



# South Australian Election Platform

**APPEA FEBRUARY 2022**





**The oil and gas industry is a major contributor to the South Australian economy and to the wellbeing of all South Australians, providing essential energy and jobs.**

In South Australia, gas generation comprised 37 per cent of all electricity generation in 2020–21, delivering reliable and affordable energy while supporting the increase in renewable power in the electricity system. Gas produced in South Australia is also a key energy source for other industries such as paper and pulp and the dairy industry.

As the industry looks to the years ahead, the South Australian industry is well-positioned to continue contributing to the state with companies like Santos, Beach Energy, Vintage Energy and Cooper Energy head-quartered in Adelaide and holding significant interests in South Australia and beyond.

The Cooper Basin will continue to play a critical role for the South Australian industry as Australia’s largest onshore oil and gas province, while ongoing operations and development opportunities in the Otway Basin in the south-east of the state also make a significant contribution. South Australia’s natural gas resources plus the state’s positive policy framework for clean hydrogen and carbon capture and storage gives industry options to decarbonise while continuing to deliver secure energy supplies.

Working with the oil and gas industry, the incoming state government can continue to support South Australian jobs, reduce emissions, and ensure the ongoing supply of reliable, cleaner energy.

This document sets out the initiatives and actions that can:

- Underpin reliable energy supply to our state
- Reduce emissions and support a cleaner energy future
- Maximise local benefits.

**Acknowledgment**

APPEA acknowledges the Traditional Custodians of Country throughout South Australia and their knowledge in caring for land, sea, and community. We pay our respect to their Elders; past, present, and emerging.

Powering South Australia



The number of people employed in the South Australian natural gas industry supply chain as at 30 June 2021 (FTE).<sup>1</sup>



Value added to the South Australian economy by the gas industry supply chain.<sup>2</sup>



Total gas supply chain expenditure in South Australia in 2020–21, excluding labour costs.<sup>3</sup>



Value of South Australian oil and gas production 2020–21.<sup>4</sup>



Taxes, fees, rates, and royalties paid by the South Australian gas industry supply chain in 2020–21.<sup>5</sup>



South Australian businesses operating in the natural gas industry supply chain as at 30 June 2021.<sup>6</sup>



South Australia’s electricity generated by gas in 2020–21.<sup>7</sup>

Energy for a better Australia



# Gas is critical to underpinning reliable energy supply

**South Australia is leading the country in its transition to a cleaner energy future, something the oil and gas industry strongly supports.**

As the state aims for net 100 per cent renewable electricity by 2030, natural gas will play a critical enabling role.

Gas-fired generators are an essential partner to renewable energy generation to provide grid stability, as they can be rapidly started to provide baseload power whenever renewables such as wind and solar are intermittent.

The transition to net 100 per cent renewable energy will have its challenges: recent examples of increased power prices and state-wide blackouts make that clear, and it is seen elsewhere in Australia and the world, such as the recent energy price hikes witnessed in Europe.

A strong natural gas sector and increased domestic supply can ensure a clean energy transition with reliable and affordable energy underpinning the system. This requires favourable policy settings that encourage investment in the state and unlock gas supplies to prevent shortfalls in the market.

Gas is used for more than electricity generation, it also provides a reliable energy source to many other critical industries in the state such as mining, manufacturing, defence, agriculture, and health and medical industries.

**To continue delivering cleaner, reliable, and affordable energy to South Australians, APPEA recommends the next state government:**

- **Recognise the critical role of reliable and affordable natural gas in a cleaner energy future.**
- **Continue to consult with industry on policies affecting its operation and development, well before they are finalised.**
- **Continue to support the Department of Energy and Mining in its efficient and effective regulation of the oil and gas industry, often acknowledged as best practice.**
- **Continue to progress initiatives that streamline and harmonise assessments and reduce regulatory duplication between the state and Commonwealth governments and state government agencies.**



# Reduce emissions and support a cleaner energy future

## The oil and gas industry has a key role to play in a cleaner energy future and decarbonising the economy, both in South Australia and globally.

Australia's oil and gas industry supports a national climate change policy that delivers greenhouse gas emissions reductions consistent with the objectives of the Paris Agreement. The policy approach should achieve emissions reductions consistent with net zero emissions across the Australian economy by 2050 as part of a contribution to a goal of global net zero emissions by 2050.

Australia's goal should be a national approach to climate policy which supports our shared environmental objectives as well as the industries that provide jobs and economic growth.

The vast majority of APPEA member companies have already committed to their own company targets for emissions reductions, including steps to achieve net zero emissions in their operations by 2050 or earlier:

- Santos aims to achieve net zero emissions by 2040, with a 26/30 per cent reduction from 2019–20 emissions and emissions intensity by 2030.<sup>8</sup>

- Beach Energy has an aspiration to reach net zero Scope 1 and 2 emissions by 2050, continuing its 25 by 25 initiative to reduce company emissions by 25 per cent by FY25 against FY18 levels.<sup>9</sup>
- Cooper Energy is Australia's first carbon neutral domestic gas producer—certified by Carbon Active—and have fully offset their Scope 1, Scope 2, and directly controllable Scope 3 emissions.<sup>10</sup>
- Oil and gas companies are taking meaningful action by implementing effective carbon offset strategies, deploying technologies to reduce emissions and improve energy efficiency, and investing in renewable energy portfolios.
- Operational improvements and carbon offset initiatives, such as Cooper Energy's Coorong (Morella) Biodiversity Project with Greening Australia and Beach Energy's \$1.87 million spent offsetting native vegetation clearance in the Cooper Basin since 2009, deliver significant environmental benefits.

Carbon capture and storage (CCS) is a critical technology to decarbonise the economy and meet our shared emissions reductions targets to support climate action. Executive Director of the International Energy Agency, Faith Birol, said of CCS: 'Our numbers show that reaching net zero goals without CCS will be almost impossible.'<sup>11</sup>

Santos and joint venture partner Beach Energy's Moomba carbon capture and storage (CCS) project is expected to start up in 2024 and will safely and permanently store 1.7 million tonnes of carbon dioxide per year. The A\$220 million South Australian project will be one of the biggest and lowest cost carbon reduction projects in the world, reducing the industry's emission footprint while also benefiting other hard-to-abate industries that are critical to the state.

Not only is natural gas supporting low-emissions and renewable energy now, but it has the potential to help decarbonise South Australia's economy and unlock its cleaner energy future.

“ The \$220 million South Australian CCS project will be one of the biggest and lowest cost carbon reduction projects in the world ”



Hydrogen will be one technology that can play a central role in helping to decarbonise South Australia's energy sector and support local jobs over the longer term. For South Australian natural gas producers, development of a hydrogen industry has many synergies. The industry supports the recent actions to enable hydrogen exploration and the development of this important local industry by amending the *Petroleum and Geothermal Energy Regulations 2013*.

The vast majority of the world's hydrogen supply today is made from natural gas using the steam methane reforming (SMR) process. When

combined with measures such as offsets or CCS that manage the emissions generated during SMR, the resulting blue hydrogen has the potential for significant net emissions savings.

As a cheaper and technically achievable form of hydrogen in the short to medium term, blue hydrogen has an important role in accelerating hydrogen adoption and infrastructure development. Development of a blue hydrogen industry will also help to ensure that Australia is able to be an active participant in the global hydrogen market from the outset and will not be left playing catch up on the back of slower to develop and more expensive green hydrogen development.

The race to supply hydrogen and secure customers is becoming increasingly competitive among Australian states and territories, as well as internationally. South Australia has significant advantages, but to progress this technology will require leveraging the strengths of our world-class natural gas sector and the right policy and regulatory settings by state government.

As the world moves to a lower carbon future, South Australian natural gas and adopting lower emission technologies, such as CCS and hydrogen, will also play a crucial role in assisting our customers and international partners to meet their emissions reduction goals.

**APPEA recommends the next state government:**

- **Continue to support CCS technology and hydrogen, partner with industry and researchers to progress low emission technologies, and maintain an objective-based regulatory regime to ensure ongoing investment.**
- **Ensure whole-of-government economic, environmental, infrastructure and development policies recognise the role of natural gas as we continue to move towards a low-carbon economy.**
- **Recognise that emissions management requires a national approach, consistent with the objectives of the Paris Agreement, and should not be managed jurisdiction-by-jurisdiction.**
- **Supports the call from the South Australian Chamber of Mines & Energy to establish an independent Energy Advisory Board with industry representation to prepare a South Australian energy transition roadmap that consolidates energy transition challenges and provides a proactive policy framework to:**
  - **mitigate cost and operational risk for heavy industry**
  - **support the continued operation of South Australian oil and gas sector**
  - **incorporate use of new energy sources including hydrogen**
  - **support heavy industry in rapidly decarbonising operations.**



# Maximise local benefits

**Oil and gas developments provide a range of benefits to South Australian communities through direct employment, through supply chain contracts with local businesses and the many community investment initiatives undertaken by companies to support South Australia.**

The South Australian oil and gas industry is committed to creating more opportunities for local businesses in our suburbs and regions. The gas industry supply chain is crucially important to the state and drives local economic activity.

A recent report by the Australian Economic Advocacy Solutions, commissioned by the Australian Gas Industry Trust, analysed just how critical the industry is to South Australia.

At the end of June 2021 the South Australian Gas Industry Supply Chain directly:<sup>12</sup>

- employed 10,826 (FTE) South Australians
- offered a pathway into the workforce for 145 younger South Australians in apprenticeships and traineeships
- further engaged 1,553 contractors across the state.

In the 2020–21 financial year, the South Australian gas industry supply chain directly:<sup>13</sup>

- provided \$977.1 million in wages to South Australians
- had a total turnover of over \$4.2 billion

- further supported South Australian businesses with over \$1.79 billion in supply chain opportunity
- invested \$729.5 million in its own future providing for future jobs and community prosperity
- provided over \$1.18 billion in Commonwealth, state and local government taxes, rates, fees, and royalties supporting our hospitals, schools, and frontline services across the state
- provided over \$3.6 billion in direct industry value add to the South Australian economy
- had over \$17.3 billion in assets under management.

Creating secure, local jobs is the best way to ensure shared economic prosperity. The industry supports government initiatives that make it easier for South Australians to find jobs and be trained for future jobs in the oil and gas sector.

Encouraging more South Australians to consider a career in oil and gas will help secure a pipeline of skilled local workers, reduce the sector's reliance on a fly-in-fly-out workforce, and demonstrate support for the future of the sector.

The South Australian oil and gas industry, working side-by-side with the state government and local communities, is helping to drive economic activity across the state.

**To continue creating local jobs and driving economic activity, APPEA stands with the South Australian Chamber of Minerals and Energy who recommend the next state government:**

- **Develop a South Australian future workforce and skills framework that maps requirements across the nine key 'growth state' industry sectors and implements measures to best align training and education to meet immediate and future workforce needs.**

“ creating secure local jobs to ensure a shared economic prosperity ”



# About APPEA

The Australian Petroleum Production & Exploration Association (APPEA) is the national peak body representing Australia's upstream oil and gas explorers and producers. Its purpose is to be the effective voice of the oil and gas industry on the issues that matter, working collaboratively with industry, government, and the community to achieve shared goals.

APPEA members account for nearly all of Australia's petroleum production. APPEA also represents about 140 associate member companies that provide a wide range of goods and services to the upstream oil and gas industry.

APPEA is forward-looking and outcomes-focused, aiming to raise awareness of the economic, environmental, and social benefits of the oil and gas industry in South Australia and across the country.



## Endnotes

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13. Australian Economic Advocacy Solutions. *op cit.*





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