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Stalled oil and gas exploration is a major economic risk

The latest Australian Bureau of Statistics (ABS) exploration data confirms that the slump in petroleum exploration in Australia continues.

“Yesterday, the ABS released data for 2017, confirming that exploration in Australia is stalled. Exploration expenditure is well below trend, especially in offshore basins, said APPEA Chief Executive Dr Malcolm Roberts.

“Falling exploration activity has been evident for many years but the latest offshore expenditure numbers are alarming. Offshore activity has fallen to its lowest level since 2004. Other sources show that only five exploration and appraisal wells were drilled offshore in 2017.

“This situation is happening despite deep cost-cutting by the industry. Companies have almost halved the cost of exploration wells, putting downward pressure on prices and squeezing more activity from tight budgets.

“Industry is doing all it can to revive exploration, given tough market conditions. Onshore exploration is recovering but offshore activity is still falling.

“If this trend continues, Australia risks missing its moment to capitalise on rising global demand for energy. Australia has an exciting opportunity, with regional demand for liquefied natural gas set to almost triple in the next 20 years.

“All governments should be alarmed by the trend of falling exploration. The community owns the resources and needs to attract risk capital to discover and convert resources into jobs, revenue and export dollars.

“The community should be concerned if governments squander the opportunity to secure a return from public resources.

“Some governments understand this simple proposition. The industry welcomes the leadership being shown by Queensland, South Australia and the Commonwealth.

“Governments can always complain about gas prices but they should also be doing what they can to encourage new supply.

“The evidence is irrefutable. Falling exploration is a longstanding problem that must be urgently tackled.”

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