

27 March 2019

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Department of Foreign Affairs and Trade
R.G. Casey Building
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Barton ACT 0221 Australia

RE: APPEA SUBMISSION AUSTRALIA-EUROPEAN UNION FTA: EU PROPOSED ENERGY AND RAW MATERIALS CHAPTER

The Australian Petroleum Production & Exploration Association (APPEA) is the peak national body that represents companies engaged in oil and gas exploration and production in Australia. APPEA's 57 full and 130 associate members account for more than 98 per cent of Australia's oil and gas production, and the vast majority of petroleum exploration. APPEA seeks to work with Australian governments to help promote the development of the nation's oil and gas resources in a manner that maximises the return to the Australian industry and community.

The oil and gas industry is an integral part of the Australian economy, including through:

- the supply of reliable and competitively priced energy;
- the investment of hundreds of billions of dollars of capital;
- the direct payment of billions of dollars in taxes and resource charges to governments;
- the direct employment of tens of thousands of Australians; and
- the generation of significant amounts of export earnings.

APPEA welcomes the opportunity to comment on the proposed chapter by the EU on Energy and Raw Materials. APPEA's comments on specific articles of concern are below.

Article X.2

The proposed text suggests that the party to the agreement, in this case the Australian Government, would have the responsibility of determining what areas are available for exploring and producing energy goods and raw materials.

Many of these decisions, particularly relating to onshore exploration and development, rest with the states and territories. It is difficult to see how the Australian Government would be able to ensure compliance with this article.

Article X.5

APPEA strongly opposes the article and the attempt to enforce price levels and monitoring on globally traded commodities. In Australia, prices for commodities are mostly set by commercial contracts and reflect the terms of the contract, like quantity, duration of supply and so on. Similarly, the price for commodities such as Liquefied Natural Gas (LNG) and Crude Oil in export contracts reflect the global price of those commodities and terms and conditions that contract, which can include delivery location, delivery schedule, quantity and so on.

The Australian Government in Australia is generally not a party to this commercial information. This article undermines free market principles and increases the risk borne by the private sector and investors.



Moreover, domestic prices of a commodity, for example natural gas, can be reflective of conditions placed by states and territories on projects and acreage released for exploration. This article seeks to make changes to those arrangements and may lead to increased prices for domestic natural gas in Australia.

To discuss any aspect of APPEA's submission, please contact Mr Damian Dwyer, Director – Economics at ddwyer@appea.com.au.

Yours sincerely

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