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10 July 2015

The Chairman  
Legislative Council – Environment & Planning Committee  
Parliament House  
Spring Street  
Melbourne VIC 3002

Via email: [epc@parliament.vic.gov.au](mailto:epc@parliament.vic.gov.au)

**Re: Inquiry into Unconventional Gas in Victoria**

Dear Chairman

We are pleased to provide the following submission to the Committee regarding the inquiry into unconventional gas in Victoria.

**Who is Armour Energy?**

- Armour Energy is an ASX listed oil and gas exploration company.
- Armour has a large, very prospective acreage position in Northern Australia – Northern Territory and north-west Queensland and a number of exploration tenements in Victoria through a JV with Lakes Oil (ASX:LKO), based in Melbourne.
- Armour has a highly experienced board and management team that has a large amount of international experience and a broad range of technical and commercial skills. Our team is highly driven and very committed to explore for oil and gas in a way that is sustainable and transparent to all of our stakeholders. This includes but is not limited in making sure that harm to the environment is minimised and that the oil and gas industry can co-exist with any other industry in a way that is mutually beneficial.
- Since 2012 Armour has invested \$65 million in exploration activities across all of its tenements.
- Armour is a significant shareholder in Lakes Oil.

**What is the Opportunity?**

- Armour Energy sees a major opportunity to explore and produce gas in Victoria in a way that is very sustainable and that will be of benefit to the people of Victoria. Gas exploration and production will be beneficial in the sense that it will create jobs in the oil and gas industry (both with the oil and gas companies and their service providers), plus the jobs multiplier effect that results from investment/expenditure in communities. An onshore Victoria gas industry will ensure a reliable and cost effective supply of energy to small and major gas users. With approximately 50% of Victoria's gas supplies going to industrial and commercial users, it is vital for the Victorian economy to be able to provide a reliable and competitive gas supply for business and for households. The more competitive the gas market, the more likely businesses can be sustained and grown, which will create additional job opportunities.
- Major economic benefits to Victoria
  - "Today's exploration is tomorrow's royalties". When exploration turns into production it will provide a major revenue stream for the Victorian government in terms of taxes and royalties.
  - There are two major economic benefits to be had for Victoria from developing an onshore gas industry. First the industry can potentially employ hundreds of people during the exploration, extraction and distribution phases. Secondly, it will increase the competition in

- the market which will work to keep gas prices down. All of the major projections in relation to gas indicate that prices will go up for both domestic consumers and industry. This will affect the viability of some businesses and our international and national competitiveness.
- Victoria has been blessed with very significant natural resources which in the past have been exploited to make Victoria the manufacturing heartland of Australia. We believe that by exploiting the deeper, cleaner onshore gas resources there is potential to rejuvenate industry across the state (especially in regional Victoria) as the traditional energy sources become more expensive and less environmentally acceptable.
  - All of the above can be achieved within environmentally acceptable operations, whilst the security of aquifers can be confidently assured.
  - Victorian Legislation already provides strong and effective regulatory controls, and there is opportunity for the Victorian Government to provide leadership and support for oil and gas development in a safe and sustainable manner for the benefit of all Victorians.

### **What are the current Challenges?**

- The current moratorium poses a number of challenges. We understand and support the fact that the government wants and needs to be seen as a strong regulator. At the same time government will need to manage the perception of sovereign risk.
- It is important that governments provide clear time lines of any reviews that need to take place, and that any inquiry or other recommendations that Government takes on board need to be implemented swiftly. The industry and their investors require certainty. Without certainty companies and investors tend to put their money elsewhere.
- Demand for gas on the east coast of Australia will triple over the coming 18 months. This will put pressure on gas prices which will impact on all Australians. It has been shown in many jurisdictions in and outside of Australia that, by far, the most effective way to ease the pressure on rising gas prices is to increase supply.
- There has been a significant amount of anti-gas sentiment in Victoria over recent years. This anti gas sentiment has been fueled by those opposed to the coal seam gas industry in Queensland and NSW as well as through anti hydraulic stimulation (fracking) activism in North America. Whilst the industry could have done more to counter these movements, it also needs to be said that many of the accusations of the industry and the technologies it uses are ill informed at best and very often simply false. Armour is all for having an open and transparent debate about the oil and gas industry but it should be fact based. There are many independent, highly credible reports done on technologies used in the oil and gas industry. They all state that an oil and gas industry can operate safely and effectively provided effective government regulation is in place. Having said all this, we also recognise that the government wants to be assured itself that this is the case; hence we have no strong objection to a government doing a review, as long as that is done in the shortest possible time frame and makes use of existing reports and factual information currently available. Armour also recognizes the importance of listening to the communities and to come up with solutions that work best from an overall co-existence perspective. When you look at the CSG industry in Queensland today and when you talk to the people that live in rural communities, you will find that people do see the benefits of the CSG industry and that they believe that the oil and gas companies act in a respectful and transparent way with land owners and the community. As a result there is now a strong and broad support base for the industry in Queensland.

### **What are Armour Energy's recommendations for the Victorian government?**

Armour suggests that the committee and the Victorian government considers the following recommendations:

- Understand the difference between conventional and unconventional petroleum so that the current moratorium regarding *unconventional* petroleum is only applied to *unconventional* petroleum. This would then enable activities to be approved and re-commence for conventional onshore operations that have incorrectly been caught up in the unconventional moratorium. Importantly, this will enable the oil and gas industry to continue what it has been doing safely in Victoria for the last 40 years (i.e. exploring and producing gas from conventional reservoirs).
- Provide a firm timeframe on any reviews the government deems required to regulate the unconventional oil and gas sector effectively.
- Provide confidence to the industry (oil / gas companies and gas users) that recommendations from reviews will be implemented swiftly.

- Make use of existing reports and studies when coming to conclusions about technologies adopted by the oil and gas industry. Much work has been done on this and further expenditure of taxpayer moneys does not seem warranted.
- Learn from other jurisdictions in Australia and overseas with regards what an effective regulatory regime looks like. We are happy to provide examples and connections in this regard.
- Provide balanced support and leadership for the industry in the context that it will benefit all Victorians and that any environmental risks will be managed effectively and satisfactorily.
- Install a Gas Field Commissioner. This has worked extremely well in Queensland. John Cotter and his team have been able to build strong bridges between the communities, landholders and the CSG industry.

#### **How Armour Energy can assist the Committee?**

- We would be happy to further clarify and or support in any way with any of the above points. We are also happy to share any further information from our large amount of experience working in Australia and internationally.

As a major shareholder and joint venture partner with Lakes Oil NL, we also refer you to their submission on the inquiry into unconventional gas in Victoria.

Yours sincerely



**Robbert de Weijer**  
Chief Executive Officer