

Senate Environment and Communications References Committee
ANSWERS TO QUESTIONS ON NOTICE
Department of Industry, Science, Energy and Resources
Inquiry into Oil and gas exploration and production in the Beetaloo Basin
02 August 2021

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY, SCIENCE, ENERGY AND RESOURCES

TOPIC: QoN 15. Written QoNs from Senator McCarthy

REFERENCE: Question on Notice (Written, Senator McCarthy, 04 August 2021)

QUESTION No.: 15

1. What is the Department's view on the costs of the Beetaloo basin to develop. Does it agree that it is likely to be high cost? If not, on what economic modelling does the Department base this view?
2. Is the Department considering larger or ongoing financial support? Does the Department agree developers will need this?
 - a. If so, has the Department estimated how much this is going to cost?
 - b. If not, will the Department advise against providing further subsidies?
3. Please provide the advice that was given to the Minister regarding the amount and type of subsidy program that was being developed for the Beetaloo basin.
4. The Beetaloo Strategic Basin Plan talks about urgency around meeting a 'window' for developing the gas. What does this mean?
 - a. Are you saying if the Basin is delayed it will not be needed?
 - b. If the Beetaloo Basin is subsidised into this 'window', does this mean other fields may not go ahead?
5. Why should the Australian government be subsidising one basin over another?
6. Please provide a list of applications for the Beetaloo Instrument Grants and the advice sent to the Minister regarding the assessment of the applications
7. Santos announced on Aug 2 2021 that it had agreed to merge with another ASX-listed company, Oil Search. In the presentation on this, Santos refers to "Major growth potential in NT shale supports GLNG or DLNG backfill or DLNG expansion" (slide 7). Does the Department agree this points to plans to export large amounts of gas extracted from the Beetaloo basin?
8. Last year, APPEA commissioned a report from Wood Mackenzie. It says:
"We believe that a successful future for Australian oil and gas will consist of developing the currently uneconomic or stranded discovered gas resources that abound through Australia's hydrocarbon regions. Using this gas is vital to extending the economic life and utility of existing gas and LNG infrastructure and thus maximise value from these assets."
Does this accurately describe the government's Beetaloo plan?
9. Are the Beetaloo Basin subsidies about developing "currently uneconomic or stranded" resources to extend existing export infrastructure? Why should the government be subsidising this?

ANSWER

1. The costs of development of the Beetaloo Sub-basin are yet to be established as further exploration is required. However, modelling has shown that in a liquids rich scenario, the additional revenue stream from liquids production means that the cost of methane production could, in effect fall below AU\$3-4/gigajoule (GJ). This scenario would make Beetaloo gas the lowest cost in Australia and very competitive globally.
2. A) The Government has not considered larger or ongoing financial support. B) The Department's advice will depend on the policy objectives established by Government.
3. Advice provided to the Minister concerning the amount and type of subsidy program formed part of Cabinet deliberations.
4. Energy market modelling commissioned by the Australian Government, undertaken by Deloitte identifies that there is an optimum time 'window of demand' for development. This 'window of demand' is the point at which the most anticipated domestic and international uncontracted gas demand will exist for potential Beetaloo gas supply to service.
 - a. If development of the Beetaloo Sub-basin is delayed, other gas fields domestically and internationally may be developed to fill the anticipated uncontracted gas demand. The prevalence of long term contracting arrangements in the gas market mean that a situation could eventuate where gas users are locked into supply from another field. This could occur regardless of whether the production costs in that field are lower or higher than those that may eventuate in the Beetaloo.
 - b. Depending on the scale of the commercial resource in the Beetaloo and the costs of production, the Beetaloo may out compete other sources of supply.
5. Should the Beetaloo Sub-basin meet the anticipated window of opportunity, it will provide gas customers with the greatest range of gas supply options. The likely result is stronger competition in gas markets and lowest-available gas costs for end users. It may also replace development in international fields.
6. Applications received are as follows:
 - Imperial Oil & Gas Pty Ltd x3
 - Tamboran Resources Ltd x3
 - Sweetpea Petroleum Pty Ltd x3
 - Santos x1

The advice provided to the Minister was as follows:

"Imperial Oil & Gas Pty Ltd were the applicant of the three eligible applications and sought total funding of \$21,806,453 for three wells (Carpentaria 2, 3 and 4). The assessment committee assessed all three applications as being satisfactory and in accordance with the program guidelines. Imperial Oil and Gas Pty Ltd's three drilling projects will likely generate over \$70 million of additional investment.

Detail regarding the committee's assessment of the applications is at Attachment A. Of note, the assessment committee recommended that certain activities and expenditure were not eligible and the grant offers should be reduced by removing ineligible activities during the contract negotiation process. The committee agrees that these are not obstacles to the overall eligibility of the projects. The Department will inform you of the final value of grants committed and value of funds remaining in the program available for further projects."

7. The Department is unable to provide an opinion on what may or may not have been meant by Santos in the aforementioned slide, however, based on energy market modelling commissioned by the Australian Government and undertaken by Deloitte, the Department considers that in a high development scenario there will likely be exporting activity associated with development in the Beetaloo. This is because available domestic markets are unlikely to be sufficiently large to support development at this scale.
8. & 9. No. The Government is co-investing with industry to accelerate the development of the Beetaloo as a potential future source of gas supply, consistent with the Governments' Gas-Fired Recovery agenda.