Energy in WA Conference

“The Great Debate”

Perth, 22nd September 2010

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1. Reserves are a function of costs and product prices

- Upstream costs: ~US$1.5-2.5/GJ
- Liquefaction costs: ~US$3.5/GJ
- Minimum FOB price: ~US$5-6/GJ

Technical Ultimate Recovery

Gas Reserves (PJ)

Gas Sales Price A$/GJ

Economic (Reserves)
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**

- B: 5Tcf
- A: 5Tcf
- NPV0: $91bn
- NPV10: $14bn
- 3Mtpa

**Scenario 2: Collaboration**

- B: 5Tcf
- A: 5Tcf
- NPV0: $107bn
- NPV10: $18bn
- ΔNPV0: $16bn
- ΔNPV10: $4bn
- Phase 1: 3Mtpa
- Phase 2: 6Mtpa
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.