

RESOURCES IN WESTERN AUSTRALIA



Government of Western Australia
Department of Mines and Petroleum

Oil and gas industry

To provide world class oil and gas fields



In 2008 the State's petroleum industry grew in value by 33 per cent to \$22.3 billion. High oil prices maintained the petroleum industry's prominence in commodity sales. The total sales value of this industry which includes crude oil, gas and Liquefied Natural Gas (LNG) represents almost a third of the total value of Western Australia's resource industry. In Australia's petroleum industry, Western Australia now accounts for 71 per cent of gas and 66 per cent of oil and condensate production.

During the past three years, escalating commodity prices played an important role in pushing up the value of Western Australian petroleum sales. High demand and constricted supply saw record prices being reached for oil. LNG returns were also boosted in 2008 by the

higher oil price. Overall in 2008, the average commodity price movement of crude oil increased 35% in \$US terms.

The Department of Mines and Petroleum is committed to developing the State's oil and gas sectors to create a sustainable and prosperous economy.

Exploring the oil and gas fields

The potential for ongoing exploration success in Western Australia is enormous; the State is ranked among the best areas in the world for petroleum exploration. Not only is Western Australia a low risk business environment, there are also many highly prospective areas that are under explored.

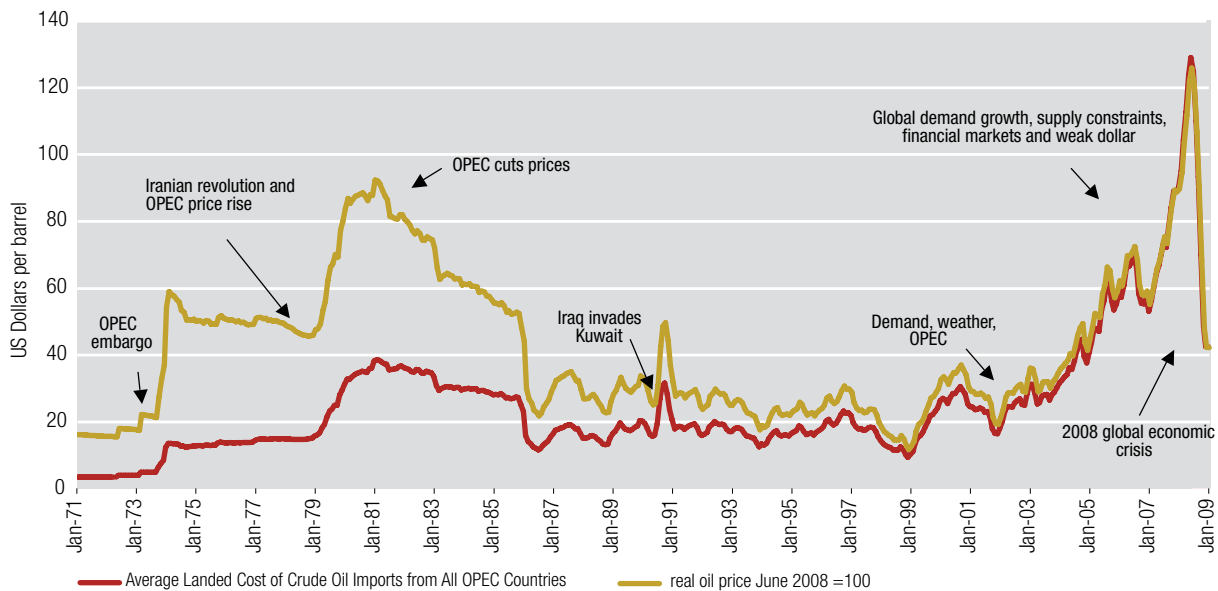


Figure 01 | **Historic Oil Prices** Source: Energy Information Administration, US Department of Energy; DMP

Recent strength in prices and opportunities in foreign markets have encouraged exploration, with petroleum exploration expenditure rising by 29 per cent in 2008 to almost \$2.5 billion.

There have also been promising developments in the Canning, Browse, Perth and Carnarvon basins and recent acreage releases have attracted a large amount of interest for exploration programs both onshore and offshore.

Oil and gas research and development

Western Australia is building on its reputation as an internationally recognised leader in oil and gas research and development.

High oil prices and growing demand for offshore infrastructure have increased the viability of the petroleum services industry. This provides potential development opportunities for Western Australian engineering, fabrication and service industries. These industries have the advantage of a close proximity to resource operations, a highly skilled workforce and readily available infrastructure.

The State Government's goal is to grow industry clusters in our internationally competitive industries. Growth is supported through the provision of specialist multi-user infrastructure and technology facilities, such as the Australian Resources Research Centre (ARRC) at Technology Park, which is globally recognised as a source of technology development.

Changing demand for oil and gas

High oil prices were a feature of the first half of 2008. The Tapis oil price averaged US\$96.74 a barrel in January 2008 and climbed steadily to reach a record US\$153.12 a barrel in July 2008. However, this record level was short-lived and by the end of September, with global demand slowing, the Tapis oil price was averaging around the US\$100 a barrel mark.

Considering supply/demand projections for 2009 and in an effort to stabilise the oil price at around US\$100 per barrel, the Organisation of Petroleum Exporting Countries (OPEC) started implementing production cuts in September 2008 totalling 4.2 million barrels a day, the last cut effective 1 January 2009. It would appear that these cuts have been overwhelmed by a collapse in crude demand amid the global slowdown and by year end the price was averaging a little over US\$40 a barrel.

For the first time since 1983, world oil consumption decreased in 2008 by a total of 0.05 million barrels a day compared to 2007. A drop in US oil consumption is considered the major factor behind the vanishing growth in oil demand in 2008.

Top performers in 2008

The State's petroleum sectors in order of value for 2008 were:

Crude oil: Crude oil is a naturally occurring flammable liquid that is found in geologic formations beneath the earth's surface.

Prices in the short-term are likely to remain sensitive to uncertainty of demand due to global financial instability and unexpected changes in world economic growth.

Western Australian crude oil output remained almost static rising by one per cent to 83.8 million barrels. However, high oil prices saw the value of sales increase by around 32 per cent to reach \$9.7 billion.

Condensate: A condensate is a very light crude oil present as gaseous components in raw natural gas.

Condensate output decreased by two per cent in 2008 due to reduced gas production. Output reached 36 million barrels with the sales value increasing by almost nine per cent to reach \$3.5 billion.

LNG: Liquefied Natural gas (LNG) is natural gas that has been converted to a liquid form for cost effective storage and transportation.

LNG output remained static however the influence of high oil prices saw the sales value increasing by a massive 61 per cent for a record value of \$7.2 billion. This resulted in LNG holding the position of third most valuable individual commodity in the State.

Domestic natural gas: Sales of domestic natural gas fell by seven per cent to 8.5 billion cubic meters in 2008 due to the Varanus Island incident. The sales value of this gas rose by almost 19 per cent to \$1.2 billion. LPG butane and propane output fell by 14 per cent, however the strong prices helped to return a sales value of \$731 million which is nearly a seven per cent increase on the previous year.

Did you know?

Of the \$13.25 billion in petroleum sales earned in 2008:

- crude oil accounted for 44 per cent;
- LNG made up 32 per cent;
- condensate equalled to 16 per cent;
- natural gas accounted for 5 per cent; and
- LPG (propane and butane) comprised 3 per cent.

Contact Information

Department of Mines and Petroleum
Mineral House, 100 Plain Street
East Perth, Western Australia 6004
Tel: +61 8 9222 3333
Fax: +61 8 9222 3862
Email: dmp@dmp.wa.gov.au
Web: www.dmp.wa.gov.au