



PRIME MINISTER

FOR MEDIA

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OPENING OF NATIONAL CONFERENCE ON ENERGY CONSERVATION

I am very pleased to be here to open this conference this morning because it is an important one. Energy is a matter that concerns Australia, it concerns every country around the world.

International concern has risen to new heights in recent times because of oil shortages, because of concern about the availability of fuel to keep our industries moving, and also because of the price of energy and the rapid increase in that price.

The conference will increase public awareness of these energy problems, and I hope also increase public awareness of what is being done about it. It is an opportunity to get a better understanding of the different ways of coping with our energy needs.

I would like to turn back a little in history. In 1973-74 there was the first major energy crisis. Oil prices quadrupled in a short period. As a result of that, and as a result of inadequate national policies, inflation in OECD countries rose from an average of something under 8% to between 13% and 14%. That had a very significant impact on world growth, on world trade. I believe that many economies haven't really worked their way out of the difficulties posed by that first major increase in oil prices.

A change in economic policy was clearly needed in many countries - a much greater attack on inflation than in fact occurred. Certainly a change in energy policy was needed in many countries, and that also did not occur. It seemed that the major industrialised world ignored the warning that came from that first energy crisis. Economic policies weren't changed, and energy policies weren't changed. The world chose to prefer to believe that there wasn't really a crisis, that there wasn't really a shortage, that it would not really occur again.

Last year of course made it perfectly plain that it could occur again--from different causes--but the energy crisis, from Iran's policies, is now with us.

The economic policies post the first oil crisis, continued excessive government spending, had the result that by the end of 1978 inflation was still too high. In many countries it was starting to rise again. That long period of inflation through the 1970's weakened many countries, weakened major industrialised nations, so that they were less well able to withstand the difficulties posed by the current round of oil price increases.

The energy policies that countries had, continued the excessive useage of a scarce resource. A combination of the inadequate economic and energy policies has meant very plainly that in 1978 the world was much less able to withstand what came out of the Iranian crisis than might otherwise have been the case. The world was ill-prepared for the shortage of oil and ill-prepared for the increase in oil prices that were inevitable results of it.

Over the last twelve months there has been a 50% increase in oil prices. That has reinforced inflationary pressures, it has re-emphasised the need for adequate oil and energy policies, and in the grim reality of a world shortage and the problems that can flow from that, the world is at last starting to act-- too late and probably still too little.

A number of countries have introduced energy conservation policies. Most countries regard pricing as a central element in any conservation program. Other policies of course include grants and subsidies for energy research and development, for energy conservation, particular policies designed to encourage the use of alternative forms of energy. Tax incentives and loan schemes are part of this general package of policies from a number of countries.

The concern that is now felt around the world is epitomised by decisions that were taken at the Tokyo summit conference last July. That conference concentrated almost totally on energy problems, on the problems of oil. Therefore there was agreement to adopt oil import targets, to participate in international energy technology group, and to introduce a registration system which will monitor spot markets and make for a more informed world oil market.

Again, with a little more foresight, we might have believed that the major countries would have undertaken policies of that kind much earlier. It also ought to be noted, that in spite of the decisions taken at Tokyo, there are many who believe there are still some serious deficiencies in major countries' energy policies.

Oil conservation policies should lead to a greater use of alternative forms of fuel, a greater use of coal, of gas, and a greater use of uranium. Many countries have a growing dependence on uranium. President Carter said in his Kansas City speech that nuclear power must play an important role in the United States to make sure the United States energy future.

Nuclear power is already an important source of electricity generation in countries like Belgium, Sweden and Switzerland. In Belgium and Sweden 25% of their power is already dependent upon nuclear sources.

The Australian Atomic Energy Commission forecasts that by 1983 40% of electricity generated in the E.E.C. will come from nuclear power. For example, by 1985 France could be obtaining 55% of its electric power from nuclear generation; by 1981 50% of Switzerland's power is likely to be from nuclear generation. The number of countries adopting nuclear power facilities continues to expand. An inevitable process I believe has been begun towards greater use of nuclear power. By the end of this century there will be many countries that will be heavily reliant on nuclear power for electricity generation. Countries such as Korea, the United Kingdom, Brazil, and in the OECD area as a whole well over 30% of the power generated is likely to be from nuclear sources.

We are of course concerned with Australia's own energy policies and the problems of energy within Australia. In the comprehensive policy that we are now pursuing there are three main objectives: conservation of a scarce resource, the greater use of alternative sources of energy, and greater exploration and development within Australia itself.

Whether we like it or not, world parity pricing is a central element in pursuit of each of those major policy objectives. Oil is a scarce resource, We need to pay a market price for it. We can't pretend that it is not a scarce resource. A pricing policy is needed for conservation. If we had alternative policies - some kind of subsidisation, some kind of artificially low price for oil - there clearly would be an excessive use. Clearly there would be many people who would stay with oil when they should be going to alternative forms of energy. That would lead to an inevitable massive dislocation at some later point.

The Government made the decision that it was better to move to world parity pricing so that the later problems for Australian industry, for Australian consumers, could be minimised, so that we can face the reality of the current situation. That obviously means a short run of substantial increases in oil prices as we have had. But we strongly believe that it is best, and indeed important, for the long run health of the Australian economy. I don't see any conflict between that pricing policy and the fight against inflation, because some price rises are quite inevitable. You don't really help the longer term fight against inflation by suggesting that those pressures, those necessities, don't exist where necessity has to be faced as it has been in this country.

In the longer term if we are not prepared to pay world parity pricing for oils produced within Australia, if we are to have oil at all, we would have to pay oil parity price for oil bought from overseas - at much greater cost to Australia's balance of payments and balance of trade, to a much greater dependence on other oil producing and exporting countries.

I think we are much better to be pursuing our present policies which will lead not only to conservation as time passes, but also to greater exploration and to greater development within Australia. It is also worth noting that even with world parity pricing within this country, petrol is still cheap compared with many other countries around the world. It doesn't matter much if that is a result of other countries having a higher level of tax on their fuel. The fact remains that Australian petrol, at 27¢-30¢ a litre is not much more than half the price in Britain, in Germany, the Netherlands, in Italy - where it is 60¢ - in Japan where it is 62\$, in France where it is 64¢ a litre.

North America stands in marked contrast, with much cheaper petrol than in Australia. But we all know that the United States has not yet embraced a world parity pricing policy.

Our policies are encouraging greater conservation, greater use of alternative fuels: for example conversion to LPG; tax incentives to switch from oil; greater research and development; natural gas pipeline systems are being extended; the spur line to Canberra is going to be built, connecting at Gunning from the Moomba/Sydney line, and the extension from Young to Wagga and Cootamundra is proceeding, and there is an "in principle" decision to extend that line to Albury. That will create an Eastern gas pipeline grid connecting the Cooper Basin and Bass Strait with Australia's major eastern cities. That is important again in encouraging the use of alternative forms of energy.

Exploration and development activity in Australia has been increasing over the last year or two. Over the last two years Bass Strait oil reserves have been proved up to an extent of over 650 million barrels more than had earlier been believed. That is equivalent to about three years' additional consumption at current rates of usage.

In 1979 exploration and development is estimated to be a record \$390 million. That is a direct result of the Government's petroleum energy policies.

Major oil development projects are underway. Additional development expenditure of over \$1 billion has been announced for Bass Strait, Barrow Island, Dongara and the Cooper Basin. There are increased refinery expansion programmes for Brisbane, for Sydney, for Geelong and for Perth. The North-West Shelf development - a potential program of \$3,000 million - the final feasibility study is nearing completion. I believe that through the course of this year as each week has passed the likelihood of that final feasibility study ending with a positive result has grown.

The Government is increasingly optimistic of the outcome, and has you know there has been considerable assistance to foster the project, and a very considerable degree of co-operation between the Western Australian and the Commonwealth governments. The joint ventures have reported a high level of interest by utilities in Japan, the United States, and they

hope to sign letters of interest with Japan later this year. I was speaking with my colleague, Doug Anthony, only a couple of days ago in Japan, and the growing interest in Australia as an increasingly important energy exporter is very evident on all sides in that country, as I believe it is in many others.

In addition to 70% self-sufficiency in oil, Australia of course has considerable quantities of coal, natural gas and uranium. In an energy short world we need to ask ourselves how we are going to develop those resources to Australia's greater advantage.

At present we are a net exporter of energy, one of the few of the OECD countries. There is an enormous scope for an increase in the straight export of energy in different forms. There is a growing world trade in LNG, currently exporting about 1.7 million tonnes, estimated to earn about \$350 million this financial year. With the North-West Shelf initial exports of 6.5 million tonnes could come from that source in addition. That of course requires the proper decisions launching the North-West Shelf, but we believe that that will occur. At current prices that would earn in the order of \$1 billion a year.

We already export 38 million tonnes of coal a year, adding \$1.5 billion to export earnings. Since 1976, with the policies we have been pursuing, commitments to coal projects have added or are in the process of adding a further 28 million tonnes to our annual coal export capacity. Major new developments in the Bowen Basin, major examples of which are Norwich Park and Gregory, but there are numbers of others. The International Energy Agency estimates Australian coal exports to rise to 200 million tonnes by the year 2000.

We have 20% of the world's low cost uranium, and the requirements of the Western world are expected to triple by 1990. Australia is well placed to meet its share of those particular needs. There are major projects in the Northern Territory, Western Australia, and likely to be as I would believe in South Australia. Safeguard agreements have already been signed with the United States, the United Kingdom, Finland, Korea and the Philippines, and now it is up to the question of negotiating market contracts.

Apart from direct energy exports, we want to bring our great resources together with abundant supplies of energy to gain greater processing within Australia, to gain greater activity within Australia. Quite plainly we don't want to be just a "hole in the ground".

It is all the more important because the world economic situation activity is likely to remain at low levels for some time. With high inflation and no real sign that that inflation is going to be mastered in a number of countries, world trade is likely to grow at sluggish levels, around 4% a year, as it has through most of the last decade, in stark contrast with the 8% a year of the 20 years before 1972-73.

Against the background of a difficult world trading scene, we in Australia need to develop policies that best help Australia within a difficult trading world. That means bringing our

energy sources together and our great natural resources and minerals for greater processing, for greater development, within Australia. A classic example of how this can be done is what is happening in alumina and aluminium processing right at the very moment. Processing of bauxite requires massive inputs of electricity. This investment has been encouraged to Australia by adequate supplies of coal--coal produced electricity-- and as a result there is \$4 billion worth of investment firmly committed in aluminium and aluminium development alone.

We are looking to see whether the same kind of bringing together can't occur with different forms of resources, different natural resources, exploiting the abundant energy supplies which are largely coal-based electricity. I think this is one of the ways in which we can secure a reasonable future for Australia through the 1980s, even if the world trading scene is difficult and hard.

To be able to take full advantage of our resources we certainly need greater development of power generation within Australia itself. You probably will have heard of a major infrastructure program in which States are, for the first time, given the capacity to overseas funds to develop at a greater pace, major resource projects within Australia. It is worth noting that a very significant part of the initial approval has been for a greater rate of development of electricity generation within Australia. In New South Wales, the Eraring electricity project of over \$200 million; in Victoria, the Loy Yang electricity of over \$340 million; Queensland power stations of over \$130 million; and integrated power for the Pilbara of over \$100 million.

Now, those sums all are in addition to the normal developmental projects that would have been undertaken by electricity authorities to enable a greater rate of electricity generation and development to take place than would have otherwise been possible.

The Commonwealth is also proposing to appoint a committee of inquiry into the feasibility of establishing a strongly integrated south east Australian electricity power-grid to give greater security of supply and greater strength of supply to users in the south east of Australia. It is worth noting that Victoria and South Australia, and also Tasmania, are very interested in that particular proposal. I would have thought that it would be greatly improved if New South Wales were also interested. I find it hard to understand why New South Wales as a major industrial State, at this stage, proposes to stand out in that particular study.

If we are to maximise the opportunities for Australia in an energy short world, if we are to bring together greater development in Australia's great mineral resources, coupled with greater use of Australia's abundant supplies of coal-based electricity, we need to make sure that Australia pursues adequate economic policies because without that, nothing is likely to occur.

Therefore, our objectives in economic policy have been over the last four years, to establish the conditions for sound economic

growth, to continue a downward pressure on inflation, to improve profitability, to control the size of the public sector deficit, and to increase business confidence. In all those arenas, I believe, significant success is being achieved.

Over the last three years, the budget has held Government spending virtually constant in real terms. It is the first time that has happened for a very, very long while in Australia - maybe the first time for any government. I certainly note that the States have not been able to pursue the same degree of restraint over the last three years.

The Commonwealth deficit four years ago was five per cent of Gross Domestic Product. This year it will be less, on Treasury advice, than two per cent, less than most O.E.C.D. countries, and the domestic deficit less than half of last years. The money supply has been controlled. Four years ago it was running around 20 percent - at the moment, between 10 and 11 per cent.

The policies we have been pursuing have been, and are, producing results. Australia's inflation over the last six months of about nine per cent, certainly new inflationary pressures that we do not like, certainly we will see higher inflation in the September and in the December quarters, but that is predicted. That is known. The movements that will cause that have already occurred and nothing can be done about it. But Australia is restraining those increased inflationary pressures a good deal better than a number of other countries. European O.E.C.D. countries now have an annual inflation rate of between 13 and 14 per cent, the United States around 14 per cent on the basis of the last six months' figures, the United Kingdom of over 23 per cent. Australia's figure of around 9 per cent compares favourably indeed with those others.

As a result, competitiveness has returned to the level of the early 1970s and exports are growing strongly again as they have not for many years. There is an improved trade and current accounts. Mining and manufacturing investment, firmly committed or in the final feasibility stage, now stands at about \$13 billion worth of projects right around Australia. Overseas investment through the last part of last year, moved more strongly into this country than in any period for nearly ten years. All of that shows increased confidence in Australia, Australia's policies and in the Australian economy.

That becomes all the more relevant again when we take it that it is the Government's objective to attract to this country a greater than its normal share of investment and major resource projects and putting those resources together with abundant supplies of energy to secure greater activity and greater investment and development in this country than would otherwise take place.

This is particularly important in a world economy where there are many unresolved problems - where the trade growth is slowed and is likely to remain slow because inflation is too high, and in many countries, is rising. That in itself leads to exchange rate instability in a number of countries overseas, and on top of that, there are energy uncertainties as a result of the effect of Iran over the last 12 to 15 months.

But against that total background, Australia is well prepared to face the 1980s, and in a difficult trading world, we should more than maintain our position in world trade against the background of current policies. We do have many advantages in this country - great resources, abundant supplies of certain forms of energy, policies that are designed to achieve economic and political stability. Putting these things together makes Australia one of the stronger economies of the world, with stronger possibilities than many countries than maybe almost any other country.

I think against that background, we need to face the future future with a very great degree of confidence. Today's programme, designed to emphasise the importance of fuel conservation, is a very important part of our total approach to Australia's future. There are real shortages of oil, and nobody can suggest any more that it is a phony shortage or something that is caused by the major oil companies to jack up prices. I do not think there are many people who believe that kind of story, at this point, as we approach the 1980s.

Therefore, it is important that we all do what we can to achieve a greater conservation in the use of a scarce resource and greater use of alternative forms of energy. Plainly, Government policies can be important. In many cases they can be quite critical to the success of that conservation programme, they can be quite critical to the success and the achievement of alternative forms of energy. But, to the extent that business, industry and people right around the country can co-operate in those programmes in the conservation of a scarce resource, then not only is the Australian economy strengthened but an important national objective is brought closer. This is not just an Australian national objective, it is a part of a world-wide objective to achieve greater care in the use of an important and scarce world resource.

So the contributions that individual Australians can make can yield important national and international objectives. This programme has the Government's full support, and Mr Chairman, I wish you well during the period of this conference, and during the period of the programme.

I certainly hope that it is thoroughly successful. I believe that with the care and the preparation that has gone into it, it certainly ought to be.

I have great pleasure in declaring the National Conference on Energy Conservation, officially open.

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