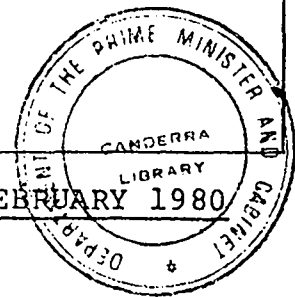




PRIME MINISTER



FOR MEDIA

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RUNDLE SHALE OIL PROJECT

I have great pleasure in announcing that Southern Pacific Petroleum (SPP) and Central Pacific Minerals (CPM) have advised that, after evaluating a number of proposals for participation in the Rundle Shale Oil Project, they have selected Esso Exploration and Production Australia Incorporated (Esso) for further negotiations. SPP/CPM and Esso will enter immediately into negotiations with the aim of finalising a joint venture agreement as soon as possible.

Esso's proposal to SPP/CPM includes an offer for substantial financing of SPP/CPM's participation in project investment and also provides for SPP/CPM's participation in project management. The proposal provides for a maximum Esso interest of 50 per cent in the project.

The policies of the Commonwealth have been of fundamental importance in creating the circumstances in which this project is economically feasible. The viability of the project is under-pinned by the Commonwealth's policy on import parity pricing for crude oil. Without this assurance to the developers of an economic market for their product, it would not be possible to justify the enormous investments that will be involved.

The project would not have been able to proceed without the Commonwealth's import parity pricing policy. By providing a long-term commitment that oil produced in Australia will be marketed at realistic prices, companies have been able to proceed to explore alternative sources of liquid fuels, which may not have been viable at lower crude oil prices.

The general economic climate, the encouragement given to investment, and the great prospects for development in Australia are all relevant to the decision to proceed with this very big project.

The joint venture agreement and the project will, of course, be subject to all necessary Commonwealth and Queensland Government approvals, including environmental considerations, Foreign Investment Review Board approvals, and Reserve Bank approvals.

The joint venturers and Esso plan an immediate start on a major research and engineering program for the project. Following this work, present plans envisage the construction of a pilot plant to prove the technical and economic viability of producing oil from Rundle oil shale. This plant is expected to take at least three years to construct and will cost several hundred million dollars. Employment at the plant will be about 500 and construction employment about 2000. Many more will be employed in support industries in Gladstone and other centres in Queensland.

If the pilot plant is successful, the partners expect to expand production progressively to the deposit's full potential of around 200,000 barrels of oil per day, which is about 30 per cent of Australia's current requirements. Such production would augment the world energy supplies and would replace 70 per cent of Australia's present imports of crude oil. Import bills are currently running at about \$1.9 billion per year. Production from Rundle could be particularly important to Australia as current projections show that output from Bass Strait will decline progressively from the mid 1980s.

Esso's proposal to SPP/CPM contemplates that all production would ultimately be upgraded to a synthetic crude oil for feedstock to Australia's refineries where it will be refined into normal petroleum products, including petrol.

The development of Rundle to its full potential would involve expenditures by the partners of many billions of dollars. Employment during the construction period is estimated to be

between 6000 and 8000 people for several years. The project will be a very substantial addition to Queensland and Australia's economy.

It is difficult to overstate the importance of this project for the development of the State of Queensland and for Australia as a whole. The potential the project has for reducing Australia's dependence on costly imported crude oil is very great. At a time when world oil markets are uncertain, the Government gives very high priority to the development of indigenous sources of liquid fuels. This has, of course, been one of the major aims of the Government's oil pricing policies and it is pleasing to note the success of these policies in this particular area.

It is likely that the successful development of this project will lead to further exploitation of Australia's shale oil reserves. These subsequent developments will provide the opportunity for other interested parties, including our major trading partners, to participate in this industry.

The participation of Esso in the project is to be welcomed. Esso has already made a large contribution to Australia's development through its many investments in Australia, particularly in discovering and developing the Bass Strait oil fields in partnership with BHP. The Rundle project will provide an opportunity for Esso to reinvest in Australia the profits it has derived from the Bass Strait oil fields. The willingness of Esso to reinvest these profits in Australia is welcomed by the Government.