, special responsibilities and experience of the Directors in office as at the date of this report are:

ANTROBUS, Robin Clive

B.Comm, LL.B, General Manager Government and Public Affairs, ConocoPhillips Australia Pty Ltd. Over twenty-seven years experience in legal resources, oil and gas exploration and production and business development in the oil and gas industry, both in Australia and overseas.

CLEARY, Peter

B.Comm, LL.B, Vice President Strategy and Corporate Development, Santos Limited. Over twenty-eight years experience in the global oil and gas industry. He is Executive Member of the Australian Japan Business Co-operation Committee.

COLE, Robert

BSc, LLB (ANU). Executive Director and Executive Vice President, Corporate and Commercial, Woodside Energy Limited. Over twenty-nine years experience in the energy and resources industry in Australia. He has experience in executive management roles including overseeing legal, secretariat, audit, commercial, marketing, strategic planning, corporate affairs, Indigenous affairs, security and emergency management, environment, health and safety and human resources.

DELFO, Ernie

BSc (Geology), Managing Director, eni Australia Ltd. Over thirty-one years of oil and gas industry experience ranging from Government entities, small independents to major oil companies, having held senior management, Chief Executive, Board Chair and Directorships roles covering exploration, production, planning, strategy and portfolio optimisation.

FLAHERTY, Gerard (Gerry) Martin

BSc (Geology and Geophysics), MSc(Geology). General Manager Asset Development, Chevron Australia Pty Ltd. Over thirty-three years experience in the upstream business with expertise in exploration, reservoir management and asset development. He has managed unconventional projects including coal bed methane in USA and shale gas exploration in China. He is responsible for Chevron's appraisal and major capital project subsurface portfolio.

FORD, Warren

BSc (Chemical Engineering), Deputy Managing Director and Director of Projects, Apache Energy Limited. Over thirty-two years experience in the oil and gas industry across offshore and onshore including technical, operations, commercial, planning, strategy and management both in Australia and internationally.

HANDYSIDE, Douglas Dale

BSc Chemical Engineering, General Manager Petroleum, BHP Billiton Petroleum. Over thirty years experience in the global oil and gas industry including production operations, reservoir engineering and upstream business management.

HOME, Philip Christopher

BSc (Hons), PhD, Managing Director, BP Developments Australia Pty Ltd. Over thirty-three years experience in the oil and gas industry, including technical, commercial and general management roles, both in Australia and overseas.

ITO, Seiya

Graduate of the Faculty of Law and Foreign Studies, Waseda University (Japan), President Director Australia, INPEX; Director, Ichthys Project Division, INPEX; Director of more than 10 INPEX subsidiary companies; Chairman, Ichthys Project Executive Committee; Director, Managing Executive Officer, INPEX CORPORATION. Over thirty-five years experience in the oil and gas industry both in Australia and overseas.

Australian Petroleum Production & Exploration Association Limited
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KING, Grant

BS(Civil), Master of Management, Managing Director, Origin Energy Limited. Chairman, Contact Energy Limited. Director of Business Council of Australia and Chairman of the Business Council of Australia Infrastructure & Sustainability Growth Committee. Former Chairman Energy Supply Association of Australia and former Director, Envestra Limited. Over thirty-six years experience in the Energy industry. Grant is a Fellow of the Australian Institute of Company Directors.

LAKE, Bruce

B.Applied Science (Mech.Eng), Managing Director, Vermilion Oil and Gas Australia Pty Ltd. Over thirty-six years experience in the oil and gas industry in Australia and New Zealand in engineering, operational and management roles both onshore and offshore for a broad range of operating companies including majors and Australian independents.

MENDELSON, David

BSc (Hons 1st Class) Computer Science and Engineering. Managing Director, Total E&P Australia. Responsible for all of Total's oil and gas exploration and production activities in Australia. Over twenty-six years experience in the energy industry with expertise in business development, new business, planning, JV management, asset acquisitions and divestment from exploration through to production licences.

OWEN, Richard J.

BSc(Chemical Engineering). Chairman, ExxonMobil Affiliates in Australia. Over thirty-one years experience in management, operations, production and engineering in the oil and gas industry both in Australia and overseas.

STICKLAND, Peter John

BSc (Hons) Geology, GDipAppFin (Finsia), GAICD, Exploration Manager, MEO Australia Limited. Over twenty-four years global experience in oil and gas exploration.

STREITBERG, Eric Charles

BAppSc, FAusIMM, Executive Chairman, Buru Energy Limited. Over forty years experience in

international petroleum exploration, production and company management.

The following directors were appointed during the year:

<u>Name</u>	<u>Date of Appointment</u>
Cleary, Peter	28/11/2013
Handside, Douglas	17/07/2014
Ito, Seiya	28/11/2013
Mendelson, David	17/07/2014

The following persons were directors from the beginning of the financial year until resignation or retirement:

<u>Name</u>	<u>Date of Resignation or Retirement</u>
Knox, David	28/11/2013
Lee, Todd	04/04/2014
Moseby, Gordon	28/11/2013
Robinson, Peter	28/07/2014
Sangster, Mike	01/06/2014

2. GOALS AND STRATEGIES

APPEA's vision is to:

- Achieve a growing and internationally competitive Australian oil and gas industry that makes a vital and sustained contribution to the nation's economy.

APPEA's strategic goals are to:

- Achieve timely and secure access to resources for exploration and development.
- Facilitate access to capital through a regulatory framework that supports investment and industry productivity.
- Enable access to domestic and international markets on globally competitive terms without distortionary and interventionist policies.
- Promote excellence in safety, health, environmental performance and community engagement.
- Facilitate the implementation of best practices and core values among members.

In order to address these major issues and achieve its planned objectives APPEA has implementing the following strategies:

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Strategy 1

Collect, coordinate and analyse industry information and research.

Strategy 2

Work closely with members to establish advocacy positions.

Strategy 3

Work with governments, government agencies, regulators and other stakeholders to influence policies and regulations.

Strategy 4

Effective and targeted communication with members and other stakeholders.

Strategy 5

Provide appropriate governance, administration and support systems.

3. PRINCIPAL ACTIVITY

The principal activity of the Company during the year was to promote a framework which efficiently and effectively facilitated safe, environmentally responsible, socially responsible and profitable oil and gas exploration, development and production in Australia. There was no significant change in the nature of this activity.

4. ACHIEVEMENTS

In terms of outcomes for the past year, important progress was made in response to APPEA's advocacy on a number of issues including the following:

- In the lead up to the 2013 federal election, APPEA launched the Our Natural Advantage campaign to increase public awareness of – and public support for – the industry's activities. The campaign highlighted the importance of Australian oil and gas development, jobs and local investment. It forcefully challenged the misinformation of industry opponents. So far, the campaign has recruited more than 10,000 supporters who continue to voice their support of our industry to state and federal leaders.
- Worked closely with Treasury and the Australian Taxation Office to ensure the implementation details of the extended PRRT were made clear and announced on a timely and basis to help companies to transition projects into the regime.
- Successfully advocated for the continued immediate deductibility of most exploration costs.
- Actively participated in the Productivity Commission's review of non-financial impediments to resource exploration resulting in recommendations for reduced regulatory burden.
- Advanced ideas for reform of restrictive workplace laws that drive up labour costs and impair productivity on major resource project construction. APPEA's report – Improving Labour Productivity: a regulatory reform agenda – has become a key advocacy tool.
- Worked with various governments to successfully maintain a market-based approach to energy policy in most jurisdictions. The Eastern Australian Domestic Gas Market Study and the Issues Paper for the Energy White Paper endorsed market-based approaches.
- Advocated Floating LNG's long-term economic benefits to the WA Legislative Assembly Inquiry into the Economic Impact of Floating LNG. This was largely reflected in the Inquiry's final report that acknowledged FLNG could, in the right circumstances, generate significant opportunities for local Australian suppliers.
- Worked with the CSIRO to develop and manage the first comprehensive research study of methane seeps from an Australian gas field development – the Surat Basin.
- Successfully advocated streamlining duplicative environmental approvals of offshore activities. NOPSEMA was accredited under Commonwealth legislation (EPBC Act) as the sole environmental assessor for offshore activities, with Department of Environment approvals no longer necessary.
- Worked closely with the Australian Government and NOPSEMA to produce

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new polluter pays and financial assurance requirements for Commonwealth waters that impose minimal additional regulatory burden.

- APPEA's newly formed Oil Spill Response Forum completed two projects – oiled wildlife response and a report on planning for the use of dispersants – and has now started three new projects.
- Established a new Stand Together for Safety Leadership Steering Committee (with agreed representation from APPEA's members, contractors, regulators and frontline workforce) to implement processes aimed at the loss of containment of hydrocarbons and to build a strong process safety culture across the whole of the oil and gas industry.
- Facilitated a rebalancing of land access rights via Queensland's Regional Planning policy development process and a review of the Land Access Framework.
- Successfully advocated for Queensland tenure reform. The Queensland Government has now begun a comprehensive review of the tenure framework and all its associated processes.

5. MEASURE OF PERFORMANCE

APPEA measures its performance through its Strategic Focus Areas Performance Review that is developed each year to assess its performance. It recognises that government policy is a dynamic activity influenced by numerous factors outside of APPEA's sphere of influence and control.

The important role that APPEA plays in coordinating industry events and conferences to complement and support its advocacy activities was again demonstrated during the year. A record number of delegates attended the 2014 APPEA Conference and Exhibition held in Perth, with the highest ever participation rate for this event. Other events held during the year included the National Oil and Gas Safety Conference, the Onshore Gas

Conference and a members-only Taxation and Commercial Conference.

6. OPERATING RESULTS

For the year ended 30 June 2014, the surplus from operating activities was \$759,031 (2013 \$1,534,484). No income tax is provided on any surplus for the year as the Company is exempt from income tax under the provisions of Section 50-40 of the Income Tax Assessment Act 1997.

7. REVIEW OF OPERATIONS

The impact of the slow decline in petroleum liquids production and its impact on the Association's revenue base was largely offset by an increase in the number of member companies.

During the year, the membership increased by three.

8. INCORPORATION

The Company is a public company which was incorporated in Sydney, NSW under the Companies Act 1936, and now operates under the Corporations Act 2001.

The Company is domiciled in Australia and the registered office and principal place of business of the Company is Level 10, 60 Marcus Clarke Street, Canberra ACT.

9. MEMBERS' GUARANTEE

The Company is limited by guarantee. Pursuant to the Constitution of the Company, every member has undertaken, in the event of a deficiency on winding up, to contribute an amount not exceeding \$10.

At 30 June 2014 the total of these guarantees was \$3,570 (2013 \$3,540).

10. BOARD MEETINGS

The number of Board meetings held during the year was six. The number of Board meetings held in the period each Director held office during the financial year, and the number of meetings attended by each Director is indicated in the following table.

Australian Petroleum Production & Exploration Association Limited
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BOARD MEETINGS


		Number Held	Number Attended Personally or by an Alternate
R	Antrobus	6	6
P	Cleary	3	2
R	Cole	6	6
E	Delfos	6	6
G	Flaherty	6	6
W	Ford	6	6
D	Handyside	0	0
P	Home	6	5
S	Ito	3	3
M	Kelly	4	4
G	King	6	4
D	Knox	3	3
B	Lake	6	5
T	Lee	6	5
D	Mendelson	0	0
G	Moseby	3	3
R	Owen	6	6
P	Robinson	6	6
M	Sangster	6	5
P	Stickland	6	5
E	Streitberg	6	4

The number of meetings held and attended varies depending on the dates of appointment and retirement of Directors.

For and on behalf of the Board



R Cole
Director

 **October 2014**



P Home
Director



Australian Petroleum Production & Exploration Association Limited
A.B.N. 44 000 292 713

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF AUSTRALIAN PETROLEUM PRODUCTION & EXPLORATION
ASSOCIATION LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been:

- i. no contraventions of the independence requirements of the Corporations Act in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads 'Duesburys Nexia'.

Duesburys Nexia
Canberra, 20 October 2014

A handwritten signature in blue ink that reads 'R C Scott'.

R C Scott
Partner



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AUSTRALIAN PETROLEUM PRODUCTION & EXPLORATION
ASSOCIATION LIMITED**

We have audited the accompanying financial statements of Australian Petroleum Production & Exploration Association Limited (APPEA), which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Statements

The directors of APPEA are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion, the financial statements of Australian Petroleum Production & Exploration Association Limited are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of APPEA's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

A handwritten signature in blue ink that reads 'Duesburys Nexia'.

Duesburys Nexia
Canberra, 20 October 2014

A handwritten signature in blue ink that reads 'R C Scott'.

R C Scott
Partner

Australian Petroleum Production & Exploration Association Limited
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(A company limited by guarantee)

Statement of Comprehensive Income for the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Revenue			
APPEA conference income	3	7,389,411	6,837,554
Common safety training program		372,016	393,217
CSG public campaigns – Queensland and New South Wales		1,233,403	4,163,166
ICheme		270,753	-
Interest		344,908	270,044
Marine Environment Science Program		47,194	-
Membership fees		6,389,765	6,440,655
ONA Our natural advantage		5,434,858	-
Publications		6,893	15,412
Seminar income	4	1,285,090	1,253,160
Other income		66,321	56,367
		<u>22,840,612</u>	<u>19,429,575</u>
Expenditure			
APPEA conference costs	3	4,222,366	3,742,528
Communications		145,064	135,994
CSG public campaigns - Queensland and New South Wales		1,233,403	4,163,166
Depreciation and amortisation of plant and equipment	8	212,880	233,487
Depreciation of make good allowance	8	25,000	25,000
Education and professional development		9,750	17,591
ICheme Safety		270,753	-
Industry growth strategy costs		155,529	341,336
Industry operations consultancy costs		287,245	199,808
Loss on disposal of assets		9,480	198,557
Marine Environment Science Program (formerly Blue Book 3 Project)		47,194	13,185
Office rental		664,704	647,196
ONA Our Natural Advantage		5,434,858	-
Other Costs		554,036	766,113
Provision for employee entitlements		106,111	111,164
Publications		111,118	90,772
Running costs		303,593	190,970
Salaries and associated costs		6,643,834	5,601,365
Superannuation		461,147	364,413
Seminar costs	4	851,644	721,023
Travel and associated costs		331,872	331,423
		<u>22,081,581</u>	<u>17,895,091</u>
Surplus for the year		<u>759,031</u>	<u>1,534,484</u>
Total comprehensive income		<u>759,031</u>	<u>1,534,484</u>

(Notes to and forming part of these financial statements are annexed)

Australian Petroleum Production & Exploration Association Limited
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Statement of Financial Position as at 30 June 2014

	Notes	2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents		745,243	455,577
Trade and other receivables	5	1,567,693	6,063,867
Other	6	350,844	648,523
Other financial assets	7	<u>11,906,698</u>	<u>7,660,542</u>
TOTAL CURRENT ASSETS		<u>14,570,478</u>	<u>14,828,509</u>
NON-CURRENT ASSETS			
Property, plant and equipment	8	<u>676,522</u>	<u>846,356</u>
TOTAL NON-CURRENT ASSETS		<u>676,522</u>	<u>846,356</u>
TOTAL ASSETS		<u>15,247,000</u>	<u>15,674,865</u>
CURRENT LIABILITIES			
Trade and other payables	9	1,151,375	1,514,475
Provisions	10	701,483	595,373
Other	11	<u>5,414,522</u>	<u>6,344,428</u>
TOTAL CURRENT LIABILITIES		<u>7,267,380</u>	<u>8,454,276</u>
NON-CURRENT LIABILITIES			
Other	11	<u>200,000</u>	<u>200,000</u>
TOTAL NON-CURRENT LIABILITIES		<u>200,000</u>	<u>200,000</u>
TOTAL LIABILITIES		<u>7,467,380</u>	<u>8,654,276</u>
NET ASSETS		<u>7,779,620</u>	<u>7,020,589</u>
ACCUMULATED FUNDS			
Accumulated surplus		<u>7,779,620</u>	<u>7,020,589</u>
TOTAL ACCUMULATED FUNDS		<u>7,779,620</u>	<u>7,020,589</u>

(Notes to and forming part of these financial statements are annexed)

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Statement of Changes in Equity for the year ended 30 June 2014

	2014	2013
	\$	\$
Opening balance	7,020,589	5,486,105
Add: Total comprehensive income for the year	<u>759,031</u>	<u>1,534,484</u>
Closing balance	<u>7,779,620</u>	<u>7,020,589</u>

Statement of Cash Flows for the year ended 30 June 2014

	2014	2013
	\$	\$
	Inflows/ (Outflows)	Inflows/ (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from members and others	23,752,304	18,394,025
Payments to trade creditors, other suppliers and employees	(19,521,315)	(15,527,807)
Interest received	<u>382,360</u>	<u>197,772</u>
Net cash provided by/(used in) operating activities	<u>4,613,349</u>	<u>3,063,990</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(77,526)	(429,568)
Uplifts/(payments) for investments	<u>(4,246,157)</u>	<u>(3,106,940)</u>
Net cash provided by/(used in) investing activities	<u>(4,323,683)</u>	<u>(3,536,508)</u>
Net increase/(decrease) in cash held	289,666	(472,518)
CASH AT THE BEGINNING OF THE FINANCIAL YEAR	<u>455,577</u>	<u>928,095</u>
CASH AT THE END OF THE FINANCIAL YEAR	<u>745,243</u>	<u>455,577</u>

(Notes to and forming part of these financial statements are annexed)

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Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2014

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

Basis of Preparation

Reporting Basis and Conventions

Australian Petroleum Production & Exploration Association Limited (APPEA) has elected to adopt the Australian Accounting Standards – Reduced Disclosure Requirements (established by AASB 1053 Application of Tiers of Australian Accounting Standards, and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements).

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board and the Corporations Act 2001.

A number of new or revised Australian Accounting Standards are effective for the first time in the current financial year. These standards have had no material impact on the entity.

APPEA (the Company) is a company limited by guarantee, incorporated and domiciled in Australia. The financial statements cover the Company as an individual entity.

The financial statements of the Company comply with all Australian Accounting Standards (AASB) in their entirety.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The following is a summary of the material accounting policies adopted in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Accounting Policies

(a) Income Tax

The Company is exempt from income taxation under the relevant provisions of Section 50-40 of the Income Tax Assessment Act 1997.

(b) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable any accumulated depreciation and impairment losses.

Where a revaluation has been performed, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2014

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (CONT'D)

(b) Property, Plant and Equipment (cont'd)

The carrying amount of property, plant and equipment is reviewed at each reporting date to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other costs (eg. repairs and maintenance) are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation reserve in shareholder's equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Depreciation

The depreciable amounts of all fixed assets including capitalised leased assets are depreciated on either a straight line or diminishing value basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

(c) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entity are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability at the lower of the amounts equal to the fair value of the leased asset or the present value of the minimum lease payments, including any guaranteed residual. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2014

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (CONT'D)

(c) Leases (cont'd)

Leased assets are depreciated over their estimated useful lives.

(d) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139 - Financial Instruments: Recognition and Measurement. Gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.

Receivables

Receivables are financial assets with fixed or determinable payments and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the intention to hold these investments to maturity. Any held-to-maturity investments held are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms length transactions, reference to similar instruments and option pricing models.

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Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2014

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (CONT'D)

(d) Financial Instruments (cont'd)

Impairment

At each reporting date, an assessment is made of whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

(e) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash generating unit (CGU) to which the asset belongs is estimated.

(f) Employee Benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to reporting date. The benefits expected to be settled within one year to employees for their entitlements have been measured at the amounts expected to be paid including on-costs and are disclosed as current liabilities. Employee benefits payable later than one year are measured at the present value of the estimated future cash outflows to be made in respect of those benefits. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data.

(g) Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will result and that the outflow can be reliably measured.

(h) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investment with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the statement of financial position.

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Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2014

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (CONT'D)

(i) Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Cash flows are presented in the statement of cash flow on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(k) Comparatives

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

The Directors do not believe that there were any key estimates or key judgments used in the development of the financial statements that give rise to a significant risk of material adjustment in the future.

2. MEMBERS' GUARANTEE

The Company is limited by guarantee. Pursuant to the Constitution of the Company, every member has undertaken, in the event of a deficiency on winding up, to contribute an amount not exceeding \$10. At 30 June 2014, the total of these guarantees was \$3,570 (2013: \$3,540).

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Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2014

3. CONFERENCE NET INCOME		2014	2013
		\$	\$
Conference income		7,389,411	6,837,554
Less: Conference expenditure (not including Secretariat time)		<u>(4,222,366)</u>	<u>(3,742,528)</u>
		<u>3,167,045</u>	<u>3,095,026</u>
4. SEMINAR NET INCOME			
Seminar income		1,285,090	1,253,160
Less: Seminar expenditure (not including Secretariat time)		<u>(851,644)</u>	<u>(721,023)</u>
		<u>433,446</u>	<u>532,137</u>
5. TRADE AND OTHER RECEIVABLES			
Current			
Debtors		<u>1,567,693</u>	<u>6,063,867</u>
There is no provision for doubtful debts as all the debtors are considered to be recoverable at year end.			
Ageing of trade and other receivables			
Not overdue		705,883	4,685,986
Less than 30 days overdue		47,998	109,169
30 to 60 days overdue		17,556	77,488
61 to 90 days overdue		3,036	1,191,224
More than 90 days		<u>793,220</u>	<u>-</u>
Total trade and other receivables		<u>1,567,693</u>	<u>6,063,867</u>
6. OTHER CURRENT ASSETS			
Prepayments		<u>350,844</u>	<u>648,523</u>

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Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2014

	2014	2013
	\$	\$
7. OTHER FINANCIAL ASSETS		
Cash investments	3,212,741	3,212,741
Short term deposits	<u>8,693,957</u>	<u>4,447,801</u>
	<u>11,906,698</u>	<u>7,660,542</u>

The above cash investments and term deposits have maturity dates of between one to twelve months (2013: between one to twelve months).

The interest rates applicable to the outstanding deposits at year end were between 3.10% and 3.90%. Deposits of a total value of \$217,783 are pledged to secure three bank guarantees issued to the landlords of the leased premises.

8. PROPERTY, PLANT AND EQUIPMENT

	Cost		Accumulated Depreciation		Written Down Value	
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
Office furniture, fittings and equipment	1,635,890	1,701,836	1,009,368	930,480	626,522	771,356
Property make good	<u>200,000</u>	<u>200,000</u>	<u>150,000</u>	<u>125,000</u>	<u>50,000</u>	<u>75,000</u>
	<u>1,835,890</u>	<u>1,901,836</u>	<u>1,159,368</u>	<u>1,055,480</u>	<u>676,522</u>	<u>846,356</u>

b) Movements in Carrying Amount

2014	Opening WDV	Additions	Disposals	Depreciation	Closing WDV
	\$	\$	\$	\$	\$
Office furniture, fittings and equipment	771,356	77,526	(9,480)	(212,880)	626,522
Property make good	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>50,000</u>
	<u>846,356</u>	<u>77,526</u>	<u>(9,480)</u>	<u>(237,880)</u>	<u>676,522</u>

Class of Fixed Asset	Depreciation Rate	Depreciation Type
Office furniture, fittings and equipment	15 to 40 %	Diminishing Value
Property make good	12.5%	Straight Line

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Notes to and Forming Part of the Financial Statements
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		2014 \$	2013 \$
9.	TRADE AND OTHER PAYABLES		
	Current		
	Payables	912,414	1,490,026
	Salaries payable	23,961	24,449
	Membership Fees in Advance	<u>215,000</u>	<u>-</u>
		<u>1,151,375</u>	<u>1,514,475</u>
10.	PROVISIONS		
	Current		
	Provision for annual leave & long service leave	<u>701,483</u>	<u>595,373</u>
<p>APPEA has moved to an Employee Collective Agreement (ECA) for staff members. One option of the ECA was to cash out long service leave. Most staff members elected to take this option.</p>			
		2014	2013
		\$	\$
11.	OTHER LIABILITIES		
	Current		
	Unexpended project funds	<u>5,414,522</u>	<u>6,344,428</u>
	Non-current		
	Property make good	<u>200,000</u>	<u>200,000</u>
12.	CAPITAL AND LEASE COMMITMENTS		
<p>Aggregate operating lease expenditure contracted for at reporting date but not provided for in the accounts.</p>			
	Payable no later than one year	719,677	688,219
	Payable later than one, but not later than five year	1,041,158	1,392,309
	Payable later than five years	<u>-</u>	<u>286,794</u>
		<u>1,760,835</u>	<u>2,367,322</u>
	Representing:		
	Non-cancellable operating leases	<u>1,760,835</u>	<u>2,367,322</u>

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Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2014

13. KEY MANAGEMENT PERSONNEL COMPENSATION

The total amount of remuneration paid to key management personnel (KMP) during the year is as follows:

	2014	2013
	\$	\$
Key management personnel compensation	<u>1,822,034</u>	<u>1,193,828</u>

14. RELATED PARTY DISCLOSURES

Key management personnel transact with APPEA from time to time on normal terms and conditions that are no more favourable than those available to personnel of APPEA members companies. The types of transactions involved include membership subscriptions, seminar and conference attendance fees and sales of publications. The transactions are settled at the time of the transaction, and no amounts are owing to APPEA at year end in respect of these transactions. The total value of these transactions is low and is considered by APPEA to be immaterial.

Other than the transactions disclosed above, and compensation of key management personnel, which is separately disclosed in these statements, there were no related party transactions during the financial year.

15. FINANCIAL INSTRUMENTS

(a) Terms, Conditions and Accounting Policies

The accounting policies and terms and conditions of each class of financial asset, financial liability and equity instrument at the reporting date are consistent with those regularly adopted by businesses in Australia.

(b) Financial Risk Management

The financial instruments consist mainly of deposits with banks, short term investments and accounts receivable and payable. The entity does not intentionally trade or speculate in derivatives.

The main purpose of the financial instruments is to raise funds for normal activities and invest excess funds in an appropriate manner.

The main risks the entity is exposed to through its financial instruments are liquidity risk, credit risk and interest rate risk.

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Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2014

15. FINANCIAL INSTRUMENTS (CONT'D)

(c) Net Fair Values

Financial assets and financial liabilities are carried at their net fair value at reporting date.

The carrying value of financial assets and financial liabilities approximate their net fair value due to their short term maturity or market interest rate. No financial assets or financial liabilities are traded on organised markets in standardised form.

16. EVENTS AFTER THE REPORTING DATE

These financial statements were authorised for issue by the Directors on the date of signing the attached report by the Directors. The Directors have the right to amend the statements after it is issued.

There are no other events after the reporting date which require amendment of, or further disclosure in the financial statements.

17. COMPANY DETAILS

The registered office of the Company:

Australian Petroleum Production & Exploration Association Limited
10th Floor
60 Marcus Clarke Street
Canberra ACT 2601

The principal place of business is:

Australian Petroleum Production & Exploration Association Limited
10th Floor
60 Marcus Clarke Street
Canberra ACT 2601

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DIRECTORS' DECLARATION

The Directors of the Australian Petroleum Production & Exploration Association Limited declare that the financial statements as set out in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow and Notes To and Forming Part of the Financial Statements:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- (b) give a true and fair view of the Company's financial position as at 30 June 2013 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

For and on behalf of the Board



R Cole
Director
20 October 2014



P Home
Director

Australian Petroleum Production & Exploration Association Limited
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Detailed Statement of Income and Expenditure for the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Revenue from Ordinary Activities			
APPEA conference net income	3	3,167,045	3,095,026
Common safety training program		372,016	393,217
IchemE process safety centre project		270,753	-
Interest		344,908	270,044
Marine environment science program (formerly Blue Book 3)		47,194	-
Membership fees		6,389,765	6,440,655
Our natural advantage project		5,434,858	-
Other income		53,321	35,742
Publications		6,893	15,412
Scholarships and awards		13,000	20,625
Seminar net income	4	433,446	532,137
CSG public campaigns – Queensland and New South Wales		<u>1,233,403</u>	<u>4,163,166</u>
		<u>17,766,602</u>	<u>14,966,024</u>
Expenditure from Ordinary Activities			
Auditor's remuneration		18,060	17,945
Accommodation		86,784	89,279
Marine environment science program (formerly Blue Book 3)		47,194	13,185
Commercial and corporate program		-	10,217
Communications		145,064	135,994
Community relations program		9,750	17,591
Depreciation of make good allowance		25,000	25,000
Depreciation of plant and equipment		212,880	233,487
Energy markets program		36,390	68,725
External affairs program		41,723	147,718
Government relations program		18,251	43,111
IchemE process safety centre project		270,753	-
Industry growth strategy		155,529	341,336
Industry operations program		287,245	199,808
Library and periodicals		49,924	45,076
Loss on asset disposal		9,480	198,557
Media relations program		138,936	176,245
Meetings and functions		121,027	128,103
Member relations program		45,975	36,157
Memberships		21,900	21,060
Office rental		664,704	630,940
Our natural advantage project		5,434,858	-
Other occupancy costs		24,574	41,115
Provision for employee entitlements		106,111	111,164
Publications		111,118	90,772
Running costs		303,593	190,970
Salaries and associated costs		6,643,834	5,566,395
Superannuation		461,147	399,382
Scholarships and awards		13,022	20,625
Sundry costs		24,254	26,273
Taxis		44,298	51,630
Travel		200,790	190,514
CSG public campaigns – Queensland and New South Wales		<u>1,233,403</u>	<u>4,163,166</u>
		<u>17,007,571</u>	<u>13,431,540</u>
Operating surplus for the year		<u>759,031</u>	<u>1,534,484</u>
ACCUMULATED FUNDS AT THE BEGINNING OF THE YEAR		<u>7,020,589</u>	<u>5,486,105</u>
ACCUMULATED FUNDS AT THE END OF THE YEAR		<u>7,779,620</u>	<u>7,020,589</u>

(This page has not been subject to audit)