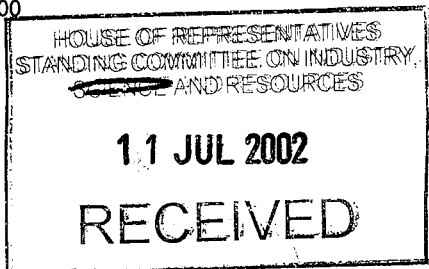


Japan Australia LNG (MIMI) Pty Ltd

ABN 18 006 303 180

Level 10 The Quadrant
1 William Street
Perth WA 6000
Australia

Tel (08) 9429 9733
Fax (08) 9322 6764



Monday, 8 July 2002

Committee Secretary
Standing Committee on Industry and Resources
House of Representatives
Parliament House
CANBERRA ACT 2600
AUSTRALIA

House of Representatives Standing Committee on Industry and Resources	
Submission No:	07
Date Received:	11 JULY 2002
Secretary:	<i>[Signature]</i>

Inquiry into resources exploration impediments

This submission by Japan Australia LNG (MIMI) Pty Ltd (ABN 18 006 303 180) to the Standing Committee on Industrial Resources is made in relation to the inquiry into resources exploration impediments referred to it by Minister Macfarlane on 24 May 2002.

MIMI's main business activities relate to its interests in the NWS Project and related Exploration Permit, licences and leases, and its interests in certain other exploration permits offshore Western Australia. Our submission is made in relation to Petroleum exploration only.

Our consideration of impediments to exploration is necessarily founded on commercial considerations that might influence a decision to further explore an area.

The following comments have been structured to approximately address the specific areas of interest referred to the Committee. Opportunities for improvements are suggested at the end of each section.

Resource endowment and market considerations

In relation to exploration in substantially gas-prone areas, a substantial impediment to further exploration is lack of available gas market – either domestically, or for Liquefied Natural Gas (LNG). Australia has abundant discovered gas – the majority of which is remote from market. Further exploration in gas-prone areas needs to be in those areas where the chance of also finding either gas-liquids or oil is also relatively high. Given the relatively mature nature of exploration in many developed and/or shallow-water areas, MIMI is looking to more remote and typically deep-water areas for possible liquids enrichment, but in which the costs of exploration are considerably higher than for shallow-water and/or developed areas, and for which prospectivity uncertainty is currently high.

There are few impediments to oil exploration in Australia that rival the generally very low chance of success for finding oil - especially without also being associated with large volumes of gas. The apparently limited remaining prospectivity for oil in currently developed areas, should naturally turn the search for new oil resources to more frontier and/or deep-water areas, but which also carry additional cost and risk burdens.

The hydrocarbon endowment of Australia does not favour aggressive exploration investment, based on current knowledge of resources and prospectivity.

Opportunities for improvement:

- Assist existing LNG producers, in a capital intensive business, to further improve their cost-competitiveness in order to increase their chances of capturing additional market, against competitors that commonly have substantial government support. Commercialising existing gas resources will ultimately generate increased incentive to explore further
- Provide more support for attracting large gas consuming opportunities such as feedstock gas users and Gas To Liquid (GTL) – also with an expectation of driving exploration through changing the balance between gas supply and demand, and with scope for a GTL industry to significantly improve Australia's domestic liquids self-sufficiency
- Provide PRRT tax relief for exploration in frontier and/or deep water areas

Structure of the industry and the role, and needs of small companies

MIMI does not recognise any fundamental problem with the structure of the industry.

While understanding that relatively small sized companies may struggle to raise capital for exploration, their circumstances are open for the market to make investment decisions of their choice. It appears to MIMI that the capital market generally favours investing in the activities of larger companies.

Nevertheless, MIMI does acknowledge that smaller companies can and sometimes do play a role in discovering new Petroleum resources.

Opportunities for improvement:

- No suggestions

Access to land and indigenous people issues

Notwithstanding community and statutory support for Native Title, MIMI considers that issues related to Native Title are a substantial impediment to especially onshore exploration.

Opportunities for improvement:

- MIMI considers that the problems are well known, and that the governments of Australia must take decisive action to implement workable solutions to enable access to land for exploration and sustainable development

Approvals Processes

MIMI considers that unnecessarily complicated and inefficient approvals processes are a substantial impediment to exploration. While we welcome the recent initiative of the WA government in this regard, the "silo mentality" of government departments offers substantial implementation uncertainty unless all governments and their "machinery" become fully committed to delivering substantial improvements.

Opportunities for improvement:

- MIMI considers that the problems are well known, and that the governments of Australia must take decisive action to implement improved approvals processes for exploration and development

Public provision of geoscientific data

MIMI considers access to geoscientific data to be an essential element in the overall successes of the industry.

Easy access to high quality geoscientific information at low cost is even more critical for facilitating the recognition and exploration of viable basins and targets in especially remote and deep-water areas that are currently under- or un-explored.

MIMI encourages government to sustain and expand the valuable role of organisations such as Geoscience Australia and the respective geological surveys for their capacity to either identify or help others recognise exploration “seeds” for the future. Any diminishment of the services provided by these organisations would most likely slow the rate of exploration, and may dissuade explorers from Australia, in favour of easier working environments.

Opportunities for improvement:

- Ensure that funding is at least maintained in real terms for especially Geoscience Australia, and that funding is provided to allow Geoscience Australia to conduct framework assessments of under- and unexplored frontier and deep-water areas
- Increase tax effectiveness of exploration costs in frontier and/or deepwater areas (eg. by allowing deductibility flow-through to shareholders in smaller companies and/or reducing PRRT liabilities for larger tax-paying companies)

Contribution to regional development

The significant positive impact on regional development – and on national development - of especially successful exploration is well established.

Opportunities for improvement:

- No specific comment

Concluding Comments

MIMI’s main comments in relation to removing or diminishing Petroleum exploration impediments are:

- For government assistance to commercialise the currently abundant gas resources in Australia
- Ensure that Native Title processes and expected outcomes are commercially tenable for those that wish to explore for this Crown Mineral
- Ensure that exploration and development operations can proceed without unnecessary and/or unnecessarily complex approvals processes

In making these comments, MIMI is fully cognisant of the need for exploration to ultimately be value-adding to both the nation and the explorers.

Key ingredients for successful exploration are access to information, know-how, sufficiency of capital to be able to bear exploration risk, and ability to commercialise success.

The pre-requisite linkage between conducting expensive exploration operations that also entail acceptance of high risk, and being successful, underpins our suggestions.

Yours sincerely,
Japan Australia LNG (MIMI) Pty Ltd



Rowan Roberts
Exploration Manager