



INPEX Operations Australia Pty Ltd
ACN 150 217 262
22/100 St Georges Terrace Perth
Western Australia 6000
Tel +61 8 6213 6000
INPEX.com.au

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26 July 2024

Senator Jess Walsh
Chair
Senate Economics Legislation Committee
Parliament House
Canberra ACT 2600

RE: Future Made in Australia Bill 2024 | INPEX Submission

Dear Chair,

We welcome the opportunity to participate in the consultation by the Senate Economics Legislation Committee on the Future Made in Australia Bill 2024 and seek to provide feedback and recommendations regarding the proposed bill.

INPEX CORPORATION (INPEX) is an international energy company listed on the Tokyo Stock Exchange and 21.19 per cent owned by the Japanese government. We have been an active member of the Australian business community since 1986 and, as operator of Ichthys LNG, are the largest Japanese investor in the country. Additionally, we hold participating interests in other energy projects including Prelude FLNG, Darwin LNG, Van Gogh and Ravensworth; and have corporate offices located in Perth and Darwin.

INPEX recognises climate change as a critical business issue requiring governments, civil society and the business community to work together to achieve the goals of the Paris Agreement. As noted in our business strategy roadmap INPEX Vision@2022, INPEX aims to provide a stable supply of diverse and clean energy sources including oil and natural gas, hydrogen, and renewable power. Australia has been identified as one of five core regions prioritised by the company for future investment opportunities to help us meet our commitment to net zero emissions by 2050.

INPEX is, in principle, supportive of the Future Made in Australia Bill 2024, commending its aspirations to provide economic growth, supply chain security, and support for future industries, all of which could provide greater opportunities and prosperity to communities right throughout Australia.

However, INPEX is of the firm belief that to achieve these lofty ambitions, greater consideration and action by government is needed to have the policy principles in place to ensure steady and stable supply of natural gas both domestically and for LNG exports to the Indo-Pacific region. Indeed, policy support for the role of natural gas in the energy transition has been highlighted in the Albanese Government's *Future Gas Strategy*.

A recent report by the Australian Energy Market Operator (AEMO)¹ has highlighted the looming gas shortfalls facing the eastern states. If Australia is to reach the goals outlined within the Future Made in Australia Bill 2024, increased supply of natural gas will be required. This will ensure sectors such as manufacturing and resources are afforded reliable sources of energy in order to drive Australia’s economic growth and prosperity.

The role of natural gas in the energy transition should not be underestimated and will undoubtedly continue to play a vital role in providing base load energy when conditions are not suitable for renewable energy sources such as solar and wind.

INPEX also notes endeavours by the Australian Government to become a major player in the emerging hydrogen industry should not be constrained to purely renewable derived sources. Instead, all options -- including natural gas-derived hydrogen abated through carbon capture and storage (blue hydrogen) -- should be considered and incentivised in order to help establish the industry at a cost-efficient and competitive level.

INPEX therefore believes initiatives under the Future Made in Australia Bill 2024 such as the Hydrogen Production Tax Incentive, should be expanded to include blue hydrogen. INPEX recommends a technology agnostic approach that links the level of subsidy to the carbon intensity of the prospective hydrogen. This would result in more hydrogen production, and greater emissions reduction, for the same level of government funding.

As stated in our recent submission regarding Australia’s *Future Gas Strategy*, we outlined three core principles INPEX deem as important for government consideration:

1. Recognition of the important role of natural gas in the energy transition of Australia and the Indo-Pacific region;
2. Stable and predictable policy settings—including clear and streamlined approvals pathways for environment plans, exploration acreage releases and carbon capture and storage—and reduced red tape; and
3. Incentives for decarbonisation.

INPEX considers the current focus on a reduction in gas demand as a policy premise is premature. We believe the best policy levers are those that facilitate the goal of net-zero emissions by 2050 while also supplying reliable energy in the most efficient way possible. As the pathway for the global energy transition is not predetermined, it would be prudent to keep all power generation options open, particularly when it comes to managing the risks to energy security.

In turn, stable policy settings combined with reliable energy sources could help to spur further consideration of Australia as a prime destination for foreign investment into critical sectors such as resources, manufacturing and energy.

Scalability and commercialisation of carbon capture and storage (CCS)

As stated by the International Energy Agency (IEA), CCS is a vital and necessary tool in the world’s efforts to address climate change and its ability to lower emissions at the desired pace to achieve net zero by 2050.

¹ Quarterly Energy Dynamics Q2 2024, July 2024, Australian Energy Market Operator. [ged-q2-2024.pdf](https://aemo.com.au/ged-q2-2024.pdf)
(aemo.com.au)

For example, the proposed multi-user CCS hub model at Middle Arm could support the “Future Made in Australia” policy through opportunities for hard-to-abate industries in the Northern Territory’s manufacturing and mining sectors to further reduce greenhouse gas emissions. Investment in multi-user hub infrastructure will result in economies of scale thereby improving access to and reducing costs of CCS for the Northern Territory’s manufacturing sector.

The Northern Lights CCS hub in Norway is an example of government and industry collaboration to reduce global emissions. The hub was established with A\$4 billion (equivalent) funding support from the Norwegian Government. This Norwegian hub will use ships to import carbon dioxide from geographically distant sources around Europe. Northern Lights has identified over 90 suitable capture sites, and there is already interest from industrial sites in eight countries, in sectors including steel, biomass and hydrogen. Four of these sites – a hydrogen refinery in Finland, hydrogen and chemicals facilities in Belgium, a cement plant in France and a biomass with CCS plant in Sweden – have received investment from the EU’s Innovation Fund to support large-scale capture of CO₂. The Northern Lights receiving terminal, offshore pipeline and injection infrastructure are designed to be extended to accommodate over 5 million tonnes of CO₂ per year, depending on demand. Total storage capacity is expected to be at least 100 million tons.

We believe the Australian Government should also actively consider incentives to encourage the development of carbon capture and storage for the larger resources sector emitters that in turn would support the hard-to-abate industrial sectors of the NT economy.

Emissions Reduction

As an example, a positive outcome should the Middle Arm Sustainable Development Precinct be developed is the ability for industries within the hub, or even international customers to abate their emissions through proposed projects such as the INPEX-operated Bonaparte CCS project.

The transport of CO₂ across international boundaries for permanent storage will play an important role in reducing industrial emissions at scale both in Australia and the region. The import and export of CO₂ is expected to significantly contribute to meeting net zero targets in our region. Countries such as Japan, South Korea and Singapore have limited CO₂ storage potential and are seeking to partner with Australia for storage solutions given our abundant geological CO₂ storage resources, industry expertise and world-leading regulatory frameworks. It can also create efficiencies of scale to facilitate the fast-tracking of emissions reductions from Australian industry. In Europe, similar trading relationships are being established around the North Sea’s offshore CO₂ storage resources.

Australia’s comprehensive regulatory frameworks for CO₂ storage ensure any local environmental risks are identified and mitigated effectively. Commonwealth and state carbon capture, use and storage (CCUS) legal and regulatory frameworks along with CO₂ storage guidelines in the London Protocol and international CCUS standards provide a comprehensive basis for the effective management and mitigation of environmental other risks associated with CO₂ storage. Decades of project experience also underscore that geological storage of CO₂ is a safe, proven and effective abatement solution. There is significant interest in the region for the development of an international export market for CO₂ for permanent storage, including from Japan.

A 2022 study by the Global CCS Institute identifies a range of countries in the Asia Pacific region with limited domestic CO2 storage potential that are interested in considering the export of CO2 to other countries in the region for storage, including Japan, South Korea, Singapore and the Philippines. The same study identifies Australia as a potentially important CO2 storage "anchor nation", given our excellent storage resources and long history of CCUS development. The report highlights engagement with industry in Japan and South Korea identified "that the export of CO2 for storage may be a solution for addressing these nations' significant emissions in the near term". Further, the Japanese government's Long-Term CCS Roadmap considers the need for domestically produced CO2 to be transported overseas for storage.

CCS deployment needs to rapidly scale up to allow the development of the next generation of clean fuels (especially blue hydrogen/ammonia) and to offer a solution to those hard-to-abate domestic Australian industries.

In conclusion, INPEX values the opportunity to provide feedback on the proposed Future Made in Australia Bill 2024. We would be happy to provide a copy of INPEX's Future Gas Strategy submission upon request.

Please contact John Williams, Government Affairs and Regulatory Approvals Manager, on [REDACTED] or at [REDACTED] for further information.

Yours sincerely,

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Bill Townsend
Senior Vice President Corporate
INPEX Australia