

Energy in WA Conference

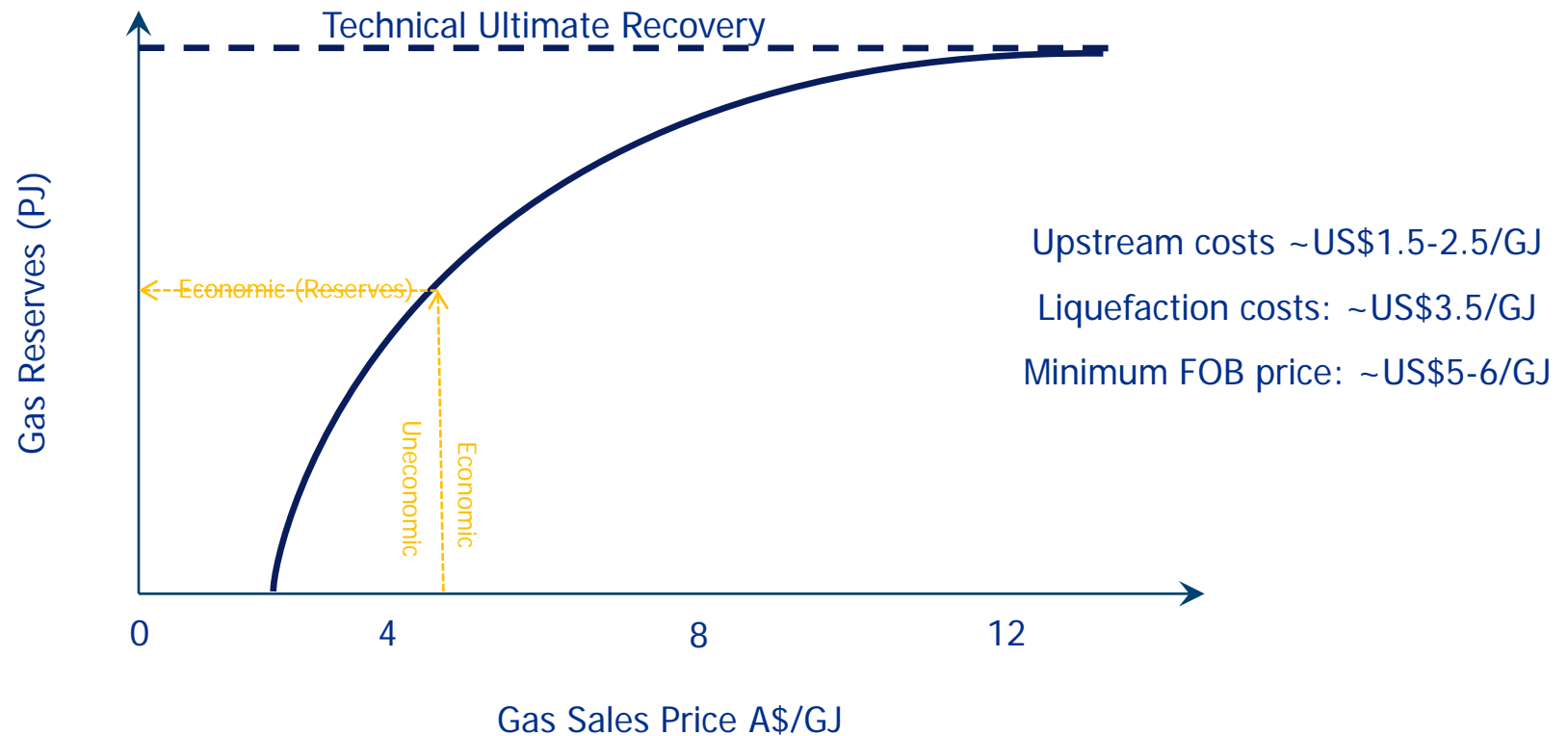
“The Great Debate”

Perth, 22nd September 2010

John Boardman; Special Advisor



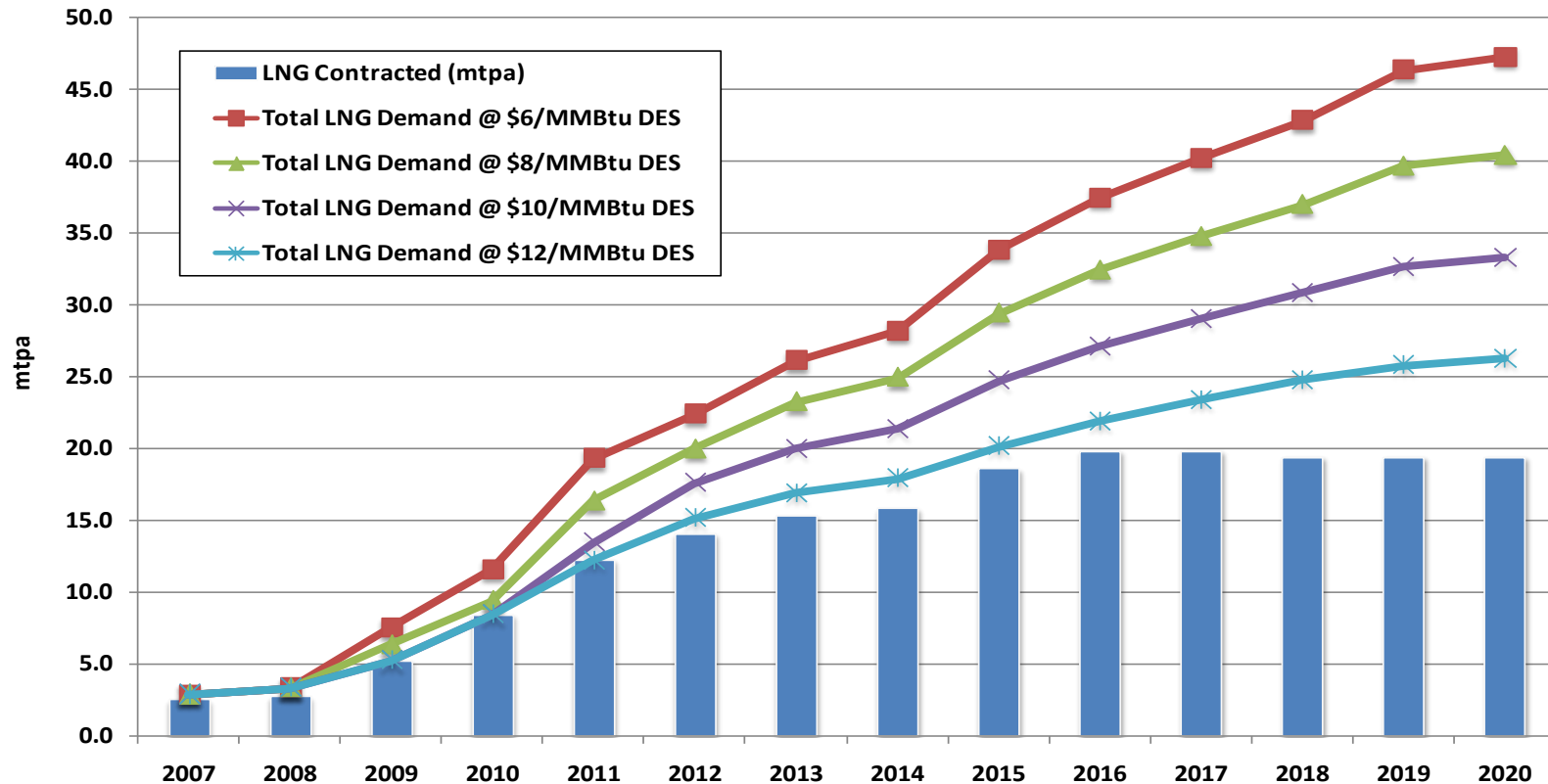
1. Reserves are a function of costs and product prices



2. Market demand is a function of price

China LNG demand – price relationship

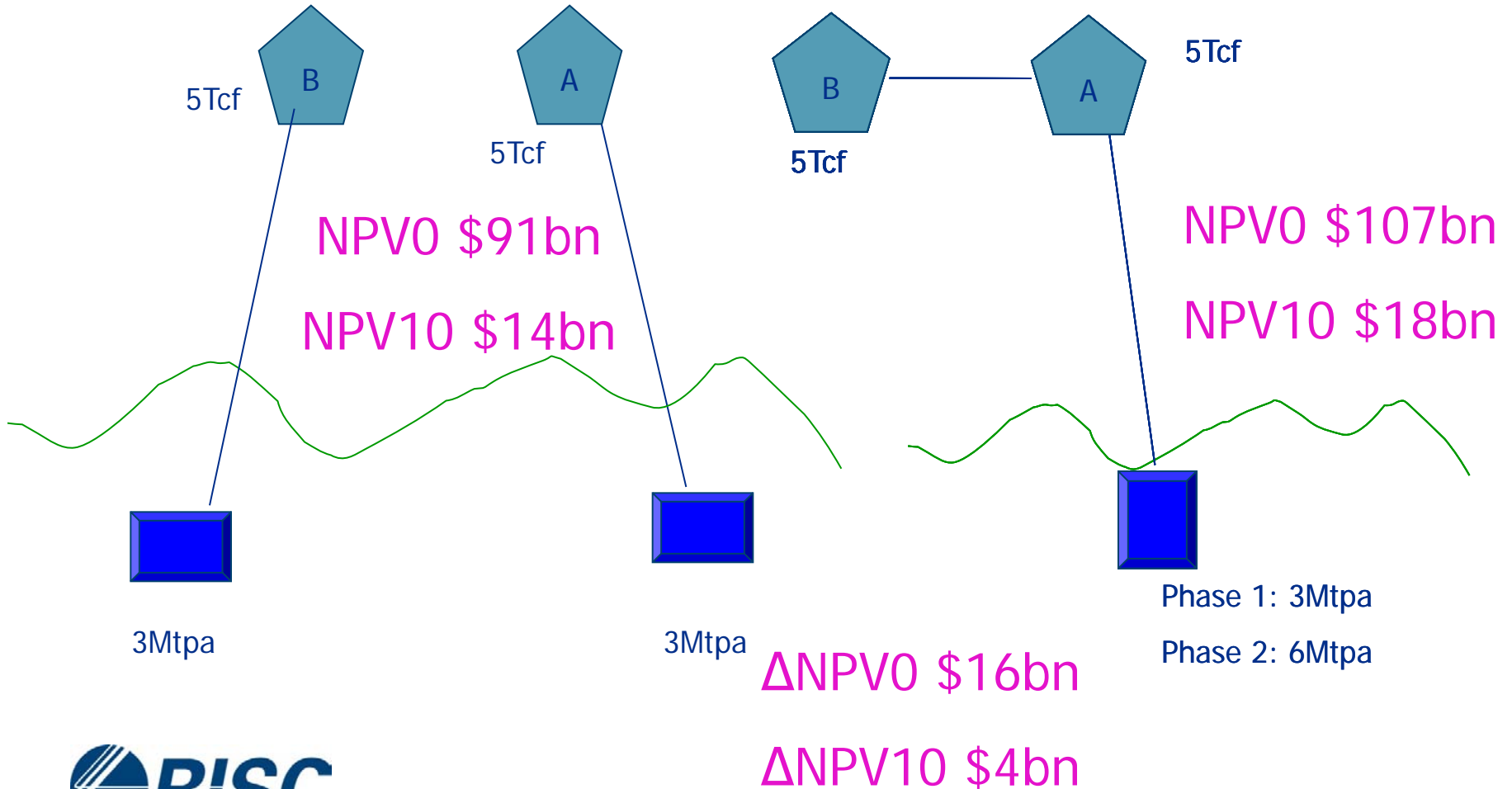
- A price difference of \$6 to \$12/mmbtu is forecast to suppress China's demand by ~20mtpa over the next decade. At \$12/mmbtu China is almost fully contracted until ~2016 and only +/-7mtpa short of demand in 2020



3. Capital Efficiency

Scenario 1: Proliferation

Scenario 2: Collaboration



4. Prudent Stewardship

GUIDELINES FOR GRANT OF A PRODUCTION LICENCE AND
GRANT OF AN INFRASTRUCTURE LICENCE; Clause 4.2

“..... these sovereign rights confer on the Australian Government *a responsibility* to ensure that present and future generations of Australians derive *optimal benefit* from the petroleum resources

5. Wrong Debate!

We are having the wrong debate!!

The debate we should be having is:

“How do we obtain a long term energy policy which provides conditions conducive to investment in major gas consuming value adding projects?”

Short termism, parochial self interest, party politics, joint venture intransigence and moral weakness need to be replaced with a long term holistic vision which ensures that shareholders of upstream investors, shareholders of resource companies and downstream investors and Australians of this and future generations are realising maximum benefit from our valuable resources.



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