



MEDIA RELEASE

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Australian oil production in 2009 falls to lowest level in 40 years: major industry report

Australian production of crude oil during 2009 dropped to its lowest level in four decades, according to a leading industry report card released today.

The report – by energy economics group, EnergyQuest – shows that oil production throughout the country fell 17% last year from 120.6 million barrels to 99.5 million barrels.

This is the lowest level since 1970.

The slump in oil production reflects the maturity of Australia's major producing oil fields, together with disruptions due to maintenance and weather.

"The recent start-up of BHP Billiton's Pyrenees oil field and Apache's Van Gogh field – both situated off Western Australia's north-west coast - will provide a boost in the short-term, however the long-term trend is for production to keep falling," EnergyQuest Chief Executive Officer, Dr Graeme Bethune, said today.

Natural gas production grew strongly during the year. Total Australian natural gas production increased by 10.1 per cent in the 12 months to December 2009, reaching a record 1897 petajoules (PJ).

The growth was primarily due to increased exports of Liquefied Natural Gas (LNG) from the North West Shelf in Western Australia.

"Australian LNG exports grew strongly in 2009, even though demand in Asia, Australia's major market, was down by 7%," Dr Bethune said.

"Australia gained market share at the expense of suppliers from the Atlantic Basin such as Algeria, Egypt and Nigeria."

Other highlights of the report include:

- Total Australian petroleum production was a record 488 million barrels of oil equivalent (MMboe) in 2009 – an increase of 3.4%;
- Australian production of oil and natural gas liquids (condensate and LPG) fell by 6.7% in 2009 to 170 MMboe, the lowest level since 1983;
- In 2009, LNG buyers signed agreements for 18.8 million tonnes per annum of LNG to be delivered from new projects being built or planned in Australia. This is almost as much as Australia's total LNG production capacity at present; and
- Production of gas for Australian domestic customers was a record 1028 PJ, up by 1.9%, driven by higher production in Western Australia. Gas production on the east coast fell by 1.4% reflecting lower production from the Gippsland and Cooper basins. Coal seam gas production reached 178 PJ, up 31.4%, and now supplies 27.3% of east coast gas production.

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"The major two issues in the oil and gas sector a year ago were the impact of the global recession and climate change," Dr Bethune said.

"As it turned out, it is not even clear whether Australia had a recession and upstream gas investment continued at record rates," he said.

"Twelve months on, policy directions on climate change are more uncertain. What is clear though is that the role of gas in reducing emissions is being marginalised by the desire to encourage renewables.

"This is despite the fact that gas made a major contribution to reducing emissions from east coast power generation in 2009.

"While there has been much focus on the recession and climate change, there is still relatively little interest in the continuing fall in Australian oil production.

"The Australian Government is forecasting that imports of liquid fuels will equate to three-quarters of domestic consumption by 2030, compared with about 40% now.

"This has important economic and energy security implications.

"Looking forward in 2010, the focus on LNG looks set to continue, with five projects targeting final investment decisions.

"Rather than recession, the major issues that are emerging are resource shortages, cost increases, and industrial action.

"There is clearly strong demand for Australian LNG – the challenge is meeting the demand on time and on budget."

About EnergyQuest

EnergyQuest is an advisory firm focussed on energy analysis and strategy.

Its oil and gas production and reserves estimates are compiled from a comprehensive database of company reports and are published in the company's *EnergyQuarterly*.

Further details are available at www.energyquest.com.au

A full copy of EnergyQuest's *Energy Quarterly* is available on request.

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