Submission No 12

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

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Joint Standing Committee on Foreign Affairs, Defence and Trade
Trade Sub-Committee

WOODSIDE

8 August 2005

Dr Kate Burton
Secretary of the Trade Sub-Committee
Joint Standing Committee on Foreign Affairs,
Defence and Trade
Department of the House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Dr Burton

Inquiry into Australia's Trade and Investment Relations with North African Nations Algeria, Egypt, Libya, Morocco and Tunisia

I have the pleasure to attach a submission by Woodside Energy Ltd. to the Trade Sub-Committee of the Parliamentary Joint Standing Committee on Foreign Affairs, Defence and Trade, which is conducting an Inquiry into Australia's trade and investment relations with the countries of North Africa.

Members of the Sub-Committee will be aware of Woodside's substantial interests in some of the countries which are the focus of the Inquiry. We are accordingly delighted to see that the Sub-Committee - and through the Sub-Committee the Australian Parliament - is taking such a strong interest in this region which is of growing importance to Australia.

Should the Sub-Committee wish to follow up this submission in any way, please do not hesitate to call me or my colleague, Jon Philp on +61 8 9348 4316.

Yours sincerely

p.p.

GARY GRAY
Director, Corporate Affairs

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Submission by Woodside Energy Ltd. to the
Parliamentary Inquiry into Australia's Commercial relations with North Africa
(Algeria, Egypt, Libya, Morocco and Tunisia)

WOODSIDE

August 2005

Contents

1. Terms of reference of the Inquiry

The Joint Standing Committee on Foreign Affairs, Defence and Trade will examine and report on expanding Australia's trade and investment relations with the countries of North Africa (Algeria, Egypt, Libya, Morocco and Tunisia), with particular reference to:

- the nature of Australia's existing trade and investment relations with the region
- likely future trends in these relations
- the role of the government, particularly DFAT and Austrade, in identifying and assisting Australian companies maximise opportunities in North Africa as they emerge.

2. Introduction

Purpose of the submission

Woodside welcomes the opportunity to submit a report to the Joint Standing Committee on Foreign Affairs, Defence and Trade about its activities in the North African region. The Inquiry of the Joint Standing Committee is a pleasing indication of the growing recognition within Australia of the significance of this region to Australia's economic and commercial interests.

Woodside understands that the terms of reference of the Inquiry of the Joint Standing Committee into Australia's commercial relations with the countries of the region, do not include Mauritania. Woodside has, nevertheless, taken the view that the Joint Committee would obtain an incomplete picture of the extent of Australia's commercial relations with the region without a briefing on Woodside's activities and interests in Mauritania. Woodside's operations in Mauritania have some economic and political resonance in other North African countries, including those countries (Algeria and Libya) where Woodside has also made significant investments. The context of Woodside's operations in Mauritania will therefore be of interest to the Joint Committee, notwithstanding that the focus of the Inquiry does not extend to Mauritania.

The Joint Committee will also recognise that Mauritania has strong cultural, linguistic and economic links with its North African neighbours. These links have been formalised in Mauritania's membership of the Arab Maghreb Union (which also includes Algeria, Libya, Morocco and Tunisia). The recent (2001) discovery of oil in Mauritania will serve to strengthen these connections and enhance the regional sense of shared identity that membership of the Arab Maghreb Union promotes among its members.

In deciding to prepare a submission for the Inquiry, Woodside is pleased to have an opportunity, consistent with the terms of reference of the Inquiry, to outline for the information of the Joint Committee the nature and extent of its operations and investments in Algeria, Libya and Mauritania, and its interests in other parts of the region. In doing so Woodside wishes to underline the commercial significance of its interests in these countries, and the major part that its investments there are playing in its long-term growth strategy.

In some of the countries of the region Woodside (Libya, Mauritania) has been a sole or leading Australian presence, unsupported by any official resident Australian diplomatic presence. As the commercial interests of Woodside and other Australian companies grow in North Africa, so too will the case for closer engagement by the Australian government with the countries of the region. Woodside hopes that this case will be recognised both by the Joint Committee and the Australian government, and that the necessary resources will be made available by the government in order to support growing commercial and political interaction between Australia and the countries of North Africa.

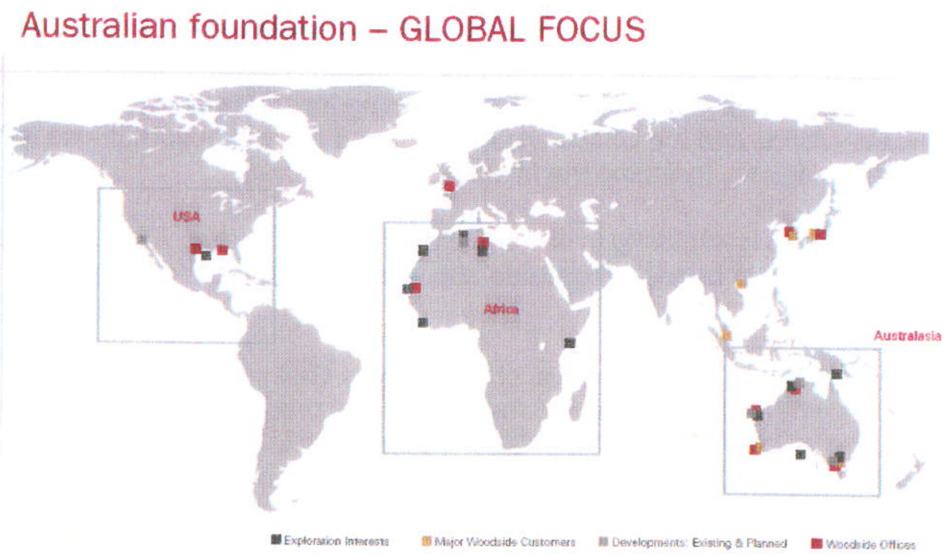
In this context Woodside wishes to take the opportunity to underline to the Joint Committee the importance of the Australian government's commitment to Libya to open an Embassy in Tripoli as soon as possible. Woodside considers that any further delay in the opening of the Embassy could affect Australian commercial interests in that country.

Woodside as a global energy company

Woodside is Australia's leading oil and gas exploration and production company with interests across the globe in three regions of focus – Australasia, Africa and the United States of America. Put simply, Woodside's core business is finding and monetising hydrocarbon reserves. Woodside produced 56.2 million barrels of oil equivalent (MMboe) in 2004. At the end of 2004 Woodside's total workforce was 2,528.

Woodside is active in 11 countries. By early 2006 Woodside will have production from Australia, Algeria, Mauritania and the United States. Woodside's project list currently has eight approved developments with total planned expenditure over the next three years of nearly A$10 billion on behalf of Woodside and its joint venture partners. The list will grow as Woodside seeks and takes new opportunities to expand its portfolio.

Woodside's Australian operations produce LNG, crude oil, condensate, domestic gas and LPG. Its existing producing assets in Australia lie in the North West Shelf (LNG and natural gas) and Laminaria in the Timor Sea (oil) and Legendre in the Carnarvon Basin (oil). These continue to be the company's bedrock and underpin Woodside's expansion around Australia and the rest of the world.



Overseas, Woodside is receiving income from the Ohanet operations in Algeria. The Ohanet gas project, in which Woodside has 15 per cent equity and which is operated by BHP Billiton, generated Woodside's first foreign income when it was commissioned in October 2003. Under the project's risk service contract with the Algerian National Oil Company, Sonatrach, Woodside receives a share of the condensate and liquid petroleum gas produced over 8 to 12 years. The final proportion received depends on market prices.

Woodside has significant oil and gas discoveries at various stages of appraisal, development or construction in Australasia, Africa and the United States of America.

Woodside maintains an active exploration and appraisal program designed to ensure long-term company growth. At 31 December 2004 Woodside had interests in 272 titles covering a gross area of about 384,000 km^2. Sixty-six of the titles were in Woodside's Australian, Timor Sea and Papua New Guinea portfolio and 206 were in the company's international portfolio. In 2004 Woodside acquired interests in an additional 59 titles – two in Australia, four in Africa and 53 in the Gulf of Mexico. It also increased its interest in 15 titles.

Australia and its immediate offshore neighbourhood remains Woodside's major focus for the production of oil and gas. Woodside continues to seek to expand production at home both by finding new assets and expanding existing assets. This year the company began work on a fifth train at its North West Shelf operations. By 2008 the North West Shelf will have LNG capacity of nearly 16 million tonnes a year. Woodside will also make further progress in developing its Browse gas fields off Western Australia. The Browse Basin project has the potential to be about as twice as important to Woodside as the North West Shelf. Browse has an estimated scope for recovery of more than 20 trillion cubic feet of natural gas and 300 million barrels of condensate. Woodside owns about 50 per cent of Browse and is the operator of the project.

Woodside's newest discovery, the Pluto gas field, which is situated about 65 kms from the Goodwyn platform on the North West Shelf, has yielded encouraging results. Woodside has 100 per cent ownership of Pluto and will accordingly be giving it high development priority.

But even these new production development initiatives will not keep Woodside growing at the pace it prefers. About 90 per cent of the world's proven oil is in the Middle East, Africa, Russia, Central Asia and Central and South America. Woodside recognises that, if it is continue to grow, it must gravitate towards these areas of opportunity. That is why Woodside is concentrating its efforts outside Australia in two focus areas – Africa and the United States. It is also looking beyond those focus areas to other regions, including the Middle East and Korea.

In Africa Woodside is exploring in six countries – Algeria, Kenya, Liberia, Libya, Mauritania and Sierra Leone. Woodside also has interests near the Canary Islands off north-west Africa.

In the United States Woodside's area of focus is the Gulf of Mexico where the company has 172 leases. Subject to the outcome of production testing, the Midway gas project (in which Woodside has 50 per cent equity) is to commence production in 2005. In January 2005 Woodside entered into a five-year alliance with Explore Enterprises of Louisiana LLC to pursue exploration, acquisition, development and production activities in the Gulf of Mexico. Woodside is also working on proposals for the development of LNG import terminals off the US west coast as a conduit to the US market for Australian LNG.

How North Africa fits into Woodside's global business strategy

North Africa is a major plank in Woodside's growth strategy. It is one of the most significant regions in the world in terms of proved and probable hydrocarbon reserves. Woodside has significant exploration programs in Algeria, Libya and Mauritania. It is already earning revenue from gas production in Algeria, and development drilling has commenced for the Chinguetti project in Mauritania.

Woodside's international exploration budget for 2005 is A$196 million. Exploration activities in North Africa (Algeria, Libya and Mauritania) will account for around three quarters of this amount.

Woodside's activities in North Africa provide the diversification and balance that the company is seeking to add to its portfolio. The high levels of prospectivity offered by the region help the company present a balanced portfolio of risk versus reward. The depth of Woodside's penetration into the oil and gas sectors of Algeria, Libya and Mauritania and the extent of its investments are consistent with its intention to pursue active exploration and appraisal programs in focus areas that will generate reserves for long-term company growth.

Overall, Woodside's investment in north and west Africa since 1998 has exceeded US$700 million. The most substantive investments include Mauritania, Algeria (where the company produced its first foreign production and revenue in 2003), and Libya.

3. The Hydrocarbon Resources of the Countries of North Africa

The world economy will continue to depend heavily on international trade in hydrocarbons in the near to medium term. Despite rising prices, global demand for oil will continue to rise. And natural gas is expected to continue to be the fastest growing component in the global energy mix. Natural gas has become an important part of national energy planning in the developed world. It currently accounts for 22 per cent of the world energy mix and its share is growing each year. Consumption of natural gas worldwide is expected to increase by an average of 2.2 per cent annually from 2001 to 2025. This compares with annual rates of growth of oil consumption of 1.9 per cent.

North Africa is one of the world's richest regions (after the Middle East, North America and Russia) in terms of proven and probable oil and gas reserves. It contains about 5 per cent of the world's proven oil reserves and about 4 per cent of the world's natural gas reserves. The most significant countries of the region in terms of their hydrocarbon resources are Libya, Algeria and Egypt. Tunisia has marketable quantities of natural gas and Mauritania has been shown to possess commercial quantities of oil.

The tables below are based on CIA figures. While figures from other sources may vary with these, the tables give a reliable indication of the relative contributions made by each country of the region to the world's oil and gas resources.

North African Oil Production and Proved Reserves – 2004 figures

	Oil Production	**Proved Reserves**
Algeria	1.20 mbd	11.87 billion barrels
Egypt	0.74 mbd	2.7 billion barrels
Libya	1.518 mbd	38 billion barrels
Mauritania	0	Not available
Morocco	0.001 mbd	300 million barrels
Tunisia	0.073 mbd	1.7 billion barrels
The World		

North African Natural Gas Production and Proved Reserves – 2004 figures

	Natural Gas Production	**Proved Reserves**
Algeria	80.3 billion cubic metres	4.739 trillion cubic metres
Egypt	21.2 billion cubic metres	1.264 trillion cubic metres
Libya	6.18 billion cubic metres	1.321 trillion cubic metres
Mauritania	0	Not available
Morocco	50 million cubic metres	665.4 million cubic metres
Tunisia	2.25 billion cubic metres	77.16 billion cubic metres
The World		

Libya is a major producer and exporter of oil. Libya holds Africa's largest proven oil reserves at 38 billion barrels. It also has significant quantities of natural gas. The country has 12 oil fields with reserves of more than 1 billion barrels each. Already producing more than 1.5 million barrels of oil per day since the lifting of U.S. and UN sanctions, it expects to double its production to 3 million barrels per day by 2010. The Libyan government estimates that doubling of Libya's oil production by 2010 will require investments totalling around US$30 billion. (In 1970, Libya's oil production peaked at 3.32 million barrels per day.) Libya is a top-ranked country for prospectivity (5^{th} in the world for oil and gas investment by Robertson Research of the UK). Undiscovered potential for Libya is estimated at 35 billion barrels of oil. It is also likely to possess significantly greater quantities of natural gas than the levels indicated in the above table.

Libya's oil sector enjoys a number of advantages over other countries. In addition to its huge proven reserves (Libya possesses more than 3 per cent of the world's total oil reserves) production costs in Libya are among the lowest in the world. Also, Libya produces high quality, low sulphur 'sweet' crude oil. And its proximity to the markets of Western Europe gives it a strong advantage over Middle East exporters.

Since its reintegration into the global economy in 2003 Libya has quickly acquired the potential to become a major exporter of natural gas. In 2002 work was begun on the US$5 billion Western Libyan Gas Project which will enable the export of 280 billion cubic feet of gas per year from Melitah to Italy and France, beginning in 2006. The gas will be exported via a pipeline under the Mediterranean.

Libya has been exporting LNG to Spain since 1970 from its now ageing Marsa el-Brega facility. Its exports have been limited to around 5.5 billion cubic metres per year because of the limited technical capacity of the Marsa el-Brega plant. Rapidly increasing demand in Western Europe for LNG is likely to ensure strong investment flows into Libya to develop its LNG export capacities.

Like Libya, Algeria's economy is dominated by its oil and gas sector. The sector accounts for around 95 per cent of Algeria's export earnings. Algeria is a major producer of natural gas, possessing around 2.6 per cent of total world reserves. It holds 35 per cent of Africa's proved reserves. Western Europe is a major importer of Algerian natural gas. In 2002 Algeria supplied 47 per cent of Western Europe's natural gas imports – 16 percent by pipeline and 31 per cent as LNG. Algeria is the world's second largest LNG producer (after Indonesia). It is the fourth largest exporter of natural gas, possessing the seventh largest reserves of natural gas in the world.

New gas projects and growing crude oil production are contributing to burgeoning international confidence in Algeria's economy. In 2005 the economy will be boosted by full year production from the huge In Salah gas project which commenced operation in mid-2004. A similar project, In Amenas, will also come on stream in late 2005 or 2006, buttressing Algeria's natural gas export capacity.

A member of OPEC, Algeria is ranked 14^{th} in the world in terms of the size of its oil reserves. Algeria has recorded significant increases in crude oil production in 2003-2004. Crude production is expected to grow again in 2005-2006 by a further 30 per cent.

The oil and gas sector in Egypt plays a less dominant role in the national economy than is the case in Libya and Algeria. Egypt's oil production has been in a state of gentle decline in recent years, although small new discoveries continue to be recorded. But it has been the development of major offshore natural gas deposits north of the Nile Delta that has re-awakened foreign interest in Egypt's hydrocarbon sector. Egypt is emerging as a major North African exporter of natural gas. Egypt's proved natural; gas reserves stand at more than one trillion cubic metres but its probable reserves are much higher.

Egypt's first LNG facility has been constructed at the port of Damietta. The Damietta facility caters for a single train and has a capacity of 5 million metric tons per year. A second LNG facility is being built at Idku. The first train is due to come on stream in 2005 and is contracted to deliver 3.6 million tons per year to Gaz de France for the next 20 years. The Idku facility can manage up to six trains. The second train is due to open in 2006 with its capacity fully contacted to British Gas until 2007.

Egypt is also exporting natural gas to Jordan via a pipeline linking Aqaba to Egypt's gas distribution network. There is scope for the pipeline to be extended to Syria and Lebanon.

Tunisia is not as well endowed with hydrocarbon resources as its neighbours Libya and Algeria. But it has commercially marketable quantities of natural gas and there is a good prospect that Tunisia's proved reserves of 77.16 billion cubic metres of natural gas will grow as exploration programs continue.

Morocco also lacks a sustainable hydrocarbon sector. As a result, its economy is, like Tunisia's, much more broadly based and varied. Morocco retains a strong interest in the possibility that hydrocarbon resources will be discovered in neighbouring Western Sahara, over which it claims sovereignty.

Oil was discovered in Mauritania in 2001 in the offshore Chinguetti project. Development drilling has begun and production of oil is expected to commence in March 2006 at an initial rate of 75,000 barrels per day. Woodside's Banda, Tiof and Tevet discoveries between 2001 and 2004 have shown that Mauritania possesses oil reserves of at least several hundred million barrels. Exploration and appraisal work is continuing offshore and, more recently, has begun onshore in the Taoudeni Basin near Mauritania's border with Mali.

4. Woodside's North African investments, operations and future prospects

Africa is a core focus area for Woodside. Since 2000 Woodside has been building an exploration and production portfolio in Kenya, Libya, Algeria, the Canary Islands, Mauritania, Sierra Leone and Liberia. (Woodside considers Kenya, the Canary Islands, Sierra Leone and Liberia, which have no oil and gas product, under-explored frontier areas with significant potential.)

In North Africa, Woodside has substantial investments in Algeria, Libya and Mauritania, and maintains a close watch for additional opportunities that may emerge in these and other North African countries. While most of its work is still in the exploratory and appraisal stages, development drilling has begun in Mauritania in the Chinguetti project. Woodside is drawing revenue from its risk service contract with the Algerian National Oil Company, Sonatrach, in relation to its 15 per cent interest in the Ohanet wet gas project.

Woodside's North African investments mean that it will continue as a significant player in the oil and gas sector in the region at least for the next three decades, and probably beyond. Details of the highly prospective acreage acquired by Woodside are outlined below. Woodside will continue to look for new opportunities in the region for the acquisition of additional acreage.

Algeria

In Algeria, Woodside has extensive onshore exploration and production interests. Woodside began exploring in Algeria in 2000 and the company's interests are now centred on proven oil and gas regions of the Berkine and Illizi Basins, and the Tirhemt Dome.

The US$1 billion Ohanet project, in which Woodside has a 15 per cent interest, is an onshore wet gas project located 1300 kms south east of Algiers in the Illizi Basin. The operator is BHP Billiton. Production commenced in October 2003. In 2004 the Ohanet operations completed the first full year of production. The project is run under a risk service contract with Sonatrach. Under the contract the project participants receive a fixed rate of return based on product price and volume, limited to a maximum revenue entitlement of LPG and condensate over eight years.

Each day the plant processes about 710 million cubic feet of gas from 32 wells. 30,000 barrels of condensate and 26,000 barrels of LPG are exported from Ohanet.

Woodside participated in the drilling of two wells in Block 401d in 2004. The 401d prospect lies in the Berkine Basin. It covers 2317 sq kms and runs along a trendline of oil and gas discoveries on the Algeria-Tunisia border. Woodside has a 26.25 per cent interest in the block. Of the two wells drilled in 2004, one was dry, while the commerciality of the other is yet to be determined.

Discoveries in the Berkine Basin total 7.3 billion barrels of oil equivalent, with an estimated three billion barrels yet to be discovered.

Woodside also has an exploration permit for two blocks at Ksar Hirane (blocks ALG-408a and 409). The permit covers an area of 10,800 sq kms situated about 15 kms north of one of the world's largest gas fields, Hassi R'Mel. Exploration activity at Ksar Harine between 2004 and 2007 involves 1200 kms of two-dimensional seismic and the drilling of an exploration well. Woodside holds a 37.5 per cent interest in the blocks.

Libya

Woodside began exploring in Libya in late 2003 when it signed a 30-year exploration and production sharing agreement with the Libyan National Oil Corporation. Woodside became the first Australian oil and gas company to explore Libya since the two countries restored diplomatic relations in 2002.

The 2003 agreement delivered Woodside exploration rights over five blocks in the Sirte Basin, the most prolific oil-producing region in North Africa, covering 11,000 sq kms, and one block covering 9,000 sq kms in the remote Murzuq Basin, about 600 kms south-west of Tripoli.

Woodside's initial US$104 million six-year exploration phase includes geological studies, the acquisition of at least 6500 kms of new two-dimensional seismic data, 400 sq kms of three-dimensional seismic, 13 exploration wells and a three-year development feasibility study of the Atshan discovery in the Murzuq Basin. As the seismic work is completed Woodside will prepare for exploratory drilling which will take place later this year.

Woodside is operator with a 45 per cent interest in the exploration and production sharing agreement.

Woodside acquired four additional offshore blocks in the Mediterranean in early 2005. Acquisition of these highly prospective exploration blocks, which we consider are an extension of the prolific Sirte Basin, has further consolidated Woodside's position in Libya.

Mauritania

In May 2001 Woodside discovered the Chinguetti oil field which lies about 90 kms south-west of Nouakchott off the coast of Mauritania. The Chinguetti discovery was followed by the Banda oil and gas discovery in 2002, and the Tiof oil discovery in 2003. Both Banda and Tiof, like Chinguetti, are offshore fields. In December 2003 Woodside and its joint venture partners declared the Chinguetti discovery commercial. In November 2004 the Mauritanian government exercised its right to participate in the Chinguetti oil field development. The government will have a 12 per cent interest in the project. Woodside currently has 53.846 per cent equity in the areas under contract that include Chinguetti.

Development well drilling on Chinguetti commenced in September 2004 and will continue at least until the third quarter of 2005.

Woodside's Chinguetti, Banda and Tiof discoveries have confirmed a working hyrdrocarbon system off the Mauritanian coast. In 2001a U.S. petroleum consultant company estimated that the leads identified by Woodside in its offshore Mauritanian acreage involved a most likely, risk-adjusted quantum of oil of 630 million barrels. But that assessment was made before the Tiof discovery.

The Chinguetti development will require capital expenditure of A$800 million to A$1 billion. Woodside's share will be based on its equity holding. Chinguetti's probable reserves are about 120 million barrels. Expected production rates will be 75,000 barrels per day with a field life of 8 to 15 years.

In 2004 Woodside acquired a further offshore block (known as block 7 which is contiguous to the northern boundary of its existing offshore blocks), and two onshore blocks in the Taoudeni Basin. Woodside's interest in the Taoudeni Basin is driven by similarities with the Murzuq Basin in south-western Libya and Algeria where Woodside has significant acreage under contract. These onshore blocks complement Woodside's existing offshore acreage in Mauritania and offer the opportunity for low-cost entry into a potentially highly prospective area.

Other North African countries

Woodside will continue to look for opportunities to acquire additional acreage for exploration and production in North Africa. Beyond Algeria, Libya and Mauritania, opportunities may emerge for further acquisitions in Woodside's North African portfolio. Tunisia and Egypt both have hydrocarbon reserves that are not negligible. Recent offshore discoveries in Egypt have pushed that country into the ranks of the top twenty countries in the world, each with more than 1 per cent of the world's proved reserves of natural gas. While Woodside has no plans at present for the acquisition of acreage in either Tunisia or Egypt, it will continue to observe closely and assess developments there that may be relevant to its overall North African portfolio.

Woodside is also watching developments concerning the Western Sahara where local separatists, known as the Polisario Front, continue to struggle for independence from Morocco. Polisario representatives have recently referred to plans to offer 12 offshore blocks for exploration and development by international oil companies. Woodside recognises that no exploration can take place as long as sovereignty of the disputed area remains unresolved.

5. Role of Australian government in the development of Australia's commercial links with the countries of North Africa

Woodside's North African investments form a significant part of its international portfolio. Woodside's international growth directly benefits Australia's economy. The company's success in North Africa will also help support growth of its operations in Australia and Australia's immediate region.

Investment in North Africa is not without political risk. The Algerian government continues to struggle with the legacy of a debilitating and bloody civil war. While the performance of the Algerian economy is improving, social problems and the threat of further political instability remain. In Libya, while the government has embarked on a course of economic modernisation, the political processes remain unchanged. Mauritania is a poor country whose economy has been dominated until now by the agriculture, fisheries and mining sectors. How it copes with the sudden inflow of hydrocarbon revenues will be of critical importance.

Woodside's relationships with its host government authorities require constant attention and nurturing. Managing the political dimension of those relationships has often proven to be a significant challenge. With the exception of Cairo, Australia has no official resident diplomatic representation in North Africa. Official bilateral relations with Algeria and Mauritania are the responsibility of the Australian Ambassador in Paris. And the Australian Ambassador in Cairo is accredited on a non-resident basis to Libya, where the Australian government intends establishing a Consulate-General later this year. The absence of official resident Australian representation in the capitals of Algeria, Mauritania and Libya places additional responsibilities on Woodside, not least in the domain of security, but also in relation to broader political matters that emerge from time to time with potential to affect bilateral relations.

Woodside wishes to underline the excellent working relationship it has with the Department of Foreign Affairs and Trade (DFAT), and with the Australian Heads of Mission in Cairo and Paris. Woodside has invariably found DFAT to be responsive to its concerns and supportive of its work in North Africa. Woodside is grateful too for the support it has received from Foreign Minister Downer and Trade Minister Vaile in relation to its North African operations.

As Woodside's - and more broadly Australia's - interests grow in North Africa, it will be Woodside's hope that the government will keep under review the pattern of Australia's official representation in the region. Non-resident official representation has its obvious limitations, particularly in a region where formalities and protocol often demand the presence of an Ambassador.

The announcement in 2004 by the Australian government that it will establish an official presence in Tripoli initially in the form of a Consulate-General was clearly intended as a constructive step. Libyan officials have made clear to Woodside, however, that they expect to see Australia's official presence transformed into an Embassy quickly. Woodside is of the view that any further delay in establishing an Australian Embassy in Tripoli is likely to circumscribe commercial opportunities for Australian companies in Libya. In our view, and based on advice from Libyan ministers and officials, the Australia-Libya commercial relationship will develop further only when Australia has a fully functioning embassy in Tripoli with a capacity to issue visas.

The presence of a resident Australian Ambassador in Tripoli would not only raise Australia's profile on a permanent basis, it would also contribute to solving more readily political and procedural difficulties that Woodside and other Australian companies encounter in the course of their dealings with local authorities, thereby making a strong practical difference in the pursuit of Australian commercial interests.

While Woodside's core function is finding and monetising oil and gas reserves, it pursues a broad range of ancillary activities in support of that objective. Around the world Woodside has developed community partnerships to support local communities that host Woodside's operations. In 2004 Woodside committed A$3.7 million to community and aid organisations both in Australia and overseas, including Mauritania and Libya.

In Mauritania computers were provided to aid students in mechanical, electrical and administrative professions, and to the English Language Centre. Advisers from the Western Australian Department of Agriculture assessed locust control and advised key Mauritanian officials on mitigation measures and agricultural practices.

In Libya Woodside has led the development of a potentially lucrative education exchange between Libya and Australia through its sponsorship of a post-graduate scholarship program involving Western Australia's Murdoch and Curtin universities and the Libyan Government. From 2006, at least 20 post-graduate scholars will begin studying in Australia under the scheme. The company has also delivered support to the Al Hana and Al Wafa philanthropic associations which assist disadvantaged families in Libya, and to the Sarah hearing centre, to assist with providing hearing aids to young Libyans. Woodside also funded the visit to Australia in 2004 of a number of senior Libyan medical officers with a view to planting the seeds of medical cooperation between Australia and Libya.

Woodside has also recently announced that it has become a participant in the British government's Extractive Industries Transparency Initiative and is a signatory to the Partnering Against Corruption Principles, an initiative of the Global Institute for Partnership and Governance, a body of the World Economic Forum.

Woodside supports proper transparency of material payments made to governments, while respecting that the management of natural resources and ensuing revenues are the domain of sovereign governments. Next year Woodside's Chinguetti project will come into production. Our ability to implement a meaningful payment disclosure model for Chinguetti is an important issue for Woodside's reputation, and for the Mauritanian government's ability to manage effectively the revenue it will receive.

In all of these activities Woodside would welcome the support and, where appropriate, the participation of the Australian government. While Woodside understands that economies that might be potential recipients of large hydrocarbon based revenues may not qualify for official development assistance from Australia, there is a case for the deployment of modest levels of AusAID resources - particularly in the field of training and education – to assist host governments in their efforts to modernise their economy and society. Woodside would welcome a closer partnership with the Australian government in these areas.

6. Conclusion

North Africa is a region that is geographically distant from Australia. Australia's official relations with the countries of this region are not extensive, either politically or commercially. With the exception of its Embassy in Cairo, Australia currently has no diplomatic resources permanently deployed in the region. Yet this has not deterred Woodside from establishing a presence in three of these countries.

North Africa's importance as a hydrocarbon resource-rich region will grow as global demand for oil and gas - particularly gas – also grows. Accordingly, Woodside will remain a player in the region for the long term. As Woodside's presence and the presence of other Australian private sector companies grow, Australia's profile in the region will become more visible. Woodside is not suggesting that the Australian government establish an official presence in every country of North Africa, but it points to the case for growing official engagement by Australia with these countries. Woodside appreciates the decisions that have been made to establish an official presence in Libya. Establishing an Embassy in Tripoli without delay will be critical to the continued success of Woodside in Libya and to the interests of other Australian companies there. And an on-the-ground presence in Tripoli of an Australian Embassy will make an important contribution to the interests of Australian companies in what remains a difficult and sometimes unpredictable environment.

Woodside hopes that, as Australia's commercial interests in North Africa develop and assume greater depth and variety, the Australian government will review and expand its role in contributing to the further development of Australia's bilateral relationships with the countries in this region.