



Speech by

**Andrew McNamara**

**MEMBER FOR HERVEY BAY**

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## AUSTRALIAN OIL RESERVES

**Mr McNAMARA** (Hervey Bay—ALP) (11.56 am): The Howard government has many failings but in no area has its lack of attention to detail and planning for the future left Australia more exposed than in the vital national concern of energy policy. Last June the Howard government produced a white paper on energy that was not only a cop-out on confronting the energy supply needs of this nation but was also within 12 months rendered utterly irrelevant by a 30 per cent increase in the price of crude oil from \$US35 to \$US50 a barrel upon which the paper was based.

All commentators now expect the price of crude oil to push towards \$US70 a barrel during the coming Northern Hemisphere summer, again rendering the white paper increasingly out of touch. As Alan Fels and Fred Benchley pointed out in the *Australian Financial Review* last Thursday, Australia currently has sufficient oil reserves for just nine years and four months. Without imports and significant new discoveries, by 2014 the national transport sector will have ground to a halt. These figures should be cause for urgent action and even alarm by the federal government, because as dangerous as they are for national security and living standards the trend line is even worse.

This nine-and-a-bit year figure for Australian oil reserves produced by Geoscience Australia compares most unfavourably with the previous estimate of 11.1 years worth of reserves. Australia's reserves of oil have peaked and everyone knows it except the Howard government and, in particular, resources minister Ian Macfarlane. On 29 April 2005 BHP reported in the *Sydney Morning Herald* that oil production out of Australia's oil production mainstay, the Bass Strait, dropped by 18 per cent in 2004. Let me repeat that: BHP has confirmed that, due to 'natural field depletion' or postpeak oil production rundown, production in Bass Strait has dropped by 18 per cent in a single year.

In February 2005 the *Oil and Gas Journal*, which is the industry's bible, noted bluntly that oil production in non-OPEC countries, excluding the former Soviet Union, would peak in 2005-06. That includes Australia and that is now. I note in passing that Indonesia's continued membership of the Organization of Petroleum Exporting Countries is in severe doubt because, as was reported in the *Australian Financial Review* of 15 April, it is now an oil-importing country after its oil production dropped six per cent in 2004.

The importance of Australia's production of oil now being in steep decline is that, according to the Australian Petroleum Production and Exploration Association, on current trends in 10 years Australia will be producing only 280,000 barrels of oil per day while consuming around 1,030,000 barrels of oil per day. That will mean that we would be 78 per cent dependent on oil imports compared to only 30 per cent now.

On the most optimistic assessments of the federal government of oil at \$US30 a barrel, these extra imports will add \$US24 million per day or \$US76.4 billion over 10 years to our current account deficit. As Treasurer Peter Costello rises tomorrow in Canberra to deliver his 10th budget, he should consider that further inaction regarding support for exploration alternatives and renewables will consign Australia to intolerable foreign debt, inflation and rising interest rates, yet the white paper ignores this problem and federal policy is actually exacerbating it.

The Howard government is encouraging the use of imported diesel by developing a fuel excise regime that makes off-road diesel excise-free while not supporting the use of locally produced LPG. The

white paper actually states that pursuing alternative fuels like LPG as 'a large scale replacement for oil derived petrol and diesel would weaken Australia's competitiveness and its energy security position'. This is an unbelievable position for the federal government to adopt—to suggest that developing alternative fuels would be a threat to our energy security when our domestic oil production is in fact dropping like a stone. It suggests that the federal cabinet has been sniffing petrol rather than looking for ways to preserve it or find it.

The Queensland government is doing much to encourage investment in biofuels research, in hydrogen energy and exploration for carbon fuels, but we need a national commitment to deal with our looming energy shortfall. We need urgent national action and leadership to avoid an energy-led economic disaster. Even if the peak of international oil production does not happen, as the *Oil and Gas Journal* suggests, until 2015, the fact is that Australian oil production is now in free fall and the Howard government's approach is to say, 'Nothing to see here, folks. Move along.' Failure to confront this issue by encouraging both increased energy supply and oil demand restraint will be a betrayal of this nation's future. The time for action is now. The International Energy Agency has noted that biofuels such as biodiesel and ethanol need time and government encouragement to develop.

Time expired.