



Retention lease system must be fixed: DomGas Alliance

The DomGas Alliance has called for an urgent overhaul of Federal laws relating to retention leases for oil and gas fields.

The call follows a decision by the Federal Resources Minister to grant a further extension of the retention lease for the Scarborough gas field – first discovered off the coast of Western Australia in 1979. The extension was granted despite BHP Billiton acknowledging earlier this year that the project had slipped down its list of priorities.

The DomGas Alliance says the extension simply confirms the widely held view that the retention lease system is broken and is not serving the national interest.

DomGas Alliance Executive Director Matt Brown says the community no longer believes the 'use it or lose it' rhetoric used by Canberra.

"The Parliament must act now to restore integrity to the retention lease system by toughening up the Act," Mr Brown said.

"Successive governments of both political persuasions have failed to deliver on their promises, made in Opposition, to get tough on warehousing of gas resources. 'Use it or lose it' has become a hollow, meaningless cliché.

"This field was discovered back in 1979 with the first retention lease issued in 1987. The Government has now given the proponents yet another five-year extension, despite the Act requiring applicants to show a field can be commercial within 15 years.

"More than 35 years have elapsed since its discovery. That should be sufficient time for two of the largest oil and gas companies in the world to decide how to deliver the project.

"At a very minimum, the Parliament must amend the Act to ensure that after a set period of time such titles are put to the open market. If another producer believes it can bring a field to the domestic market they should be given that opportunity.

"If no other company is interested in developing the project, then the current title holders can have their lease renewed.

"We accept that the Scarborough project provides considerable technical challenges. We also acknowledge the need to be fair to companies who have invested heavily in exploration and technical studies.

"But the system is clearly out of balance when a project which has been waiting 35 years for development is simply given yet another five year roll-over with no guarantee of it proceeding."

The DomGas Alliance believes the Offshore Petroleum and Greenhouse Gas Storage Act 2006 must be amended to:

- Provide greater transparency of the retention lease application process;
- Include a mechanism to allow other producers to contest the claims about commercial viability made by retention lease applicants;
- Include a mechanism to allow domestic gas consumers to contest commercial viability claims made by retention lease applicants from a domestic demand viewpoint;
- Set a maximum number of retention lease approvals before the title must be offered to the open market;
- Require independent analysis of the claims made by applicants as to commercial viability and the publication of the findings of this analysis;
- Require all retention lease applications to include an analysis of the potential for the project to proceed as a domestic supply project.

A 2014 Deloitte's Access Economics report found that in 1990 less than 4% of the Commonwealth's offshore gas titles were held under retention leases but by 2009 this figure had grown to more than 40%.

Despite legislation aimed at ensuring fields are developed within 15 years, around 25% of the land area that is held under retention leases had been held for longer than this period.

The report also modelled the commercial viability of two reserves held under retention lease; modelling which showed they would be commercially viable for domestic supply.

For further comment contact Matt Brown on 0419 813 171.