

Or 19.8

Words: 950

Visuals: none

Header: Commentary

Headline; Lessons from Australia

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It seems to me that there are a number of lessons that Atlantic Canada could learn from Australia, should it so choose. I have lived and worked in the petroleum industry of British Columbia, Alberta, Texas, Australia, and now Nova Scotia, and believe Australia's petroleum patch is in many ways more similar to that of Atlantic Canada than is that of Western Canada or the Gulf Coast. One of the advantages of developing a petroleum industry later than most regions of the world is the opportunity to learn from others and in so doing avoid the repetition of blunders and embrace what went well. While adjustments must be made for market condition differences, there are a number of worldwide experiences from which to benefit.

While mega-projects are both fascinating and challenging, they are a poor substitute for the establishment of a healthy industry structure. Mega-projects are common in Australia. The country built its reputation as one of the world's leading commodity producers on the basis of mega-projects. Mega-projects were the genesis for the two largest mining companies in the world, BHP and Rio Tinto, both of which got their start

in Australia. Offshore petroleum projects are no exception, for the first three petroleum projects in Australia generated in excess of AUD\$20 billion worth of upstream investment. One natural gas project built in the 1980's, the Northwest Shelf Project, cost AUD\$12 billion in upstream facilities alone! While engineers, project managers, resource companies and government often embrace these mega-projects, they do not lead to good resource management, an efficient industry, nor a vibrant economy. While a few companies got very rich, in the mega-project era Australia's economy experienced significant decline until nationwide micro-economic reform initiatives were launched in the 1990's. One of the key objectives of this micro-economic reform was to break down the market power of the mega-project owners. A major lesson to be learned from Australia is for Atlantic Canada to focus on the objective of building a multi-provincial, multi-player petroleum industry rather than a few large vertically integrated mega-projects.

Like Atlantic Canada, Australia's petroleum industry commenced with large offshore discoveries. Also as is the case in Atlantic Canada, the participants in the search for and development of onshore petroleum resources were different than those attracted to the offshore. While offshore projects tend to be grand and thereby often gain most of the publicity, Australia learned that the development of onshore petroleum resources is just as important as the development of offshore resources. While the offshore still dominates Australia's petroleum production and was very profitable for companies such as BHP Petroleum, Woodside Petroleum, Shell and Exxon, the much smaller onshore production substantially drove the development of the domestic natural gas market and provided

very respectable profits for companies such as SANTOS, Boral Energy, Chevron, Delhi Petroleum, and Bridge Energy. The capital-intensive offshore industry remains very much export focussed, especially for natural gas, while onshore production targets the domestic market. I believe the same will ring true for Atlantic Canada. While some believe that offshore production should somehow be forced or coerced into Atlantic Canada's domestic market, such initiatives will only discourage resource development.

Another very important lesson to be gleaned from Australia is the impact that parochialism has on the petroleum industry. All but two of Australia's states and territories discovered and developed indigenous petroleum resources. However, entrenched state parochialism significantly retarded the development of the petroleum industry. Prior to micro-economic reform small refineries were constructed in each state, only one inter-state natural gas pipeline was constructed and energy industry development and regulation was fragmented. An unhealthy level of inter-regional competition discouraged investment and led to substantial economic inefficiency. A new level of co-operation between the States and Territories of Australia has recently led to an economic revival. Unprecedented investments by the private sector in the energy industry and a substantial drop in energy prices to domestic consumers have occurred as a result. As has been demonstrated with numerous commodities around the world, market forces working in a healthy market structure produce much better results than does regional protectionism.

A fourth major lesson that Atlantic Canada can learn from Australia is the important role that exports play in the development of the offshore petroleum industry. While the Gulf Coast is an exception, the development of offshore petroleum resources requires access to a large export market. The domestic market generally does not provide adequate liquidity for the large volumes generated by typical offshore projects. This is especially the case for natural gas in Atlantic Canada. To discourage exports to either neighbouring jurisdictions or to other countries only discourages investment in offshore exploration and development. Australia has in excess of 3 decades of offshore production and yet still has very small petrochemical and refining industries. Atlantic Canada in general and Nova Scotia in particular, has a much greater advantage than does Australia in this regard for the energy market of the northeast U.S. provides both an outlet for large volumes and relatively high prices. Australia's export markets are much farther away which leads to exporting natural gas in the form of LNG with commensurate low netback prices. The export of pipeline gas from Atlantic Canada is considerably more attractive to petroleum companies participating in the offshore at this time than the creation of a large domestic natural gas demand in Atlantic Canada would be. Producers are price takers and cash flow driven. They therefore must constantly optimise sales volume relative to production capability and the netback price received from alternative market outlets. To do otherwise would ultimately lead to their demise for it is a very competitive global business.

I believe that Atlantic Canada must continue to learn from other jurisdictions and regions around the world. Atlantic Canada seems to be well positioned for substantial economic

growth driven by the petroleum industry. It would serve the region well to learn as much as possible from those who have forged a path before us in this regard.