

DEVELOPMENT OF GAS AND OIL DISCOVERIES IN BASS STRAIT

STATEMENT BY THE PRIME MINISTER MR. HAROLD HOLT

The Commonwealth has reached an agreement with the Victorian Government designed to allow production of gas and oil from the Barracouta and Marlin fields of the BHP/Esso Companies to be achieved at the earliest possible date.

This agreement provides that production leases will be granted immediately to the companies under Victorian law, and subsequently replaced by titles granted by the State and the Commonwealth under the proposed joint legislation.

From its discussions with the State and on the advice available to it from its own authorities, the Commonwealth has concluded that in the national interest the development of these two fields - both the production of natural gas to meet requirements in Victoria and exploitation of the very substantial oil find in the Marlin field - should proceed without delay. This development will involve a very large investment - of the order of \$150 m. The availability of natural gas on a large scale to industries and households in Melbourne and surrounding areas represents a major innovation which will bring great benefits. The effect upon Australia's balance of payments will also be substantial because of savings of foreign exchange through the use of oil and gas produced from an Australian field for the Australian market.

The Commonwealth has over a period been working out with the States a common code for the exploitation of off-shore oil and gas. Commonwealth Ministers have recently been discussing with State Ministers the possibility of additional provisions within the common code which would offer to a company making a discovery an alternative to the requirement that it would have to relinquish part of its area. These alternative arrangements would allow a company to retain the whole of a location in return for the payment of an additional royalty (known as an override royalty) over and above the standard ten per cent royalty previously agreed between the Commonwealth and the States.

The arrangements which have now been agreed with the Victorian Government will give effect to this type of alternative in the case of the BHP/Esso discoveries at Barracouta and Marlin. An override royalty of one per cent has been imposed by Victoria and is payable to the State.

The Commonwealth has also accepted as part of the arrangements covering these BHP/Esso discoveries that the standard ten per cent royalty should be divided on the basis that Victoria would receive six per cent and the Commonwealth four per cent instead of the equal division as previously agreed between the Commonwealth and the States.

The Premiers of the other States have been informed of the agreement entered into with Victoria in respect of these BHP/Esso discoveries. The Commonwealth will be continuing its discussions with the States in order to reach finality on the provisions of the common code on a basis which will allow the most effective development of Australia's off-shore resources of oil and gas.

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