



## Submission No 14

### **Inquiry into Australia's Trade and Investment Relations with North Africa (Algeria, Egypt, Libya, Morocco, and Tunisia)**

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## **BHP Billiton**

BHP Billiton is the world's largest diversified resources company. We are distinguished from other resource companies by the quality of our assets; our deep inventory of growth projects; our customer-focused marketing; our diversification across countries, commodities and markets; and our Petroleum business.

We have some 35,000 employees working in more than 100 operations in approximately 20 countries. We occupy industry leader or near industry leader positions in major commodity businesses, including energy coal and metallurgical coal, copper, nickel, iron ore, uranium, silver and titanium minerals, and have substantial interests in oil, gas, liquefied natural gas and diamonds.

In 2004, we generated turnover of US\$24.9 billion, earnings before interest and tax (EBIT) of US\$5.5 billion and operating cash flow after interest and tax of US\$5.2 billion. As at 8 March 2005 our market capitalisation was US\$89 billion.

BHP Billiton was created through the Dual Listed Companies (DLC) merger of BHP Limited (now BHP Billiton Limited) and Billiton Plc (now BHP Billiton Plc), which was concluded in June 2001.

## **BHP Billiton Petroleum**

BHP Billiton Petroleum is a significant oil and gas exploration and production business. We have core businesses around the world, with our principal activities in oil and gas production in Australia, the United Kingdom, the United States, Algeria, Trinidad and Tobago, and Pakistan.

We also have exploration interests in counties including the United States, Australia, Trinidad and Tobago, Pakistan, Algeria, Brunei Darussalam, South Africa and Brazil.

In 2004, our Petroleum business generated turnover of US\$5.558 billion and earnings before interest and tax (EBIT) of US\$1.391 billion. Total production for the year was 122.5 million barrels of oil-equivalent.

## **BHP Billiton in Algeria**

BHP Billiton is a significant and growing player in the Algeria energy business. We have production from two major developments in Algeria, Ohanet and ROD, and we are actively building on our exploration, development and operating experience gained in-country since 1989.

In support of these activities, the company's Algeria Asset Team has approximately 22 employees and contractors in London, Hassi Messaoud, ROD and Algiers, as well as approximately 77 employees and contractors seconded into the Sonatrach/BHP Billiton joint operating organisation, known as the Organe d'Operating Conjoint (OOC), which operates the Ohanet development.

## Ohanet Wet Gas Development

In July 2000 BHP Billiton and its joint venture partners signed a Risk Service Contract (RSC) with Sonatrach for the development of four gas condensate reservoirs in the Ohanet region of the Illizi province, approximately 1,300 kilometres south east of Algiers.

The US\$1 billion development, delivered on schedule in October 2003 and within budget, created a facility with the capacity to treat around 20 million cubic metres of gas and a maximum of 3,500 tonnes of condensate and 2,500 tonnes of LPG per day, together with 16.5 million cubic metres of dry pipeline sales quality gas.

## ROD Oil Development

The Rhourde Oulad Djemma (ROD) integrated development consists of the development of the ROD oilfield and five satellite fields discovered during exploration activities in Blocks 401a/402a in the Berkine Basin in the Saharan desert, around 800 kilometres southeast of Algiers.

Development of the ROD accumulations required the drilling of 34 production wells and the construction of a new oil reception, processing, storage and export facility, with capacity to process approximately 80,000 barrels of Saharan Blend crude oil per day. First production from ROD commenced in October 2004. Oil is exported via existing pipeline infrastructure to terminals located on the Algerian coast, while the associated gas is re-injected underground.

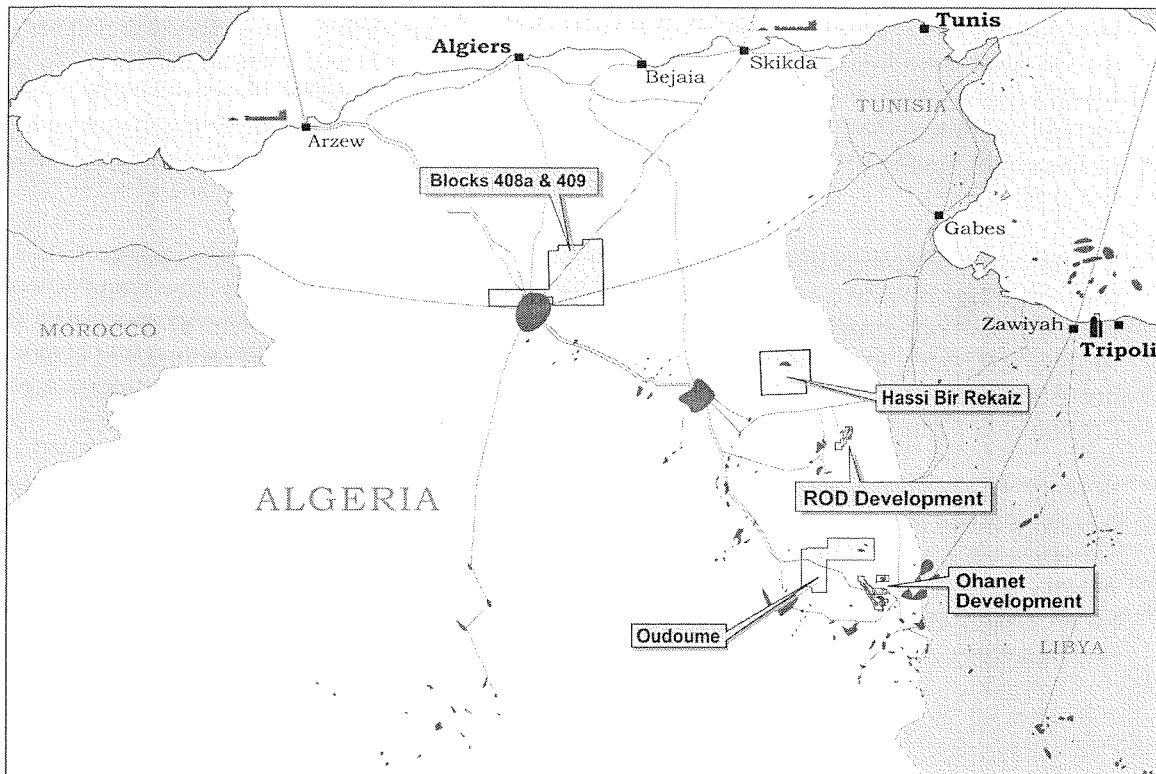
## Planned Exploration and Further Investment in Algeria

BHP Billiton has recently been awarded three new exploration licences in Algeria. The acquisition of this new acreage provides an opportunity for us to continue to grow our business in Algeria.

In July 2004 BHP Billiton was awarded operatorship of the **Ksar Hirane** exploration licence 408a/409 in Algeria in a 50:50 partnership with Woodside Energy. The licence is situated to the north of the giant Hassi R'Mel gas field in a lightly explored area of the Sahara. The minimum work program is for six hundred kilometres of two-dimensional seismic and one exploration well at a gross cost of US\$14 million (US\$7 million net to BHP Billiton). Preparation for the start of the seismic campaign in September 2005 is well advanced.

In April 2005 BHP Billiton was awarded two further exploration blocks in Algeria on a 100% basis and therefore we are the operator of the blocks. **Hassi Bir Rekaiz** is located to the east of the Tunisian border and northwest of the ROD development. The minimum work program for Phase I is for 500 kilometres of two-dimensional seismic, or 200 kilometres of three-dimensional seismic, and two wells over three years. **Oudoume** is located northwest of the Ohanet Development. The minimum work program for Phase I is for 200 kilometres of two-dimensional seismic, and one well over three years.

The following map shows BHP Billiton's asset and acreage position in Algeria:



Preliminary discussions have also taken place with the Algerian Ministry of Energy & Mines regarding the potential participation of other BHP Billiton customer sector groups in a range of minerals projects.

### Maximising Opportunities in Algeria

In the many years it has been working in Algeria, BHP Billiton's Australian identity has been a key differentiation from the large number of other companies keen to do business in the country. However, one key issue continues to be raised in this regard – the absence of Australian governmental representation in Algeria.

At present, diplomatic matters concerning Algeria are handled by the Australian Embassy in Paris. On a number of occasions, this issue has prompted senior Algerian government representatives meeting with BHP Billiton to question Australia's commitment to its relationship with Algeria.

Given its substantial investment in Algeria to date (approximately AUD\$1 billion), and its intent to invest significantly more in the petroleum and possibly other sectors, BHP Billiton strongly supports the establishment of Australian government representation in Algiers.

Algeria, and in particular its head of state President Bouteflika, maintains a constructive relationship with the West, including the United States and the European Union, in addition to Arab countries. The country is afforded higher diplomatic status than many of its North African neighbours (including Libya) and has traditionally punched well above its weight in many international, regional and ethnic organisations and fora. Furthermore, as a major energy player, Algeria has significant influence in North Africa and the Arab world through its position as a member of OPEC. In view of the country's considerable liquefied natural gas expansion opportunities, this position has the potential to increase in the future.

Representation in Algeria would clearly demonstrate Australia's commitment to building an effective relationship with the country, and has obvious benefits for Australian companies seeking to maximise potential investment opportunities. For BHP Billiton, the lack of Australian diplomatic representation has proved to be a significant issue at higher government levels, affecting the company's ability to secure access to senior government officials.

The physical presence of an embassy in the country's capital would also provide reciprocal benefits on a practical level. For example, we are committed to creating development opportunities with the people with whom we work, however at present Algerians wishing to visit Australia - including BHP Billiton's local staff required to visit company sites in Australia for training purposes - are required to apply for a visa to the Embassy in France, a country for which Algerian nationals also require a visa.

In short, the establishment of an embassy in Algiers would assist Australian companies to leverage trade and investment opportunities, strengthening the country's links with Algeria. However, such benefits would not apply solely to Australia's relationship with Algeria. In view of the country's diplomatic status worldwide, and influence amongst other North African countries, we believe Algeria to be the optimum location for Australian representation in this region.