

- to titles approvals that is being “undertaken as a matter of urgency”.

The Australian Petroleum Production and Exploration Association (APPEA) highlighted that the error had had “no impact on the environmental obligation of titleholders”.

A spokesman added that “a petroleum title does not constitute an environmental approval”, noting that titleholders would still have to apply for separate environmental and safety approvals for all regulated activities. That said, the association supported the introduction of new legislation to address the administrative oversight.

Conservationists, however, are concerned that new legislation will be rushed through too quickly, without enough debate about the risks of conducting exploration and development in environmentally sensitive areas.

Environmental concerns

Save Our Marine Life campaign manager Michelle Grady said it was “critical going forward

that marine parks are given a much higher priority in decision making by the resources portfolio in future.”

Greens Senator Rachel Siewert said she would push for a Senate inquiry to identify the leases that are affected and the companies that operate them.

“If the government fails to provide that information, that’s what a Senate inquiry can elicit, is just which areas they affect, how much acreage is involved, who are the companies, what type of leases are they, and where [they are],” she said.

Given that the plan to push through new legislation has bipartisan support, however, a Senate inquiry looks unlikely.

Ultimately, the administrative blunder is unlikely to have major repercussions for current petroleum titleholders. What it could do, however, is heighten debate about oil and gas exploration and development in Australia’s most pristine waters. This could pose an additional challenge for energy companies seeking future access to offshore resources. ❖

Thailand lapses into navel gazing

Bangkok’s decision to hire consultants to advise it on how to stimulate the oil and gas industry is likely to lead to more industry stagnation, Sam Imphet reports

THAILAND

WHAT:

The Thai government wants an outsider’s perspective on how its energy sector can best weather low oil prices.

WHY:

PTTEP’s recorded an US\$884 million loss for 2015 despite cutting costs and reviewing its portfolio of overseas assets.

WHAT NEXT:

PTTEP is unlikely to make any big decisions this year, as it waits for the government to receive and then review the consultants’ assessment.

THE Thai government’s decision to hire consultants to advise it on how the country’s energy sector can best weather the global oil price collapse is only likely to lead to greater industry indecision this year.

Bangkok’s plan comes after state-run PTT Exploration and Production (PTTEP) posted an US\$884 million loss for 2015, after recording a US\$603 million net profit in 2014. The deficit came despite cuts in capital and operating expenditure and an ongoing internal review of the company’s international projects.

The government’s decision to enlist outside experts also comes before the Thai Ministry of Energy decides on PTT CEO Tevin Vongvanich’s proposal to build a strategic petroleum reserve (SPR) while crude prices are so low.

Reserve strategy

Although Thailand is dependent on imports for 70% of its oil it only has a small reserve, which has actually been reduced in recent years in order to lower costs for the local businesses that provide minimum mandatory storage. The

country has no state-run SPR and existing stocks are commercially held by the oil companies and refineries operating in the country.

The International Energy Agency (IEA) recommends holding a 90-day reserve but Thailand has never stored more than the 36 days’ worth of supply, or about 24 million barrels. Although the government called for an increase to 45 days of supply in 2013 this never happened and the reserve fell to less than 25 days in 2015, owing to storage capacity problems and the cost to oil firms, one industry insider told *NewsBase* on condition of anonymity.

While it is a good time to build an SPR, given low oil prices, construction of bigger reserves has been held up owing to issues such as public opposition on environmental grounds. Public opposition has also tied up the country’s next bid round.

Round and around

A much-delayed auction for 29 onshore and offshore blocks now seems to have been indefinitely postponed, and Thailand’s dependence ►►



“PTTEP has the capital to push this purchase through, however an agreement with BG might be complicated by an outside review of our oil industry

▶ on neighbouring Myanmar for gas supplies is growing as domestic reserves decline without new discoveries being made.

When the bid round was opened more than a year ago it was abruptly postponed for three months in the face of public activist demands for a change in the petroleum law to improve Thailand's take from any development. The national assembly is still debating the issue.

But the head of energy security at the Energy Studies Institute in Singapore, Philip Andrews-Speed, told *NewsBase* that the continued delays were not surprising, because “the level of interest might be low” given weak oil and gas prices.

As with other oil and gas producers Thailand is not alone in Southeast Asia in struggling to come to terms with the global oil price decline, but the Thai situation is complicated by the continued control of all decision making by the military since a coup in May 2014.

A question of government

The military-led government has placed its own people in key positions in the state-dominated industry and a timetable for a return to democratic national elections has been put back to 2017.

The CEO and cofounder of Singaporean business consultancy Consulus, Lawrence Chong, told *NewsBase* that excessive government intervention was not good for the oil and gas sector but added that, given the global industry's current crisis and the uncertain near-term future of the government, there seemed to be little other choice.

“The Thai military government is clearly aware of the economic impact of oil prices and, with a depressed market, seeking external consultants to help define options seems prudent,” Chong said. “With their eyes on 2017 elections

they have very little choice but to keep a tight leash on the development of this sector because if anything extreme happens it will affect their plans.”

Outlook

Political and regulatory uncertainty will likely continue to undermine investor interest in Thailand's energy opportunities this year. This is bad news for a country that needs to invest in its upstream assets if it is to boost domestic production and ease its reliance on imports of oil and gas.

In *NewsBase's* view, the indecision and bureaucratic delays which have been the hallmark of the military intervention in Thailand will continue throughout 2016.

The consultants' review could thwart PTTEP's more than US\$1 billion bid for BG Group's 20% stake in the Bongkot gas field in the Gulf of Thailand, a government source told *NewsBase* on condition of anonymity. The sale would raise PTTEP's share in the field to around about 67%.

“PTTEP has the capital to push this purchase through, however an agreement with BG might be complicated by an outside review of our oil industry, which is basically PTT and PTTEP” the source said.

While delays to major decisions are likely hold up PTTEP until the consultants are able to deliver their assessment, further interruptions are also likely while the government tries to figure out how to implement their recommendations.

NewsBase anticipates that PTT will, however, be forced to refocus on its core business activities this year, withdrawing from fringe investments such as palm plantations, coal mines and renewable energy projects. ❖