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BHP Billiton exposes Canberra's hollow 'use it or lose it' rhetoric.

The DomGas Alliance says the decision by BHP Billiton to warehouse the Tallaganda gas field will be the next test for the Federal government's ineffective retention lease management process.

Federal Resources Minister Ian MacFarlane yesterday told the APPEA conference that he had seen "no evidence" of producers warehousing gas reserves.

On the same day BHP Billiton told the same conference it would warehouse the one trillion cubic feet of gas contained in the Tallaganda field despite it being "relatively easy" to process the gas through the existing Macedon domestic gas project.

BHP Billiton has tried to blame the decision on WA's domestic gas reservation policy. But this appears to be a convenient excuse as the same policy was in place in 2012 when BHP Billiton hailed Tallaganda as "our biggest discovery in 2012 (which) opens up a large area of captured acreage with many potential follow-up opportunities."

DomGas Alliance Executive Director Matt Brown said BHP Billiton's announcement was a major embarrassment for the Federal government.

"In Opposition, the Federal Coalition talked a tough game on retention leases, promising to crack down on producers sitting on gas fields which could be developed to profitably supply gas to domestic industry," Mr Brown said.

"Since coming to government we have seen no evidence of the promised tougher 'use it or lose it' approach.

"For the big oil and gas producers it's been business as usual as they continue to work the system to their own advantage and to the detriment of Australian industry and workers."

Mr Brown said a 2014 Deloitte-Access Economics report had highlighted how producers continue to warehouse gas reserves despite it being commercially viable to direct those reserves to the domestic market.

"We are at a loss to understand what further evidence the Federal government needs," Mr Brown said.

"When a major producer tells a conference it simply won't develop a commercially viable field through an existing domestic gas supply plant you would think it would provoke some sort of response from the government.

“This should be the most simple test for the government’s use it or lose it rhetoric. BHP Billiton needs to receive a loud and clear message from the Federal government that this behaviour will not be tolerated.

Mr Brown said broader reforms needed to be implemented to prevent large oil and gas producers from holding Australia’s domestic industry to ransom.

“The Federal government also recently renewed the retention lease for Chevron’s West Tryal Rocks field, effectively warehousing that gas for the export market in the future when it could be used to supply domestic industry today,” Mr Brown said.

“The system is being gamed. As a starting point we need greater transparency in the retention lease process and greater external scrutiny of the claims being made by producers to justify their applications.

“If a producer claims a lease is not commercially viable then the market should be given an opportunity to contest that claim. This should include allowing greater input from domestic gas users to provide a more accurate picture of local demand and whether it can provide a reasonable rate of return for a potential producer.”

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