



appea

the voice of australia's oil and gas industry

# Annual Report 2016-2017

australian petroleum production & exploration association limited



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

At 30 June 2017, APPEA had 60 full member companies and 143 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 several conferences and forums each year to exchange ideas and contribute to the development of the industry's policy positions.

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Cover photo: Moomba Gas Plant. Photo courtesy Santos.



## From the Chairman

2016–17 was another year of subdued prices and political uncertainty for Australia’s oil and gas industry.

On the positive side of the ledger, local gas production set new records. Key projects are now exporting cargos or finishing construction. Despite difficult market conditions, international investors continue to recognise Australia’s rich potential for oil and gas development.

But on the other side of the ledger, the industry faces growing political uncertainty and continuing competitive pressures. Oil production continues to decline. Exploration is stuck at unsustainable levels.

At such a time, APPEA’s role as the voice of the industry is more important than ever. The association continues working with governments to secure policies that support investment and promote development of oil and gas.

In 2016–17, there was growing awareness of risks to energy supply, and front-page coverage of energy issues and policies. There are signs that some of our industry’s key messages are now more widely understood and accepted. We are making headway in explaining that gas is critical to underpinning energy security, putting downward pressure on electricity prices, and establishing a secure path to a low emissions future.

There is more public recognition of the need to link energy and climate policies. The costs of moratoria and bans—paid ultimately by customers—are being felt. Slowly, politicians are starting to grasp that local gas is their best option for cheaper energy.

Nevertheless, some governments continue to pursue irrational, short-term policies.

### Politics and policy

The Commonwealth has introduced the Australian Domestic Gas Security Mechanism, proposing to restrict LNG exports as its solution to forecast risks of a shortfall of domestic gas in the east coast market.

The ADGSM poses an unprecedented sovereign risk for investors in our industry and for our reputation as a secure and reliable supplier of energy. Restricting exports will not make more gas available for the domestic market. Only developing more onshore gas can achieve a long-term and sustainable boost for domestic gas supply.

Several states and the Northern Territory persist with onshore gas bans and moratoriums.

In 2016, the Victorian Government banned unconventional gas operations and extended its moratorium on conventional onshore gas development until 2020. In 2017 the new Northern Territory and Western Australian governments are holding yet more inquiries into hydraulic fracturing, ignoring the findings of similar inquiries completed less than two years ago.

Meanwhile, NSW continues to send mixed signals on the Narrabri Gas Project and has failed to release new areas for exploration. The toxic legacy of closing down a safe, approved conventional gas project at Bentley lingers.

Australia has vast reserves of petroleum but limited reserves of political will. The need to develop more supply is becoming more acute. The Australian oil and gas industry faces low oil prices; a high-cost economy and regulatory systems; and political hurdles and risks. This combination undermines investor confidence and long-term planning.

It is not surprising that our oil and gas exploration has declined rapidly in recent years. Exploration, both onshore and offshore, has dropped to its lowest level in many decades. In 2016–17, Australia posted the lowest level of exploration drilling in 15 years. Work programs indicate that activity will remain subdued. This poses real risks for the nation’s economy and energy security.

Throughout 2016–17, APPEA continued to make the case for oil and gas development to government, stakeholders and the wider community.

### Access to resources

Across Australia, activist groups’ scare campaigns aim to prevent the safe development of resources owned by the public. They show no regard for the economic and social consequences—for regional communities, for energy prices or for the country’s prosperity. Activists do not discriminate between offshore and onshore projects or between conventional and unconventional gas projects. They wish to eliminate natural gas from the energy mix.

Geoscience Australia has identified the Great Australian Bight as Australia’s most promising frontier province for oil exploration. So, naturally, the Bight has been

a major target for activists during 2016–17. Over the last 12 months, APPEA appeared before two Senate inquiries into oil exploration in the Bight. Both of these inquiries' reports—released in early 2017—supported development in the Bight. For its part, the industry continues to engage with local stakeholders to ensure community understanding and support for exploration.

In the Northern Territory, APPEA has continued to make the case for developing onshore gas resources. APPEA has produced a wealth of evidence to show that resources can be developed safely and deliver long-term jobs and regional development.

APPEA is making similar arguments in other jurisdictions, pointing out that effective regulation and good industry practice means that resources can be developed safely, in partnership with local communities.

## Industry competitiveness

Australia competes in a world of footloose capital. APPEA has focused on persuading policymakers that Australia needs sound fiscal, energy and other policies to attract investment in developing our resources.

In 2016–17, two separate national inquiries reviewed resource taxation arrangements. While the outcomes of these reviews are still being settled, APPEA has ensured that governments understand the commercial realities underpinning global investment in oil and gas projects.

The latest APPEA annual industry financial survey highlights the challenges for operators in Australia. The survey reflects the significant fall in commodity prices that began in late 2014, as well as the peak in spending associated with new gas projects. In 2015–16, the industry recorded a net operating loss of \$4.5 billion (compared with a loss of \$0.6 billion in 2014–15). Oil and gas operating revenue fell more than 20 per cent from \$30 billion in 2014–15 to \$23.7 billion.

Despite this sharp fall in the industry's overall profit and loss position, total tax payments remained strong. These are estimated to be \$4.3 billion for 2015–16 (compared with \$5.2 billion in 2014–15).

This data confirms that the industry is paying its way. It should also be clear that this is an especially bad time to be contemplating higher resources taxes.

2016–17 saw little progress in resolving the political impasse afflicting climate change policy. APPEA continued to support a market-based approach to encourage effective emissions reduction without penalising emissions-intensive, trade-exposed industries.

## Industry reputation

APPEA continues to work to counter misinformation and to enhance community understanding.

APPEA has promoted—through submissions, media and public hearings—the industry's strong record in safety and environmental management, as well as our contributions to tax revenue and regional development.

We are pleased to note that the high-profile Finkel Review concluded that gas enhances energy security and reliability, as well as emissions reduction.

## Thank you

My term as Chairman of APPEA ends at the 2017 Annual General Meeting. The role has certainly been challenging, but it has also been rewarding. I intend to remain as a Board member and to continue working with governments and members to strengthen our industry.

I thank APPEA's Board and the APPEA secretariat for their support over my three years as chairman. I also thank all members for their continued support for APPEA's policy, advocacy and communications work, and their commitment to our safety agenda.

That support is most obvious at our annual conference and exhibition. The APPEA Conference is a special time on our industry's calendar. It's always a pleasure to renew acquaintances and make new friends at this landmark event.

APPEA prides itself on staging great conferences. APPEA 2017 lived up to our best traditions and we look forward to APPEA 2018 when we return to Adelaide and its upgraded convention centre and riverfront precinct.

To give more value to members—and to encourage more communication across the industry—the association has expanded its events schedule. As well as our annual conference, APPEA holds an annual Health, Safety and Environment Conference; a biennial Taxation and Commercial Conference; Introduction to the Oil & Gas Industry Seminars; and the APPEA Connect series of bespoke information and networking events. Please see the APPEA website for more details.

These events are excellent for meeting industry peers and sharing ideas. They are a great way to catch-up with colleagues, do deals, swap ideas and share war stories. In tough times, it's good to stick together!

# APPEA 2016–17: key achievements

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2016–17 was a mixed year for the oil and gas industry. Despite an often hostile political climate, APPEA and its members achieved some notable successes. But in other areas, reform has clearly stalled or is even being reversed.

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## 1 Access, exploration and production

- Progressed regulatory reforms in several jurisdictions. In Queensland, achieved streamlining of approvals and reduced administration costs, as well as tenure reform and new acreage releases.
- Secured bipartisan support in the Senate for oil and gas exploration in the Great Australian Bight.
- Secured Commonwealth and state budget initiatives to boost exploration around the country, including the Commonwealth's new \$26 million program to pull forward east coast gas projects and new geoscience studies into the potential of offshore basins; South Australia's Plan for Accelerating Exploration (PACE); investment in new geoscience information in Northern Australia through Geoscience Australia; and the Queensland Gas Supply and Demand Action Plan.

## 2 Safety, health and environment

- Delivered the Australian Drilling Industry Steering Committee's MODU Mooring Guidelines.
- Worked with National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) to streamline environmental plans while improving transparency and consultation for offshore projects.
- Launched the Industry–Government Environmental Metadata system, which allows rapid sharing of marine metadata in the event of an oil spill.
- Worked with regulators to develop risk-based regulations for decommissioning.

## 3 Energy and climate change policy

- Championed the essential role of gas-fired generation in energy security, as recognised by the Finkel Review and other independent experts, and argued the need for emissions reduction policies that maintain the industry's domestic and global competitiveness.
- In the *Gas Vision 2050* initiative, APPEA collaborated with other industry bodies across the gas supply chain to highlight the long-term role of natural gas in Australia.
- Successfully advocated for significant improvements to the operation and administration of the Emissions Reduction Fund's safeguard mechanism, improving its flexibility and reducing potential cost impacts on members.
- Worked to promote the low emissions properties of natural gas through a CSIRO research report on CSG fugitive emissions for well completions and workovers.

## 4 Taxation and commercial

- Continued to work with members to oppose the introduction of a new offshore petroleum royalty.
- Engaged with the federal government on reforms to the company tax regime for resource projects.
- Participated in the independent review of the petroleum resource rent tax regime.

## 5 State regulation

### ● Northern Territory

- Advocated successfully for economic benefits to be included in the terms of reference for the NT fracking inquiry.

### ● Queensland

- Developing with Agforce standard conduct and compensation agreement to cut costs and assist landowners when negotiating industry access.
- In response to the Chain of Responsibility Act, APPEA established and led a coalition of advocacy groups, achieving a statutory guideline that resolved key concerns.
- Secured legislative amendments to the Water Act's make-good framework to ensure professional standards were applied in providing hydrogeological advice to landholders.



# 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.

In 2017-18, APPEA will work on three broad, strategic goals:

- protecting the industry's access to resources, both offshore and onshore
- improving the industry's operating environment so that we continue to be competitive
- defending the industry's reputation.





# Major submissions and reports

## July–December 2016

### Submissions

- *Unconventional Gas in Australia*, APPEA report to COAG Energy Council
- *Consultation Paper: Mandatory Reporting of Petroleum Statistics*
- *Marine Reserve Draft Management Plans*

### APPEA publications

- *Offshore Oil and Gas Decommissioning Decision-making Guidelines*
- *Natural gas—essential for Australian manufacturing* fact sheet
- *MODU Mooring in Australian Tropical Waters: A Guideline*
- *Australia's oil and gas industry: a snapshot* fact sheet

## January–June 2017

### Submissions

- Finkel Independent Review into the Future Security of the National Electricity Market
- Review of Commonwealth Petroleum Resource Taxes
- Federal Budget 2017–18
- Senate Economics References Committee Inquiry into Corporate Tax Avoidance and Minimisation
- Queensland Financial Assurance Reform
- Queensland Land Access Ombudsman Bill
- Productivity Commission Inquiry into Horizontal Fiscal Equalisation
- Review of Climate Change Policies
- Better Mine Rehabilitation for Queensland
- Scientific Inquiry into Hydraulic Fracturing of Onshore Unconventional Reservoirs and Associated Activities in the Northern Territory

### Joint publications

- *Gas Vision 2050*, a report in collaboration with Energy Networks Australia, Australian Pipelines and Gas Association, Gas Energy Australia and Gas Appliance Manufacturers
- *10 Facts about Australian Trade*, a fact-sheet in collaboration with the Business Council of Australia, the Minerals Council of Australia, National Farmers' Federation and the Australian Chamber of Commerce and Industry

### APPEA publications

- *Commentary on Proposed Fiscal Changes* (Wood Mackenzie report for APPEA)
- *Western Australia's natural gas industry* fact sheet



# Operations and regulation

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The 2016–17 financial year has been challenging for the Australian petroleum exploration sector.

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Exploration activity, both onshore and offshore, has dropped to its lowest level in many decades.

The number of oil and gas wells drilled each year has been steadily falling. In 2016–17, Australia posted the lowest level of exploration drilling in 15 years.

Work programs indicate that activity will remain subdued.

Developing new reserves in the current market conditions is difficult.

Exploration remains expensive, but commodity prices are depressed and balance sheets are stressed.

Existing regulatory duplication, inefficiency and uncertainty are major deterrents to investment.

APPEA has worked with members and governments to identify and progress actions to help reduce approval costs and times, encourage efficient acreage release, and lower administration costs.

APPEA has also been building the case for government to support exploration and is encouraged by initiatives announced by federal and state governments to support exploration around Australia.

In 2016–17, APPEA advocated for continuing industry access—onshore and offshore—in response to numerous government inquiries, including the federal government’s review of marine parks.

APPEA also advocated effectively for onshore and offshore regulatory reforms—including federal and state tenure reform—to reduce exploration costs.

APPEA welcomed federal and state government initiatives to boost exploration around the country.

## South Australia: PACE Gas

The South Australian Government announced a second round of the Plan for Accelerating Exploration Gas (PACE Gas) grant program.

The program aims to increase the supply of gas into South Australia’s energy market to increase gas supplies and increase competition between gas suppliers.

The second round of PACE Gas grants, announced by the South Australian Government on 17 March, offers an additional \$24 million to accelerate the best investments in gas projects in South Australia.

## Queensland Gas Supply and Demand Action Plan

In November 2016, the Queensland Government released draft discussion documents for a gas action plan that will outline a strategic approach to the gas sector.

The paper outlines reform ideas to maximise the supply of gas at affordable prices, and includes suggestions for addressing community concerns.

## Federal government programs

The Australian Government is putting considerable resources and political capital into supporting gas production.

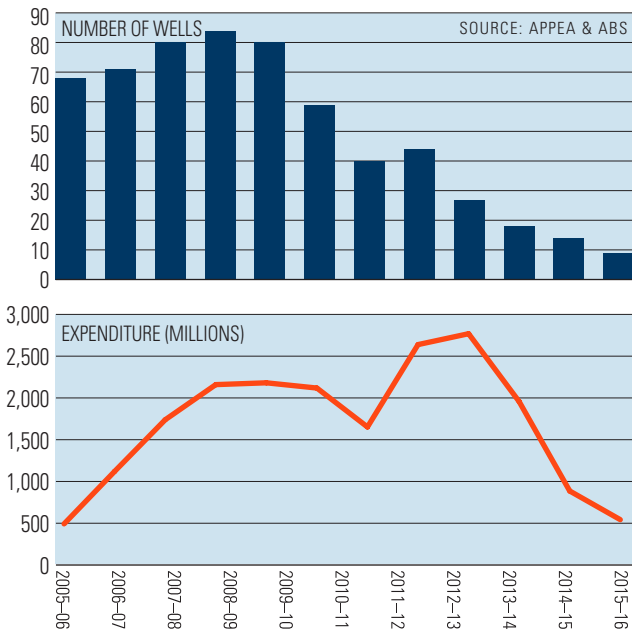
In July 2017, it announced the \$26 million Gas Acceleration Program (GAP). This will accelerate the exploration and development of gas resources.

GAP will support projects with the greatest likelihood of securing new and significant gas supplies for the eastern gas market from onshore gas fields.

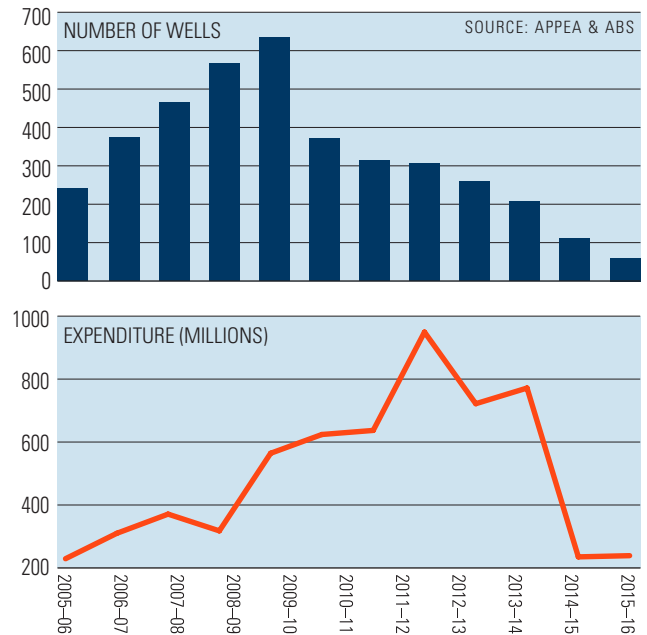
The Commonwealth has also announced investment in new geoscience information in Northern Australia through Geoscience Australia, as well as the Offshore South East Australia Future Gas Supply Study.

Victoria and Tasmania will collaborate with the Australian Government on this broad-ranging study.

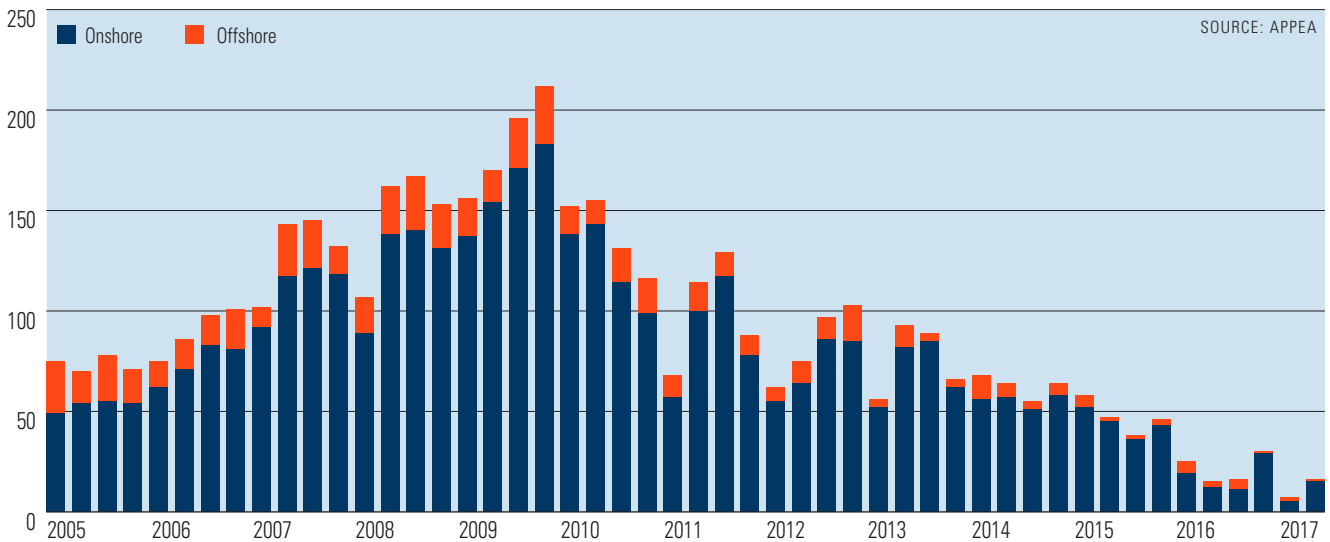
### Annual offshore exploration wells and expenditure (nominal—financial year)



### Annual onshore exploration wells and expenditure (nominal—financial year)



### Australian exploration wells drilled



## Queensland

### Chain of responsibility environmental protection orders

In response to early drafts of 'chain of responsibility' environmental protection order legislation, APPEA formed and led a coalition of business groups, which included the Australian Bankers Association, the Australian Institute of Company Directors, the Australian Restructuring Insolvency and Turnaround Association, the Queensland Resources Council, the Queensland Law Society, and the Property Council of Australia.

This coalition's advocacy achieved significant additional protections for arms-length investors and financiers in the petroleum sector.

### Water amendments

APPEA achieved additional rigour in new requirements for petroleum proponents to reimburse landholders for the cost of hydrogeological advice during make-good negotiations.

APPEA's position that hydrogeologists must be appropriately qualified was adopted in legislative amendments. Government's initial proposal for a 40-day cooling off period for make-good agreements was also shortened to five business days.

### Overlapping tenures

APPEA represented the gas industry's interests in discussions with coal representatives on the introduction of the overlapping tenures regime.

APPEA strongly advocated for full implementation of positions previously agreed and set out in the overlapping tenure White Paper, and also ensured multiple legislative and regulatory amendments to government proposals.

### Regulatory burden

APPEA worked with members to identify and advocate for key reform opportunities in environmental and natural resources regulation.

APPEA led industry's response to the 29 reform proposals set out in the Queensland Government's Gas Supply and Demand Action Plan, and sought ministerial and departmental support for improvements in environmental approval administration.

### Financial assurance

APPEA worked with members to put forward an industry position on financial assurance reforms. APPEA remains concerned at the proposed rehabilitation fund's potential for increasing costs, but has achieved significant modifications to the fund design. Initial proposals for government to establish credit rating for unrated companies have been dropped. APPEA's request to allow for insurance bonds in surety arrangements has been adopted.

### Land access

APPEA was heavily involved in developing and implementing changes to Queensland's statutory framework for land access, ensuring that these changes supported positive landholder engagement and did not undermine certainty for proponents. APPEA lobbied government and the Land Court for a case appraisal process to enhance land access dispute resolution. Legislative amendments to enable case appraisal for land access have now been introduced to the Queensland Parliament. APPEA also progressed negotiations with AgForce towards a standard land access agreement.

### Tenure reform

APPEA continues to represent Queensland operators in tenure reform. This reform process is aimed at developing a more efficient and fit-for-purpose framework that provides clarity and certainty in land access and approvals. APPEA members have been working on issues that include: length of tenure; project status for multiple tenures; flexible work programs; and the process for granting exploration titles. This reform process is expected to lead to draft regulations by the end of 2017.

### Acreage release and domestic blocks

APPEA engaged with the Queensland Department of Natural Resources and Mines on a new approach to the annual release of exploration acreage. This new process provides a forward schedule of competitive tenders and identifies priorities for developing of gas in Queensland. It includes expanded stakeholder engagement before releasing acreage. Companies must also contact landowners and relevant native title claimants to begin discussions and negotiations about land access arrangements before exploration can start.



*Australia has a long track record of successful and safe offshore operations.*

## Offshore consultation and engagement guidelines

APPEA has worked with a steering group of industry representatives to develop a standard methodology for stakeholder consultation and engagement for offshore petroleum activities.

After extensive consultation with industry and key stakeholders, APPEA submitted the draft methodology to the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) in June 2017.

NOPSEMA has indicated it will put the methodology to its Transparency Taskforce for further consideration.

## Great Australian Bight exploration

Geoscience Australia believes the Great Australian Bight is Australia's most prospective oil and gas frontier region.

Geoscience Australia has invested in studies of the Bight Basin's prospectivity over the past decade to reduce the exploration risk to acceptable levels for investment by major international oil and gas companies.

The Bight Basin is promoted to the world as one of the few remaining frontiers with potential for large commercial development.

Statoil is seeking approvals to conduct a drilling program in the Bight.

APPEA will support those plans with public advocacy to build community awareness of the economic opportunities Bight oil and gas offers South Australia.

In early 2017, two Senate Inquiries concluded their activities and released their reports. Both of these supported development in the Bight.

The Environment and Communications Legislation Committee rejected a bill moved by the Greens to ban exploration.

When the Environment and Communications References Committee published its report, the chair, Greens Senator Sarah Hanson-Young, was the only one of six voting members to oppose exploration and development.

Industry used these inquiries as an opportunity to highlight the benefits of development and to reiterate Australia's long track record of successful and safe offshore operations.

## Onshore gas and hydraulic fracturing

### South Australia

The South Australian Liberal opposition announced it intends to introduce a 10-year moratorium on hydraulic fracturing in the state's south-east if it wins the March 2018 election.

A two-year Parliamentary inquiry has concluded any risks associated with fracking could be managed with proper regulation, but it also concluded the practice lacked a 'social licence' in the region.

The ban does not apply to conventional gas exploration and development, which resumed in September 2017 after a three-year hiatus, encouraged by development grants from the state's Labor government.

### Northern Territory

There is growing industry concern about the likely outcome of the NT Government's Inquiry into hydraulic fracturing, which is due to report in March 2018.

Chief Minister Michael Gunner has repeatedly said the inquiry will decide whether to permanently ban fracking in the Northern Territory or allow it in 'highly regulated circumstances in tightly prescribed areas'.

APPEA made several submissions to the inquiry and appeared at public hearings in Darwin and Tennant Creek.

The inquiry comes as Jemena advances work on the Tennant Creek to Mt Isa pipeline, which will enable delivery of NT gas to the eastern Australian market for the first time.

Initial supply for the pipeline is likely to be sourced from offshore gas fields, but its longer term viability will require development of new onshore gas resources.

APPEA and key members with onshore NT interests also continue to promote the benefits of resource development and respond to community questions on our industry's impacts. This activity included a prominent presence at community events, such as regional shows in Alice Springs, Tennant Creek, Katherine and Darwin.

### Western Australia

The new Labor government—elected in March—has introduced a ban on the use of hydraulic fracturing in the Perth, Peel and South West regions. In the remainder of the state, a moratorium prohibits fracking pending the outcome of an independent scientific inquiry into its effects on the environment.

This inquiry will be Australia's 14th parliamentary investigation into the impacts of hydraulic fracturing—and the second in Western Australia.

Only two years ago, the WA Legislative Council's Environment and Public Affairs Committee completed a very thorough investigation that—like all of the other inquiries—found no evidence to support activist demands that fracking must be banned.

Five months before that parliamentary inquiry reported, the WA Health Department completed its own review of fracking.

It noted that targeted gas reserves were located between 2–4km below the ground—well below potable ground water sources—and found that fracking could be done safely.

APPEA recognises that this policy was an election commitment, nevertheless it has harmed Western Australia's reputation as a stable destination for investing in oil and gas.

The ban and the moratorium will only disrupt an important industry that can contribute significantly to the state's economy and energy security.

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This inquiry will be Australia's 14th parliamentary investigation into the impacts of hydraulic fracturing—and the second in Western Australia.

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# Energy policy

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APPEA members provide reliable, competitively priced energy for Australia and for Asian export markets.

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In all sectors of the economy—not just oil and gas—Australia benefits from open and competitive markets. Australia’s gas industry is delivering substantial, economy-wide benefits through investment, jobs, and regional development.

To sustain these benefits, governments must resist calls for policy interventions that distort efficient markets.

## Australian Domestic Gas Security Mechanism

In 2016–17, some domestic gas buyers—citing concerns over tightening supply in the eastern gas market as Queensland LNG exports grow—pressed for energy market interventions.

In June 2017, the Australian Government introduced the Australian Domestic Gas Security Mechanism (ADGSM), which can be triggered to place controls on LNG exports to offset any potential shortfalls in gas availability for the domestic market.

APPEA argued against this policy. The ADGSM poses very real sovereign risks concerns for an industry that requires continuing large-scale foreign investment and has spent a generation building a reputation as a secure and reliable supplier of energy. The ADGSM is also a short-term measure that would not sustainably increase the availability of gas for the domestic market—only developing more onshore gas can achieve a long-term and sustainable solution.

## Electricity market developments in South Australia

On 28 September 2016, the South Australian electricity market suffered a blackout. While a severe storm triggered this blackout, Australian Energy Market Operator (AEMO) reports made it clear gas-fired generation, along with the Heywood interconnector, enabled the system to be brought back online. These reports highlight the need for a diverse energy mix—with a large proportion of natural gas—to ensure system stability and security.



Compressor station at Fairview. Photo courtesy Santos.



## Finkel Review

Following the South Australian blackout, Council of Australian Governments (COAG) Energy Ministers agreed to an Independent Review into the Future Security of the National Electricity Market.

This Review—led by Australia’s Chief Scientist, Dr Alan Finkel AO—was to intended provide advice to governments on a coordinated, national reform blueprint.

APPEA’s submission to the Review had three themes:

- Australia must reverse the decline in gas-fired generation in the national electricity market to meet our climate change goals and to ensure reliable energy supply.
- Expanding gas-fired generation demands an expansion of upstream production at a time of lower oil prices and subdued exploration spending.
- Natural gas is crucial in the transition to a lower emissions economy – this gives governments a strong climate change argument for removing barriers to upstream development.

The Finkel Review’s Final Report—released on 9 June—finds Australia’s electricity system is in transition.

Managed well, Australia will benefit from a secure and reliable energy future.

Managed poorly, Australia’s energy future will be less secure, more unreliable and potentially very costly.

Australia must increase system security and ensure future reliability in the National Energy Market (NEM).

Poor integration of variable wind and solar electricity generation has coincided with inadequate planning for withdrawal of older coal and gas fired generators. This combination has compromised security and reliability.

The report found that all Australians benefit from access to a reliable and affordable gas supply – for heating; as a feedstock chemical for industry; and as a fuel for electricity generation.

In the NEM, gas-fired generation can provide a reliable, low-emissions substitute for ageing coal-fired generation.

It can also be rapidly switched on or off to complement variable renewable electricity generation.

The report concluded that gas enhances energy security and reliability, as well as emissions reduction, which concurs with APPEA’s advocacy.

The report also recommended that:

- governments work with communities and industry to enable safe exploration and production of unconventional gas;
- landowners receive fair compensation; and
- governments encourage safe gas operations rather than implementing blanket restrictions and bans on gas projects.

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The Finkel Review concluded that gas enhances energy security and reliability, as well as emissions reduction.

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## Gas Statement of Opportunities

On 9 March 2017, the Australian Energy Market Operator (AEMO) released its *Gas Statement of Opportunities* (GSOO) publication. The GSOO reports on the eastern Australian gas market's ability to supply maximum demand and annual consumption over a 20-year outlook period.

The March 2017 GSOO found declining gas production may result in insufficient gas to meet projected electricity demand from the summer of 2018–19. The risk of short-term interruptions of electricity will increase when there is not enough available gas-fired power generation (GPG).

## Gas supply guarantee (GSG)

On 15 March, Prime Minister Malcolm Turnbull held a meeting with east coast gas export companies to discuss solutions to the challenges identified in the GSOO. At this meeting, gas producers guaranteed that gas will be available for the NEM to meet peak demand periods (such as during heat waves).

APPEA and APPEA members subsequently met with AEMO several times to develop arrangements to put this GSG in place. A test run of the arrangements is expected to be held in November. The arrangements are intended to be in place from 1 December for the start of summer. The GSG will apply until March 2020.

## Summary of outcomes—East Coast Gas Market Meeting, 15 March 2017

The 15 March 2017 meeting between the industry and the Australian Government led to seven agreed outcomes. Many of these were in line with APPEA advocacy.

### 1 Peak Electricity Demand—Gas Supply Guarantee

- Gas producers guarantee that gas will be available to meet peak demand periods in the National Electricity Market (such as during heatwaves).
- Implementation arrangements will be developed with the market bodies and other industry participants—AEMO will be given a power to direct the market.
- This arrangement will be in place in time for the 2017–18 summer.

### 2 New gas production

- The gas producers have agreed to make more gas available to the domestic market as soon as possible, to keep downward pressure on prices.
- Producers will revise their domestic gas production forecasts, and AEMO will produce an updated supply outlook.
- Two of the LNG exporters gave a commitment to being net domestic gas contributors, as part of their social licence. The third took the matter on notice.

### 3 Market transparency

- The ACCC and Gas Market Reform Group will advise on options to quickly improve transparency in the gas market, to facilitate competition between producers and information for purchasers.
- The scope will include the full supply chain—producers, transporters, retailers.

### 4 State regulation

- The meeting called on state and NT governments to revisit gas exploration and development restrictions.

### 5 Community support

- Industry acknowledged the importance of community support.

### 6 Gas market reform

- Government will accelerate gas market reforms arising from the recent ACCC gas review aimed at improving pipeline capacity trading and gas trading markets.
- Further reforms to improve the gas market will be urgently considered.

### 7 Implementation arrangements

- The government is establishing a Taskforce that will manage implementation of these outcomes, and report to the Cabinet Energy Committee.
- The Taskforce will include key departments, agencies and energy market bodies.
- The parties agreed to meet again to review progress.
- Ministers would meet with gas pipeliners and customers.

## ACCC Inquiry into Gas Supply Arrangements in Eastern Australia

On 19 April 2017, the government announced the ACCC would use its inquiry powers to monitor the Eastern Australian wholesale gas market.

The inquiry will run over three years, with regular reporting.

It will examine gas production, transport and retail, including:

- Measures to make gas supply arrangements more transparent.
- The supply of, and demand for, natural gas produced in Australia, or imported into Australia.
- The supply of, and demand for, Australian natural gas transport.

The ACCC will release six monthly public reports on the state of the gas market, including the prices and terms on which gas is being offered.

A final report will be delivered in 2020.

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The COAG Energy Council has created a Gas Market Reform Group to implement pipeline regulation reforms.

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## Gas Market Reform Group

The COAG Energy Council has created a Gas Market Reform Group chaired by Dr Michael Vertigan AC, to implement pipeline regulation reforms, including compulsory arbitration and information disclosure.

As part of its initial work on transportation (pipeline and hub services) capacity trading-related reforms, the GMRG has called for nominations for its Advisory Panel and a series of project teams.

APPEA and several of its members successfully nominated key staff for positions on these project teams. Major areas of focus for the GMRG in 2016–17 included:

- Information Disclosure and Arbitration Framework: the GMRG published rules under the National Gas Rules for information disclosure and an arbitration mechanism for non-scheme pipelines. These rules require pipeline operators to publish basic information on their websites, including independently verified financial reports and demand information (by pipeline), weighted average prices for each service, and the inputs used in calculating standing offers.
- Operation of Capacity Trading Platform and Day-Ahead Auction: the GMRG also undertook consultation on the organisation(s) that should operate and administer the proposed capacity trading platform(s) and day-ahead auction. The GMRG has yet to publish its recommendation to the Energy Council.

## Mandatory reporting of petroleum statistics

The Australian Government collects data on the petroleum market using a voluntary monthly business activity survey. Changes in the petroleum market have led to more companies declining to participate in the survey, which has reduced the accuracy of the Australian Petroleum Statistics.

The government announced that reporting of petroleum statistics would become mandatory from 1 January 2018.

This is part of a broader policy to restore Australia's compliance with its International Energy Agency treaty obligations to hold fuel stocks equivalent to 90 days of the previous year's average daily net oil imports.

Throughout 2016–17, APPEA worked with the Department of Environment and Energy to ensure the mandatory reporting system would:

- minimise compliance and reporting burdens for new and existing reporters
- use data-sharing arrangements with other government agencies
- protect commercially sensitive information.

## Victoria

On 30 August 2016, the Victorian Government announced it would introduce legislation to ban onshore unconventional gas operations and extend the moratorium on conventional gas exploration and production until 30 June 2020.

The Victorian Parliament passed the *Resources Legislation Amendment (Fracking Ban) Act 2017* on 9 February 2017.

APPEA maintains there is no environmental reason to prohibit onshore gas development in Victoria and that this policy will compound the pressures on an already tight east coast gas market.

These conclusions are supported by both the ACCC and the Finkel Review.

## Western Australia

On 8 December 2016, AEMO released the annual WA GSOO.

This was the first version of the WA GSOO published by the AEMO following its appointment in late 2015 as operator of WA's wholesale energy markets.

The report found that:

- Gas supply in WA's domestic gas market is expected to remain higher than forecast gas demand over the 10-year outlook period (but there are scenarios where this may not occur).
- Domestic gas demand is forecast to grow slowly.
- Supply is expected to exceed demand over the next 10 years.
- Northern WA has greater potential for gas demand growth than the state's South West.
- WA's potential gas supply is affected by low oil price and exchange rate forecasts over the outlook period.
- WA has extensive gas resources, but exploration has slowed.

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Bans and moratoria on gas development will compound the pressures on an already tight east coast gas market.

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# Climate change policy

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Greater use of Australian natural gas — domestically and in export markets — offers significant global environmental benefits.

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Using more Australian natural gas can significantly reduce greenhouse gas emissions—while also enhancing energy security and delivering other environmental, economic and social benefits—both in Australia and in LNG customer countries.

In 2016–17, APPEA worked with the Commonwealth, the states and the Northern Territory on a range of climate change policy issues.

A national climate change policy should recognise the greenhouse emission benefits of natural gas and should deliver carbon abatement at least cost. This means it should enhance the Australian gas sector's domestic and international competitiveness.

A nationally consistent policy approach that integrates climate and energy policies is the most effective approach—not only for reducing emissions, but also for delivering secure and affordable energy. APPEA continues to advocate streamlining the hotchpotch of programs regulating greenhouse gas emissions in various jurisdictions across Australia. States should remove policies that do not complement the national approach and should avoid duplicating national policies.

## APPEA Climate Change Policy Principles

APPEA's *Climate Change Policy Principles* document is designed to assist policymakers in developing efficient and effective responses to this major global issue.

APPEA supports a national policy that delivers greenhouse gas emissions reductions at least cost and facilitates broad-based investment decisions consistent with there being an international price on carbon.

Natural gas is integral to effective climate policy. It complements renewables because gas generation plants can be rapidly turned on and off to respond to changes in intermittent wind and solar generation.

## 2017 Review of Australia's Climate Change Policies

On 5 December, the Australian Government released the Terms of Reference for the 2017 Review of Australia's Climate Change Policies.

On 24 March, it released a discussion paper informing the Review's approach to a range of key issues.

On 11 May, APPEA lodged its submission in response to the discussion paper.

This outlined the role natural gas can play in a cleaner energy future, and discussed key areas where changes to the current approach are required (for example, access to international permits) and areas where less change is needed (for example, the treatment of 'inherent resource variability' under the safeguard mechanism).

This submission referenced and built upon the *APPEA Climate Change Policy Principles*.

The Review is due to be completed by the end of 2017.

Climate policy must be fully integrated and consistent with policies in other areas—including energy, international trade, taxation, economic growth, population, and environmental and social responsibility.

### Key points:

- 1 International engagement is crucial.
- 2 Climate change and energy policies must be integrated and harmonised.
- 3 Climate change adaptation strategies are necessary.
- 4 Climate policy must not compromise national or global economic development or energy security.

## Emissions Reduction Fund (ERF)

The Emissions Reduction Fund is a voluntary scheme that provides incentives to adopt new practices and technologies that reduce emissions. Several activities are eligible under the scheme and participants can earn Australian carbon credit units (ACCUs) for emissions reductions. One ACCU is earned for each tonne of carbon dioxide equivalent (tCO<sub>2</sub>-e) stored or avoided by a project. ACCUs can be sold to generate income, either to the government through a carbon abatement contract, or in the secondary market.

Two elements of the ERF—crediting emissions reductions and purchasing emissions reductions—started on 1 July 2014. The first three ERF Auctions were held in 2014–15 and 2015–16, with a further two auctions held in 2016–17. The auctions have seen the Clean Energy Regulator award 435 Carbon Abatement Contracts to deliver a total of 189 million tonnes of abatement. The total value of contracts awarded was more than \$2.2 billion; the average price per tonne of abatement was \$11.83. Around \$300 million in funding remains, and a sixth ERF Auction will be held on 6–7 December.

The third element of the ERF—the safeguard mechanism—is aimed at ensuring that emissions reductions are not displaced by significant increases in emissions elsewhere in the economy. It involves setting emissions baselines based on the highest emissions over the past five years and ensuring that a facility's emissions do not exceed this baseline. This mechanism applies to facilities with direct CO<sub>2</sub> emissions of 100,000 tonnes or more per year.

In December 2015, Parliament passed rules to establish the mechanism, which started operating on 1 July 2016. During the mechanism's development, APPEA had many meetings with the Minister, his office and the Department of the Environment and Energy aimed at improving its operation and its application to the industry. APPEA worked to ensure the mechanism did not impose inappropriate cost burdens on the industry and that its further development would make Australia more competitive in attracting oil and gas investment. In 2016–17, APPEA liaised with the Clean Energy Regulator to ensure that the mechanism's administration is as low-cost and efficient as possible.

On 6 April 2016 the government released its *Safeguard Mechanism Emissions Intensity Benchmark Draft Guidelines*. The draft guidelines set out a high-level process for setting emissions intensity benchmarks under the safeguard mechanism for facilities that are new or significantly expanded after 1 July 2020.

APPEA lodged a detailed submission and met with the Office of the Minister for the Environment to discuss the mechanism. APPEA's submission outlines shortcomings with the proposed approach and recommends delaying finalising these guidelines until these concerns have been accommodated and more appropriate guidelines have been developed.

Throughout the 2017 Review of the ERF, APPEA continued its engagement with government to ensure the system does not impose inappropriate cost burdens on the industry and that it makes Australia more attractive for oil and gas investment.

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A nationally consistent policy approach that integrates climate and energy policies will be more effective—not only for reducing emissions, but also for delivering secure and affordable energy.

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## Finkel Review: Clean Energy Target

The Australian Government supported 49 of the 50 Finkel Review recommendations, including:

- establishing a whole-of-economy emissions strategy for 2050
- considering an emissions reduction trajectory for the National Electricity Market
- requiring all large power generators to provide at least three years' notice of their intention to close.

The government did not support one of the Finkel Review's key recommendations—to implement a Clean Energy Target (CET) from 2020.

A CET would have provided an incentive for all new generators that produce electricity below a specified emissions intensity threshold.

All fuel types, including natural gas, would have been eligible for the scheme provided they meet or are below the emissions intensity threshold.

APPEA provided general support for a CET. While this policy fell short of APPEA's preferred position (as set out in APPEA's *Climate Change Policy Principles*), a CET could have reduced emissions from electricity generation. The Finkel Review is considered in more detail on page 15.

## Fugitive emissions

During 2016–17, APPEA continued discussions with the CSIRO and the Department of the Environment and Energy about further research into fugitive emissions.

A CSIRO report released on 1 June confirmed that Australian coal seam gas well completions' fugitive methane emissions are low.

While the sample size was small, these actual measurements obtained by the CSIRO provide further support for the veracity of methodologies used under the National Greenhouse and Energy Reporting Scheme (NGER).

A separate report, released by the Department of the Environment and Energy on 1 June, brought together research into fugitive methane emissions from Australian coal seam gas fields that has been underway since 2013.

The department has included updates to the national inventory methods, implemented in the 2017 submission of Australia's National Inventory Report 2015 to the United Nations Framework Convention on Climate Change, for the results of the CSIRO research on Australian CSG wells undertaken through this work program. Where gaps in the Australian data exist, the department has used recent relevant US experience to update estimation methods for Australia.

## International developments

The Intergovernmental Panel on Climate Change's Fifth Assessment Report found that:

- The human influence on the climate system is clear.
- The more we disrupt our climate, the more we risk severe, pervasive and irreversible impacts.
- Humans can limit climate change and build a more prosperous, sustainable future.

In 2015, the Australian Government released its final 2030 emissions reduction commitment—a 2628 per cent reduction in emissions on 2005 levels. This requires reducing emissions by about 900 million tonnes from 2020 to 2030.

The 2015 United Nations Climate Change Conference negotiated the Paris Agreement, which came into force on 4 November 2016. The Australian Government adopted the agreement on 10 November. The 2017 UN Climate Change Conference (to be held in Bonn, Germany from 6–17 November) will focus on developing the rules to underpin the implementation of the Paris Agreement.

## 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.

APPEA's Director–Economics was elected as AIGN Chair in October 2016. In 2016–17, APPEA provided input to several AIGN submissions with a particular focus on the development of the Emissions Reduction Fund and its safeguard mechanism.

# Tax and commercial

To compete effectively for limited international investment capital, Australia needs a stable and globally competitive taxation system. Fiscal settings must reflect the long periods between exploration and commercialisation of discoveries.

The deductibility of business costs is crucial in fostering investment in Australian exploration and production operations.

The industry continues to be challenged by relatively low commodity prices following a period of high capital expenditure.

Project economics remain difficult and industry profitability has fallen to historic lows.

Yet the industry continues to make significant tax payments through both the company and resource taxation systems.

Data collected for 2015–16, as part of APPEA's industry financial survey, estimates the industry recorded an overall loss of more than \$4 billion dollars during that financial year.

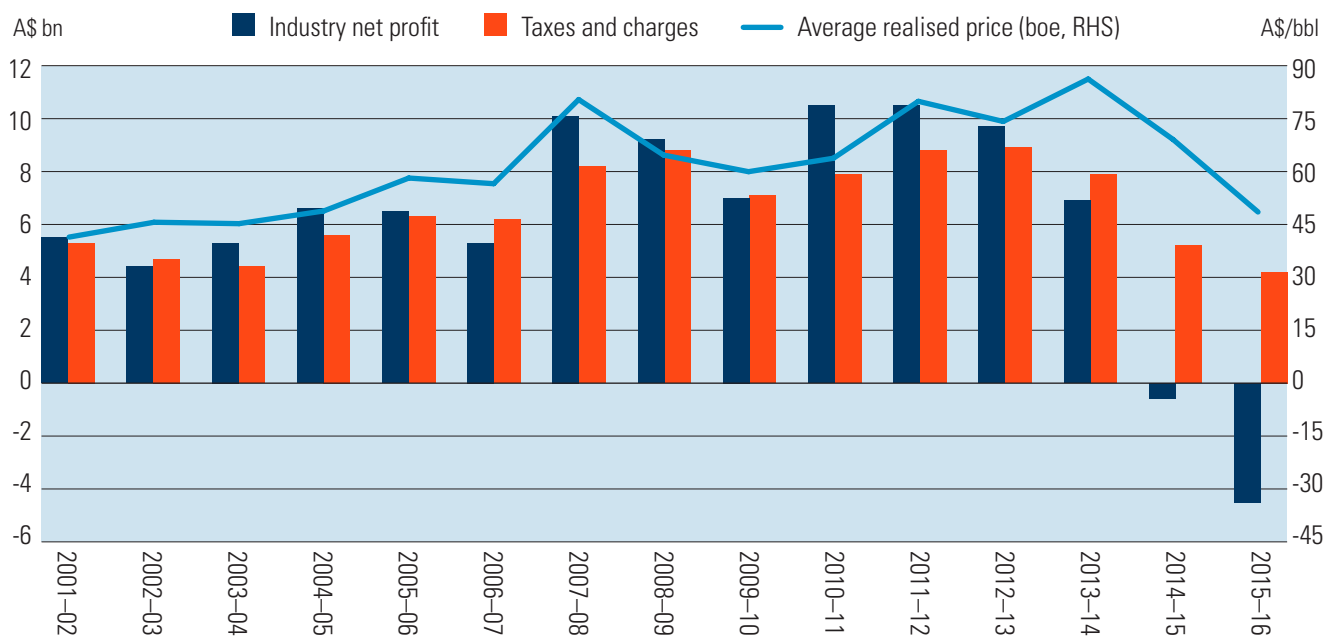
But its taxation payments were more than \$4.5 billion over that period.

## Relationships with regulators

The industry respects taxation regulators' role in administering state and federal tax laws. APPEA works with regulators in an open and collaborative manner to ensure the industry continues to pay its fair share of tax. APPEA uses its engagement in government working groups and committees to share information and to raise issues identified by member companies. Participation (directly and through member companies) in working groups and committees includes:

- Australian Taxation Office (ATO) Energy and Resources Working Group
- ATO Large Business Stewardship Group
- ATO/APPEA Petroleum Resource Rent Tax (PRRT) Sub-Committee
- Queensland Office of State Revenue Resource Consultative Committee Petroleum Sub-Group.

## Oil and gas industry: Profitability, taxes paid and average realised prices, 2001–02 to 2015–16



## Tax and commercial transparency

Governments and the community continue to call for greater transparency in corporate taxation. As part of legislative transparency requirements, the ATO must publish information about corporate tax entities with annual total income of \$100 million or more. Data must also be published on companies' PRRT payments.

The most recent such report—released in late 2016—covered the 2014–15 tax year. It revealed a fall in the recorded level of tax payments. This reflected high costs, low commodity prices and a drop in Australia's crude oil production.

APPEA has worked closely with the ATO to ensure that reporting of tax data includes explanatory material outlining the reasons for fluctuations in industry tax contributions. Both ATO and APPEA commentary reflect these explanations.

In 2016–17, there were several inquiries and consultation processes related to resource and business taxation.

APPEA worked closely with Members of Parliament, government officials and interested parties to ensure industry's views were understood and that policy settings reflected commercial realities. As part of these processes, APPEA and member companies appeared before the Senate Economic Committee's inquiry into corporate tax avoidance.

APPEA also has observer status on the federal government's Multi-Stakeholder Group (MSG). This was established as part of the process for joining the global Extractive Industries Transparency Initiative, a global coalition of companies, governments and civil society working to improve transparency and accountability in the resources sector. The oil and gas industry is formally represented on the MSG by three member companies.

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The treatment of exploration for company income tax is critical in determining whether companies commit funds to explore in Australia.

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## Cash bidding for exploration acreage

APPEA continues to oppose the federal government's use of cash bidding as a basis to award selected offshore acreage.

Cash bidding is in effect an additional level of taxation on the industry that dilutes the funds available for exploration.

The work program bidding system should be the basis for the release of all Australian exploration acreage, both offshore and onshore.

The work program system has served Australia well and has helped the nation become a leading gas producer.

The results of the recent rounds of cash bidding raise questions about the regime's sustainability, both in terms of the complexity of the bidding process and governments' expectations about the amount of funds companies are prepared to bid.

## Company tax: treatment of exploration

The treatment of exploration for company income tax is critical in determining whether companies commit funds to explore in Australia.

For several years, the ATO, APPEA and other representative bodies have been discussing the definition and scope of exploration.

Following the release of a final taxation ruling in this area, discussions during 2016–17 focused on developing and releasing guidance material to further clarify how the law will apply.

The ATO has released draft material outlining proposed agreed-upon procedures intended to provide best-practice principles relating to projects and tax governance frameworks to substantiate claims for deductions.

APPEA has raised concerns with some aspects of the ATO's proposed approach in low areas of risk.

In 2017–18, work will continue in this important area of the tax law.



## Resource Taxation

### Callaghan Review of PRRT

Late in 2016, the federal Treasurer announced a review into the operation of petroleum resource rent tax (PRRT), production excise and Commonwealth petroleum royalties to assess whether oil and gas taxation arrangements were operating as intended. The review was headed by Mr Michael Callaghan AM, a former Treasury deputy secretary.

APPEA met with the review team on several occasions. APPEA's comprehensive submission argued for retaining the existing provisions and made the case for the merits of a profits-based regime to cover petroleum operations.

In April 2017, the government released the review taskforce's report. This contained detailed recommendations. Some of these apply to new projects, while others could apply to both new and existing projects.

On releasing the report, the Treasurer indicated that the recommendations would not be considered in the 2017–18 Budget.

Instead, he announced a further review seeking interested parties' views on the Callaghan Report's recommendations.

APPEA's input into the overall review process has stressed that Australia needs a competitive and stable resource taxation framework to underpin existing and future oil and gas investments.

### PRRT technical and operational issues

APPEA continues to pursue improvements and clarifications to the operation of the PRRT and to seek provisions that ensure companies can claim deductions associated with their full range of petroleum operations. In 2016–17, PRRT issues progressed with the ATO included:

- the deductibility of social infrastructure expenditures incurred as part of undertaking petroleum operations
- clarifying what constitutes closing down expenditure when part of a project closes or is decommissioned while another part continues to operate
- addressing the potential loss of deductions when a project reverts from a production licence to a retention lease
- seeking clarity regarding what constitutes exploration expenditure for onshore operations.

### Queensland petroleum royalties

APPEA and member companies with petroleum production operations in Queensland are continuing to work with the Queensland Office of State Revenue on interpretative aspects of the petroleum royalty regime in that state. Areas of focus include:

- narrow and unrealistic direct connection tests between activities and deductions that will see some essential activities being non-deductible
- the application of royalty to unsold gas
- the depreciation treatment of capital costs
- compliance and penalty provisions.

APPEA continues to pursue improvements and clarifications to the operation of the PRRT.





## Multinational tax reforms

The Australian Government continues to focus strongly on multinational tax. It has introduced a Diverted Profits Tax (DPT) and the ATO has intensified compliance and audit activities for cross-border transactions.

First announced in the 2016–17 Federal Budget, the DPT is arguably one of the most far-reaching tax measures of the past four decades.

This new tax potentially covers many offshore transactions by companies operating in Australia, including exchanges with high-value trading partners.

## Marketing activities

During the year, the ATO released a detailed compliance guideline outlining its approach to transfer pricing issues. This guideline covers marketing, sales and distribution hubs, and other activities.

The ATO has indicated that if it considers a taxpayer is obtaining a transfer pricing benefit it may implement compliance measures.

The onus is on the taxpayer to have supporting evidence commensurate with the activity's perceived risk. The guideline specifically mentions LNG marketing activities.

The ATO has stressed its strong desire for early engagement with taxpayers to discuss their arrangements.

## Cross-border financing

In terms of capital expenditure alone, recent investments in the Australian gas industry are thought to have required more than \$250 billion in funding.

This high level of investment has meant that companies—both domestic and international—developing Australian projects have had to acquire funds from many different sources.

In 2016–17, the ATO released draft practical compliance guidelines covering taxation issues associated with cross-border related party financing transactions.

The industry understands the ATO is seeking to clarify a complex area of law, but it is disappointed that proposed positions are based on assumptions that fail to recognise the arms-length principle at the heart of transfer pricing.

In addition, APPEA has stressed that in administering the law the ATO should stand by its comments that operating outside the so-called 'Green Zone' does not imply non-compliance. This is an important principle, as is ensuring all taxpayers having access to the advance pricing arrangement program.

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The diverted profits tax (DPT) is arguably one of the most far-reaching tax measures of the past four decades.

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# Safety and health

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APPEA continues to work with members and key stakeholders to improve safety regulation and share good practices that address safety risks.

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## Safety guidelines and regulation

In 2016, APPEA's Australian Drilling Industry Steering Committee engaged with the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) to determine the appropriate response to a significant incident.

In March 2015, several mooring lines on the Atwood Osprey rig snapped during wild weather caused by Cyclone Olwyn.

An industry study was commissioned to inform the appropriate risk management approach for Australian tropical waters.

This led to the publication on 1 November 2016 of a guidance document, the APPEA *Mobile Offshore Drilling Unit Mooring in Australian Tropical Waters Guideline*, endorsed by NOPSEMA.

The guideline provides a common approach to mooring mobile offshore drilling units exposed to cyclonic conditions. It can be found on [www.appea.com.au](http://www.appea.com.au)

In 2016–17, APPEA began working with the Department of Industry, Innovation and Science (DIIS) on the department's policy proposal for increasing transparency and stakeholder engagement, particularly throughout environmental approvals processes.

APPEA also began working with the NOPSEMA on how this policy proposal might affect petroleum regulations.

In early 2017, NOPSEMA, DIIS, APPEA, member companies and state petroleum regulators formed

a taskforce to examine offshore petroleum environmental approvals, proposed regulatory changes and stakeholder expectations around greater transparency and consultation regarding.

This taskforce decided to develop a series of reference cases to standardise the content of environmental plans required in permitting offshore petroleum operations.

The working groups subsequently commissioned consultants to prepare several reference cases as proof of concept and to test their usefulness in streamlining approvals processes and making these processes more transparent.

These trial reference cases are due for release in early 2017–18. For more information, see <https://referencecases.nopsema.gov.au>

## Safety programs

APPEA delivers the industry's offshore Common Safety Training Program (CSTP). In 2016–17, CSTP trained more than 1000 new entrants to the industry.

APPEA continues its safety improvement program, which is delivered via:

- leadership—through the CEO Safety Leadership Forum
- process safety expertise—through the IChemE Safety Centre
- industry engagement—through the Stand Together for Safety (STFS) program.

## Process safety documents

With offshore petroleum consistently achieving one of the lowest injury and fatality rates of any industry in Australia, APPEA members have increasingly shifted their focus from ‘lagging’ metrics to measuring ‘leading’ process safety metrics. These leading metrics are indicators of potential accidents and incidents or occasions when safety barriers and protective mechanisms have been implemented or tested, but no actual incident has occurred.

The Australian offshore petroleum industry continues to work with the IChemE Safety Centre (ISC) to develop a set of industry *Lead Process Safety Metrics*.

## Injury statistics

In Australian offshore oil and gas, 2016 was the first calendar year since 2005—when a national offshore safety regulator was established—that no fatalities or major injuries were reported. Unfortunately, in the first half of 2017 there were three serious injuries in the offshore sector.

The Queensland oil and gas industry posted a total recordable injury rate (TRIR) of 3.2 injuries per million work-hours.

In Western Australia, the onshore oil and gas sector posted a TRIR of 4.8.



# Environmental management

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

## Decommissioning

APPEA is working to establish a framework that maximises field life and ensures that decommissioning is completed safely, sustainably and cost-effectively.

APPEA has engaged extensively with the Western Australian and Commonwealth Governments to develop decommissioning guidance. This is due to be released before the end of 2017. APPEA and government have agreed that this guidance should use a risk-based approach that supports collaboration and minimises decommissioning costs while also maximising values for the community. These principles are central to APPEA's strategy and engagement with stakeholders.

APPEA and member companies support the establishment of a Cooperative Research Centre for Decommissioning Offshore Infrastructure. This CRC would focus on five streams of activity—marine science; engineering; social and economic benefits; decision-making and regulation; and education and training. Supporting companies include Chevron, Woodside, ExxonMobil, Shell, BHP, Quadrant, Santos, Vermilion and Eni. The research sector is providing extensive financial and in-kind support. The proposed CRC is also supported by the WA Fishing Industry Council and various service companies. Successful CRC bids are expected to be announced in March 2018.

## Oil spill preparedness and response

In 2016–17, APPEA continued working to enhance member company coordination on oil spill preparedness and response. APPEA's HSE Committee formed a dedicated oil spill preparedness and response working group. This group is now working with APPEA's Marine Environmental Science Working Group to draft an Oil Spill Monitoring Plan framework document based on common industry approaches to operational and scientific monitoring.

APPEA's Method for Estimating Financial Assurance (released in 2014) was re-endorsed by the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) and now has

endorsement until September 2018. This tool helps titleholders estimate appropriate financial assurance for pollution incidents arising from petroleum activities.

Government and regulators have also undertaken significant oil spill preparedness and response initiatives. NOPSEMA created a Spill Risk Cooperative Forum to jointly explore strategic compliance and policy issues and promote continual improvement. The Western Australian Department of Transport released its Offshore Petroleum Industry Guidance Note covering response and consultation arrangements for industry. It also held a major oil spill exercise in September 2017 to test the application of this guidance note.

## Marine Environmental Science

APPEA's Marine Environmental Science Working Group coordinates collaborative work to identify and address key scientific and technical issues in offshore petroleum operations. In 2016–17, this group brought several projects to conclusion:

- Understanding the Consequences of Unplanned Discharges (BMT Oceanica)
- Scientific Literature Review of the Environmental Impacts of Decommissioning Options (Advisian)
- Underwater Sound and Vibration from Offshore Petroleum Activities and their Potential Effects on Marine Fauna: An Australian Perspective (CMST)
- Potential impacts on zooplankton of seismic surveys (CSIRO)
- Industry–Government Environmental Meta-database
- Decommissioning offshore infrastructure: a review of stakeholder views and science priorities (WA Marine Science Institute, *Blueprint for Marine Science*)

These reports can be found at [www.appea.com.au/safety-environment/environment-publications](http://www.appea.com.au/safety-environment/environment-publications). Further funding has been allocated to draft the Oil Spill Monitoring Plan framework document, which will be based on common industry approaches to operational and scientific monitoring.

# Environmental regulation

Throughout 2016–17, APPEA worked with governments to make environmental regulation more efficient.

## Independent review of the water trigger

On 19 June, the Australian Government tabled the independent review of the water trigger. This review found that there is no “direct evidence about the effectiveness” of the legislation and “no direct evidence that the water trigger legislation has protected water resources.”

Despite this, the water trigger is considered ‘appropriate to alleviate public concern’ and ‘address the regulatory gap that was identified at the time of its enactment’. The review recommends minor administrative changes. It does not propose expanding the water trigger.

## Marine parks

Throughout 2016–17, the federal government consulted widely as it worked on draft management plans for the Commonwealth Marine Park network. These plans regulate access and define the activities that can be undertaken in the marine parks.

APPEA worked closely with the government on the plans’ design, providing technical advice and briefings on operational issues, including pipeline access, full-fold seismic integration, emergency access, vessel turning, potential impacts on multi-client surveys and other issues.

APPEA has consistently advocated for a sensible balance between environmental protection and responsible industry development. This includes recognising of prospective and producing regions. Management and zoning of marine parks should be flexible to allow changes that reflect new information on resource potential, environmental impacts, new technologies and management practices.

APPEA is satisfied that the draft management plans provide an appropriate balance of industry access and environmental protection:

- Zoning is largely as the review recommended. Restrictions in producing regions and areas of medium-to-high prospectivity are avoided. The habitat protection zone over prospective oil and gas regions in the Argo-Rowley Terrace Marine Park of the Carnarvon Basin are sensible.
- Regulatory duplication has been reduced. Activities already covered by NOPSEMA do not require additional assessment by the Director of National Parks.
- Other petroleum activities not covered by NOPSEMA will be covered by broad activity-based class approvals so that new activities in approved categories do not require additional assessment.
- Pipeline activities may be conducted in all zones (except Sanctuary areas—pink in the attached maps) if the Director is satisfied that alternative routes are not feasible or practicable.
- Actions responding to oil pollution incidents, including environmental monitoring and remediation, may be conducted in all zones.
- Scientific research and environmental monitoring in connection with a particular extractive operation may be conducted in all zones.

APPEA will seek more clarity on some operational issues, for instance ingress into national park zones to undertake full-fold seismic surveying. This is particularly important for permits adjacent to marine parks.

Finalisation of the marine park network is expected in 2017–18.

# APPEA 2017: *Energy in Transition*, 14–17 May, Perth

Held at the Perth Convention and Exhibition Centre, the 2017 APPEA Conference and Exhibition drew more than 2000 registered attendees from 26 countries and 865 organisations.

Plenary and concurrent sessions examined industry challenges; major policy issues; and the enormous opportunities for energy security, regional development and economic growth that the oil and gas industry offers Australia.

APPEA 2017 featured more than 100 speeches and presentations in its plenary and technical sessions.

There were 19 plenary speakers across five sessions. Plenary speakers included:

- WA Premier, Mark McGowan
- Federal Minister for Resources and Northern Australia, The Hon Matt Canavan MP
- Woodside Managing Director, Mr Peter Coleman
- APPEA Chairman, Bruce Lake
- Royal Dutch Shell Vice President Global Business Environment, Jeremy Bentham
- Siemens Vice President, Oil and Gas Strategy, Thomas Sparks
- Russian National Energy Security Fund Director General, Dr Konstantin Simonov
- Tellurian Senior Advisor, Martin Houston
- Clough Managing Director, Peter Bennett
- BHP Billiton Petroleum General Manager, Graham Salmond
- EY Oceania Markets Leader, Lynn Krauss
- Mechanical engineer and former ABC presenter, Yassmin Abdel-Magied
- Shadow Minister for Consumer Affairs and Shadow Minister Assisting for Resources, Tim Hammond MP
- BP Developments Australia Managing Director, Claire Fitzpatrick
- ExxonMobil Australia Chairman, Richard Owen

- Senex Energy Chief Executive, Ian Davies.
- Futureye Managing Director, Katherine Teh-White
- NOPSEMA Chief Executive, Stuart Smith
- KPMG Global Leader for Human Rights and Social Impact, Richard Boele.

The concurrent technical program was one of the largest at an APPEA event. There were 85 presentations spread across 24 sessions. These specialist analyses, technical information and case studies covered a wide range of issues, including:

- technology and innovation
- decommissioning
- unconventional gas science, technology and operations
- liquefied natural gas operations and markets
- seismic
- geoscience technology
- project development
- energy policy
- updates from regulators
- tax, financial and commercial issues and management
- the Great Australian Bight
- the Greater North West Shelf
- scientific and technological reports
- tax, commercial and financial management
- community and stakeholder engagement
- environmental monitoring and management
- managing carbon dioxide
- safety and operational issues.



The concurrent sessions also included the Commonwealth Government’s annual release of exploration acreage and the Petroleum Exploration Society of Australia’s annual review of the previous year’s exploration and production figures and highlights.

The conference concluded on Wednesday afternoon with a lively panel discussion on how the industry can address trust challengers and increased regulatory uncertainty.

More than 40 journalists and other media personnel, representing 32 Australian and international outlets, covered the event.

### The Exhibition Hall — industry showcase and networking hub

The Exhibition Hall covered more than 7000 square metres and hosted more than 150 organisations. It attracted more than 1000 visitors.

It also included spacious networking lounges, full catering facilities, charge zones and a technology and business centre. With 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.

### Social program and networking

The conference’s social events were also well attended.

More than 1200 people registered for the welcome reception; more than 700 came to the conference dinner; and more than 1000 attended the farewell cocktails.

### Delegate feedback

Feedback forms showed that:

- 89% of delegates said they made new business contacts at APPEA 2017
- 94% said the Exhibition was ‘good’ or ‘excellent’
- 90% said the quality of plenary presentations was ‘good’ or ‘excellent’
- 75% said they would recommend the APPEA Conference to a peer or colleague.

### APPEA 2018

The 2018 APPEA Conference and Exhibition will be held in Adelaide from 14–17 May 2018. For more information see [www.appeaconference.com.au](http://www.appeaconference.com.au)



# APPEA conferences and forums

## 2016 APPEA Health, Safety and Environment Forums, Perth

APPEA held its Health, Safety and Environment Forums on 26 October at the Perth Convention and Exhibition Centre.

A Health and Safety Representatives Forum and an Environment Forum ran concurrently. The format combined traditional presentations and collaborative breakout sessions.

The HSR Forum built upon the industry's significant achievements in improving personal safety and process safety. It enables HSRs to engage with their peers and industry leaders.

The Environment Forum highlighted environmental issues and opportunities facing the oil and gas industry. It featured industry case studies and innovations, as well as presentations from government, non-government organisations, industry and research organisations.

About 150 people attended the two forums.

On the following day, several industry safety groups—Drillsafe, Marine Safe, Offshore Project Safe and SafeOps—held a joint forum.

This collaborative cross-discipline safety-sharing event attracted a further 150 attendees and received strong sponsorship from some APPEA members.

## Introduction to the Oil and Gas Industry Seminars

Developed and delivered in partnership with Curtin University, these one-day seminars give a broad understanding of the Australian oil and gas industry.

Seminars are delivered in mainland capital cities and facilitated by Curtin University's Professor Peter Moore with guest APPEA presenters.

This introductory series is ideal for:

- employees new to the industry
- contractors
- government policymakers
- professionals and advisors
- members of the community seeking a basic understanding of the industry.

Attendees gain an appreciation of the geological, technical and economic aspects of the industry, features of the onshore and offshore environments, as well as the exploration, development and production phases.

The seminars offer an invaluable opportunity to understand the key characteristics and global context of Australia's oil and gas industry, and come to grips with its key concepts and terminology.

For more information, see: [www.appea.com.au/events](http://www.appea.com.au/events)

# Awards and scholarships

## Julie Hood: APPEA for life

**At its annual conference and exhibition in May 2017, APPEA presented a life membership to its longstanding Director–Events, Julie Hood.**

Julie was the Brisbane Convention and Exhibition Centre’s events manager before joining APPEA. Since joining APPEA in 2001, she has played the leading role in growing and enhancing APPEA’s events, in particular its flagship event, the APPEA Conference and Exhibition.

In her acceptance speech, Julie said working on the annual event was demanding but rewarding.

“It is the ultimate team-building experience,” she said.

“It never ceases to amaze me how APPEA’s policy and administration staff—who already have a full workload—live and breathe conference each year to ensure the association delivers for its members and for industry.”

APPEA Chairman Bruce Lake said the award recognised 16 years of outstanding service.



Julie Hood accepts her life membership award.

“Julie’s hard work and passion for the APPEA brand has been very important to our success as an organisation,” Mr Lake said.

## Tony Noon Scholarship

The 2016 Tony Noon Memorial Scholarship was presented to Natalie Debenham, a PhD candidate at the University of Adelaide’s Australian School of Petroleum.

Her research is examining how natural fracture attributes and matrix properties can be used to predict subsurface fluid flow in Australia’s petroleum-producing basins.

In 2015, Ms Debenham completed a Master of Research (Organic Geochemistry and Petroleum Geoscience) at Macquarie University with a High Distinction. In 2014, she was awarded the University of Adelaide Tate Memorial Medal and First-Class Honours for her Bachelor of Science Honours thesis: *A new*

*model for cold-climate source rock preservation in the Arckaringa Basin.*

She is aspiring to a career in the oil and gas industry upon completing her studies.

The Tony Noon Memorial Scholarship is aimed at assisting students who are aspiring to a career in the upstream petroleum industry. It provides a one-off grant to the value of \$3,000. Applicants must be enrolled in honours, Masters or PhD programs at an Australian university and may come from a range of disciplines, including, for example, geology, safety, engineering, economics, law or environmental management. The scholarship is open to Australian citizens and permanent residents.

The Safety Excellence Award and the Environment Excellence Award are given to APPEA full member companies for displaying organisational excellence in a calendar year. These are presented at APPEA's annual conference.

## Safety Excellence Award

Woodside Energy received the APPEA Safety Excellence Award at the APPEA 2017 Conference Dinner in Perth on 16 May.

The award recognises responsible management of risk based on:

- sound science
- application of new systems and technologies
- constructive engagement with the workforce, project partners, government and the wider industry in enhancing workplace health and safety.

Woodside is making increasing use of data analytics to provide insights that enable it to systematically and effectively minimise risks.

In 2016, Woodside had a strong focus on process safety and asset management.

The company's Process Safety Management initiative (PSMi) implemented a framework to ensure that all Woodside assets and business functions have a

standardised, globally applicable approach to managing process safety.

PSMi also eliminated key process safety management vulnerabilities and implemented high-priority improvements that Woodside considered to be necessary for a step-change in performance.

The PSMi project was a finalist in the Institute of Chemical Engineers Global Process Safety Awards. The PSMi included a 45-day integrated turnaround at the North West Shelf Project, involving all five LNG trains, the North Rankin Complex and the Goodwyn A Platform.

In 2016, Woodside recorded a total recordable injury rate of 1.64—a 60 per cent decrease since 2012 and the lowest TRIR in the company's history.

Woodside achieved zero recordable injuries on the North Rankin Complex during the execution of the North West Shelf's Persephone Project, as well as zero health and safety incidents on Balnaves Decommissioning—the company's first decommissioning project.

Woodside achieved zero recordable injuries on the North Rankin Complex during the execution of the North West Shelf's Persephone Project.





The LNG-fuelled Siem Thiima vessel is helping Woodside reduce its emissions intensity.

## Environment Excellence Award

Woodside Energy was presented with the Environment Excellence Award at the APPEA 2017 Conference Dinner.

The judges found that Woodside has consistently shown excellence across all facets of environmental performance.

Woodside has integrated world-class environmental management into its exploration and its facilities.

Woodside's environmental approach has four key elements:

- an integrated Health, Safety, Environment and Quality (HSEQ) culture that fosters environmental awareness and drives continuous improvement
- a strong HSEQ capability that the company is continuously improving
- using sound science and strong, long-term partnerships to understand local environments, deliver public benefit and build trust with stakeholders
- using strategic planning and risk management to minimise environmental risks and impacts.

In 2016, Woodside focused strongly producing its energy as sustainably and as efficiently as possible.

For the first time, energy efficiency was included as a metric in the company's corporate scorecard.

Woodside set a corporate target of 1 per cent fuel intensity improvement.

This is on top of its existing annual flare reduction target—since 2013, the company has reduced its flared gas intensity by more than 50 per cent.

Woodside engineers developed several initiatives that directly reduced fuel usage or flaring, or improved the company's production efficiency.

By continuing to enhance its data science capacity, Woodside is finding more opportunities to use existing equipment in smarter ways that reduce emissions intensity and add value.

To further reduce its emissions footprint, Woodside is also now aiming to maximise its use of liquefied natural gas as a shipping fuel.

LNG's greenhouse gas emissions are 25 per cent lower than diesel's and 30 per cent lower emissions than heavy fuel oil. It also has no sulphur oxides or particulates, and has low nitrogen oxide emissions.

In April 2016, Woodside signed a five-year charter of the Siem Thiima vessel from Siem Offshore. This is not only Australia's first platform support vessel capable of running its engines on both LNG and diesel, but also the first LNG-fuelled vessel anywhere in the southern hemisphere.

# APPEA member companies at 30 June 2017

## Full members

|                                 |   |                               |
|---------------------------------|---|-------------------------------|
| Arrow Energy                    | FAR   | Oil Basins                    |
| AWE                             | Finder Exploration                          | OMV New Zealand               |
| Beach Energy                    | Hess Exploration Australia                  | Origin Energy                 |
| Benaris International           | Icon Energy                                 | Pangaea Resources             |
| BHP Billiton Petroleum          | Inpex Ichthys                               | Papuan Oil Search             |
| Bounty Oil & Gas                | ITOCHU Minerals & Energy of Australia       | Petronas Australia            |
| BP Developments Australia       | Japan Australia LNG (MIMI)                  | PTTEP Australasia             |
| Bridgeport Energy               | JX Nippon Oil & Gas Exploration Corporation | Quadrant Energy               |
| Buru Energy                     | Karoon Gas Australia                        | Roc Oil Company               |
| CalEnergy Resources (Australia) | KUFPEC Australia                            | Santos                        |
| Carnarvon Petroleum             | Latent Petroleum                            | Senex Energy                  |
| Central Petroleum               | Melbana Energy                              | Shell Australia               |
| Chevron Australia               | Mitsubishi Australia                        | Statoil Australia Theta B.V   |
| Comet Ridge                     | Mitsui E&P Australia                        | Strike Energy                 |
| ConocoPhillips Australia        | Murphy Australia Oil                        | Tap Oil                       |
| Cooper Energy                   | Nido Petroleum                              | Tokyo Timor Sea Resources     |
| Cue Energy Resources            | Northern Oil & Gas Australia                | Total E&P Australia           |
| Empire Oil & Gas                | Norwest Energy                              | Tri-Star Petroleum Company    |
| ENGIE Bonaparte                 | Octanex                                     | Vermilion Oil & Gas Australia |
| Eni Australia                   |   | Woodside Energy               |
| ExxonMobil Australia            |   |                               |

## Associate members

|   |                             |  |
|---|-----------------------------|--|
| Access Human Talent                       | Ashurst Australia           | Chemostrat Australia   |
| Accenture                                 | Aspermont                   | Chicago Bridge & Iron Company NV                                 |
| ACEPT- Challenger Institute of Technology | Atteris                     | Clayton Utz  |
| Acting Consulting Training Australia      | Atwood Oceanics Australia   | Clifford Chance  |
| Accutherm International                   | Aventus Consulting          | Clough   |
| Acutec Systems                            | BMD Group                   | Chamber of Commerce & Industry WA                                |
| AECOM                                     | BMT Group                   | Charles Darwin University, North Australian Centre for Oil & Gas |
| Aggreko                                   | BNJ Consultants             | CO2CRC   |
| Allens                                    | BOC                         | Croomo   |
| AMC Management (WA)                       | Boston Consulting Group     | Cummins South Pacific  |
| ANZ Banking Group                         | Broadspectrum               | Curtin University  |
| Archimedes Financial Planning             | Bureau Veritas Australia    | Dare Contract Services   |
| ARC Well Equipment                        | CAC Gas & Instrumentation   | Deep Sea Mooring Australia                                       |
| Arthur J. Gallagher                       | Calsep Asia Pacific Sdn Bhd |  |
|   | CareFlight International    |  |

Associate members *continued*

|  |  |  |
|--|--|--|
| Deloitte Touche Tohmatsu                             | KJM Contractors  | RISC   |
| DNOW Australia                                       | KPMG   | Risk & Emergency Management Associates               |
| DNVGL  | Lochard Energy   | RPS  |
| DownUnder GeoSolutions                               | LogiCamms  | RSM Bird Cameron - Chartered Accountants             |
| EcOz Environmental Consulting                        | LWP Technologies                                       | Schlumberger Australia                               |
| EDG Australia  | McConnell Dowell Constructors (Aust)                   | School of Petroleum Engineering                      |
| EIG Global Energy Partners                           | McKinsey & Company                                     | Sealink International Berhad                         |
| Enerflex Service                                     | Minter Ellison   | Searcher Seismic                                     |
| Energy Publications                                  | Miro Advisors  | Siemens  |
| EnergyQuest  | Monash University, Department of Chemical Engineering  | Subsea 7 Australia Contracting                       |
| EnerMech   | Mumford Commercial Consulting                          | Surepipe   |
| ENPOINT Environmental Asset Management               | Murphy Pipe and Civil                                  | SWA Water Australia                                  |
| Ensign International Energy Services                 | MyPass Global  | TechnipFMC   |
| Environmental Resources Management Australia (ERM)   | NALCO Champion   | Teekay Shipping (Australia)                          |
| ERGT Australia                                       | Neptune Marine Services                                | Tenaris Global Services Australia                    |
| Ernst & Young  | NETZSCH Australia                                      | TGS-NOPEC Geophysical Company                        |
| Fluor Australia                                      | Nova Systems   | Toll Energy Logistics                                |
| FROGTECH Geoscience                                  | OSD  | Toowoomba and Surat Basin Enterprise                 |
| Fugro Holdings (Australia)                           | OSM Australia  | ToxFree Solutions                                    |
| Gasco  | P&R Geological Consultants                             | UCL School of Energy and Resources, Australia        |
| Gas Today  | Pacific Environmental                                  | University of Western Australia                      |
| GHD  | Palantir Australia                                     | Upstream Production Solutions                        |
| Golder Associates                                    | Payne Partners   | Valmec   |
| Halliburton Australia                                | Peroni Pumps Australia                                 | Valve Technology Australia                           |
| Hatch  | Petroleum Exploration and Production Association of NZ | Velseis  |
| Herbert Smith Freehills                              | Petroleum Exploration Society Australia (PESA)         | Veritas Engineering                                  |
| IFAP (Industrial Foundation for Accident Prevention) | Petrospection  | Western Australian Energy Research Alliance (WA:ERA) |
| IHS Australia  | Petrosys   | Wild Geese International                             |
| Institution of Chemical Engineers                    | PGS Australia  | Wood Mackenzie (Australia)                           |
| Intertek   | Piper Alderman   | WorleyParsons Services                               |
| Interwell Australia                                  | Platform Communications                                | Yokogawa Australia                                   |
| Jemena   | Powerlink Queensland                                   |  |
| Jet Financial  | PricewaterhouseCoopers Services                        |  |
| KBR  | Process Consultants                                    |  |
| Kentz  | R&D Solutions  |  |

## APPEA Board and Corporate Governance

APPEA's Board is responsible for the company's business planning and strategic direction. 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.

Members of the Board immediately following the 2016 annual general meeting were:

- Bruce Lake (Chairman), Vermilion Oil and Gas Australia Pty Ltd
- Richard Owen (Vice Chairman), ExxonMobil Affiliates in Australia
- Michael Abbott, Woodside Energy Ltd
- David Baldwin, Origin Energy Ltd
- Brett Darley, Quadrant Energy
- Ernie Delfos, Eni Australia Ltd
- Peter Fairclough, Chevron Australia Pty Ltd
- Claire Fitzpatrick, BP Developments Australia Pty Ltd
- Seiya Ito, INPEX
- Rob Jellis, BHP Billiton Petroleum Pty Ltd
- Frank Krieger, ConocoPhillips Australia Pty Ltd
- Andrew Smith, Shell Australia Pty Ltd
- Peter Stickland, Melbana Energy Ltd
- Eric Streitberg, Buru Energy Ltd
- Petter Undem, Total E&P Australia
- Brett Woods, Santos Ltd.



APPEA Chairman  
Bruce Lake

On 1 January, Rob Jellis resigned. On 2 March, he was replaced by Graham Salmond, General Manager Australia, BHP Billiton Petroleum Pty Ltd.

On 2 March, Andrew Smith resigned and was replaced by Zoe Yujnovich, Country Chair, Shell Australia Pty Ltd.

On 24 May, Frank Krieger resigned. On 20 July, he was replaced by Wendy King, President Australia East, ConocoPhillips Australia Pty Ltd.

On 25 May, David Baldwin resigned. On 20 July, he was replaced by Frank Calabria, Managing Director, Origin Energy Ltd.

## Management and administration

APPEA has about 25 staff working in areas such as policy, events, administration and communications. Its head office is in Canberra. It also has offices in Perth, Brisbane, Adelaide and Darwin.

### Senior management

#### Malcolm Roberts, Chief Executive

Dr Roberts was previously Chairman of the Queensland Competition Authority. He has held senior roles at several industry associations and has worked as a ministerial policy adviser and in the Department of the Prime Minister and Cabinet.

#### Noel Mullen, Deputy Chief Executive – Access, Fiscal & Corporate

Noel is responsible for APPEA's commercial, fiscal and access policy and advocacy. He was previously a senior officer in the Department of Primary Industries and Energy's petroleum taxation division.

#### Stedman Ellis, Chief Operating Officer – Western Australia

Stedman leads APPEA's WA policy, regulation and advocacy work, and has a senior role in APPEA's national work on stakeholder engagement and access to resources. He has held several senior government and industry roles.

#### Robert Bell, Policy Director – Health, Safety & Environment

Robert is responsible for policy development and collaborative industry projects in health, safety and environmental management.

#### Matthew Doman, Director – South Australia/Northern Territory

Matthew is a former journalist and press secretary to federal Cabinet Ministers. He has also held senior corporate affairs roles at Santos and has worked closely with industry, government and regional communities.

#### Damian Dwyer, Director – Economics

Damian is responsible for APPEA's economic, trade, climate and energy markets analysis and policies. He was previously an economist at another industry association and in the Australian Public Service.



#### Julie Hood, Director – Events and Member Relations

Julie joined APPEA in 2001 after working for several years at the Brisbane Convention and Exhibition Centre. She is responsible for delivering top-quality oil and gas industry events, in particular the APPEA Conference and Exhibition.

#### Kieran Murphy, Director – External Affairs

Kieran is responsible for APPEA's external communications, media and government relations and stakeholder engagement. He is a former journalist and a former senior media advisor in government and the resources sector.

#### Cath Sutton, Company Secretary and Director – Support Services

Cath heads APPEA's finance and administrative team. She was previously Chief Financial Officer at the Real Estate Institute.

#### Rhys Turner, Director – Queensland

Rhys is a corporate affairs professional with experience in federal and state government, industry associations and public affairs.



## Statement of Comprehensive Income for the year ended 30 June 2017

|   | Notes | 2017 \$          | 2016 \$          |
|---|-------|------------------|------------------|
| <b>Revenue</b>  |       |                  |                  |
| Conferences and seminars income                       | 3     | 4,605,194        | 9,553,705        |
| Common Safety Training program                        |       | 145,747          | 194,828          |
| CSG public campaigns – Queensland and New South Wales | 15    | 501,917          | 568,444          |
| IchemE Process Safety Centre project                  | 15    | 271,453          | 209,000          |
| Interest  |       | 207,780          | 185,908          |
| Marine Environment Science Program                    | 16    | 364,229          | 268,322          |
| Membership fees                                       |       | 5,740,518        | 6,136,336        |
| Our Natural Advantage project                         | 15    | -                | 30,181           |
| Publications  |       | 137              | 6,997            |
| Other income  |       | 172,181          | 80,754           |
|   |       | 12,009,156       | 17,234,475       |
| <b>Expenditure</b>                                    |       |                  |                  |
| Auditor's remuneration                                |       | 18,765           | 19,135           |
| CEO program   |       | 32,102           | 30,338           |
| Conferences and seminars expenditure                  | 3     | 2,966,340        | 3,522,470        |
| Communications  |       | 82,440           | 147,608          |
| CSG public campaigns - Queensland and New South Wales | 15    | 501,917          | 568,444          |
| Depreciation of plant and equipment                   | 7     | 86,303           | 201,052          |
| Amortisation of make good allowance                   | 7     | -                | 25,000           |
| Education and professional development                |       | 136              | 3,750            |
| Fiscal and corporate program                          | 17    | 342,887          | -                |
| IchemE Process Safety Centre project                  | 15    | 206,625          | 209,000          |
| Industry operations consultancy costs                 |       | -                | 117,532          |
| Marine Environment Science program                    | 16    | 364,229          | 818,711          |
| Office rental   |       | 551,182          | 625,190          |
| Our Natural Advantage project                         | 15    | -                | 30,181           |
| Other costs   |       | 418,117          | 447,566          |
| Publications  |       | 22,529           | 44,380           |
| Running costs   |       | 385,982          | 437,688          |
| Salaries and associated costs                         |       | 4,414,579        | 5,773,013        |
| Superannuation  |       | 360,567          | 455,853          |
| Travel and associated costs                           |       | 167,091          | 220,729          |
|   |       | 10,921,791       | 13,697,640       |
| Surplus for the year                                  |       | 1,087,365        | 3,536,835        |
| <b>Total comprehensive income</b>                     |       | <b>1,087,365</b> | <b>3,536,835</b> |

Australian Petroleum Production & Exploration Association Ltd ABN 44 000 292 713 (A company limited by guarantee)

## Statement of Financial Position as at 30 June 2017

|                                      | Notes | 2017 \$           | 2016 \$           |
|--------------------------------------|-------|-------------------|-------------------|
| <b>Current assets</b>                |       |                   |                   |
| Cash and cash equivalents            |       | 571,630           | 734,970           |
| Trade and other receivables          | 4     | 713,519           | 941,279           |
| Other                                | 5     | 365,220           | 4,334,107         |
| Other financial assets               | 6     | 12,645,829        | 7,595,495         |
| <b>TOTAL CURRENT ASSETS</b>          |       | <b>14,296,198</b> | <b>13,605,851</b> |
| <b>Non-current assets</b>            |       |                   |                   |
| Property, plant and equipment        | 7     | 201,322           | 264,640           |
| <b>TOTAL NON-CURRENT ASSETS</b>      |       | <b>201,322</b>    | <b>264,640</b>    |
| <b>TOTAL ASSETS</b>                  |       | <b>14,497,520</b> | <b>13,870,491</b> |
| <b>Current liabilities</b>           |       |                   |                   |
| Trade and other payables             | 8     | 885,222           | 1,015,810         |
| Provisions                           | 9     | 652,452           | 651,426           |
| Other                                | 10    | 1,579,136         | 1,909,910         |
| <b>TOTAL CURRENT LIABILITIES</b>     |       | <b>3,116,810</b>  | <b>3,577,146</b>  |
| <b>Non-current liabilities</b>       |       |                   |                   |
| Other                                | 10    | 200,000           | 200,000           |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |       | <b>200,000</b>    | <b>200,000</b>    |
| <b>TOTAL LIABILITIES</b>             |       | <b>3,316,810</b>  | <b>3,777,146</b>  |
| <b>NET ASSETS</b>                    |       | <b>11,180,710</b> | <b>10,093,345</b> |
| <b>Accumulated funds</b>             |       |                   |                   |
| Accumulated surplus                  |       | 11,180,710        | 10,093,345        |
| <b>TOTAL ACCUMULATED FUNDS</b>       |       | <b>11,180,710</b> | <b>10,093,345</b> |

Australian Petroleum Production & Exploration Association Ltd ABN 44 000 292 713 (A company limited by guarantee)

## Statement of Changes in Equity for the year ended 30 June 2017

|  | 2017 \$           | 2016 \$           |
|--|-------------------|-------------------|
| Opening balance                              | 10,093,345        | 6,556,510         |
| Add: Total comprehensive income for the year | 1,087,365         | 3,536,835         |
| <b>Closing balance</b>                       | <b>11,180,710</b> | <b>10,093,345</b> |

## Statement of Cash Flows for the year ended 30 June 2017

|  | 2017 \$<br>Inflows/<br>(Outflows) | 2016 \$<br>Inflows/<br>(Outflows) |
|--|-----------------------------------|-----------------------------------|
| <b>Cash flows from operating activities</b>                  |                                   |                                   |
| Receipts from members and others                             | 14,540,842                        | 11,904,095                        |
| Payments to trade creditors, other suppliers and employee    | (9,736,739)                       | (12,252,162)                      |
| Interest received  | 105,876                           | 222,979                           |
| <b>Net cash provided by / (used in) operating activities</b> | <b>4,909,979</b>                  | <b>(125,088)</b>                  |
| <b>Cash flows from investing activities</b>                  |                                   |                                   |
| Payments for property, plant and equipment                   | (22,985)                          | (12,480)                          |
| Net (payments) / receipts for investments                    | (5,050,334)                       | 347,853                           |
| <b>Net cash provided by / (used in) investing activities</b> | <b>(5,073,319)</b>                | <b>335,373</b>                    |
| <b>Net increase / (decrease) in cash held</b>                | <b>(163,340)</b>                  | <b>210,285</b>                    |
| <b>CASH AT THE BEGINNING OF THE FINANCIAL YEAR</b>           | <b>734,970</b>                    | <b>524,685</b>                    |
| <b>CASH AT THE END OF THE FINANCIAL YEAR</b>                 | <b>571,630</b>                    | <b>734,970</b>                    |

Australian Petroleum Production & Exploration Association Ltd ABN 44 000 292 713 (A company limited by guarantee)