

EMBARGO: 6:30 pm**PRIME MINISTER**FOR MEDIASUNDAY, 2 MARCH, 1980ELECTORATE TALK

The decision to proceed with the development of the Rundle shale oil deposit is welcome news for all Australians. Esso's participation with Southern Pacific Petroleum and Central Pacific Minerals to develop Rundle's massive reserves of shale oil signals the start of what may well become one of Australia's greatest industries. It also further enhances the energy riches of this country and highlights our unlimited potential as we proceed into the 1980s and beyond.

Of particular interest is the role played by the Commonwealth's oil pricing policies in making the Rundle development possible.

The Government's policy of import parity pricing for crude oil has three main objectives: to encourage oil exploration; to conserve our scarce liquid fuels; and to enhance the viability of alternative energy sources.

We are already seeing the success of these policies. Spending on oil exploration and development has risen dramatically from the depressed levels of the mid 70s and further Bass Strait reserves have been proved. Increased efforts are evident in conserving our scarce liquid fuels and there is a concerted movement away from oil to alternative fuels such as natural gas and electricity.

If we had not adopted a realistic pricing policy for crude oil and instead allowed oil to be sold at an artificially low price, the plans for the development of the Rundle shale oil deposits could not have proceeded as they have. The policy of setting market prices for crude oil has provided the certainty necessary that this massive resource project would be viable.

I have said before that the choice we face is between paying realistic prices for oil now, or paying far higher prices for insecure imported crude in the future. The development of Rundle to its full potential will reduce significantly our dependence on imported crude.

Beyond energy policy the Government's general economic policies have also been important. Our policies here have created the climate in which once again investors, including those from overseas, can plan with confidence and are prepared to outlay the massive amounts of risk capital necessary for our vast resource projects.

The potential magnitude of the Rundle project is difficult to comprehend. Even in the pilot stage investment of some hundreds of millions of dollars will be involved and many jobs will be created. If the pilot plant is successful the joint venturers plan to expand output to around 200,000 barrels of oil per day. This phase will require several billion dollars.

Production from Rundle will be particularly important on two counts. Firstly, it will coincide with the presently anticipated run-down of Bass Strait output from the mid 1980s and thus enhance the security of Australia's supplies of liquid fuels. It has become clear that world oil markets will remain uncertain in the future and that imported fuels will become increasingly scarce. The Government has given a very high priority to the development of indigenous sources of liquid fuels and it is pleasing to note the success of these policies in this particular area.

The second important aspect of Rundle is that it is likely to act as a catalyst for the exploitation of other deposits of shale oil in Australia. Potentially, the shale oil industry could be one of the largest and most important in Australia.

Some concern has been expressed about the magnitude of the Rundle project and its possible effect on the environment. As I said on Thursday, the project will need to satisfy Commonwealth and Queensland Government requirements in a number of areas, one of which is environmental considerations. The companies have already done some work in this area and I anticipate that satisfactory arrangements will be able to be worked out that will protect the environment.

In closing, I would like to return to my earlier theme about the fundamental importance of the Government's oil pricing policies. Unrealistically low prices for oil mean that as a nation we would squander the scarce reserves of oil and ignore the needs of future generations. Our pricing policies not only preserve existing supplies of liquid fuels for our children but are also, as evidenced by Rundle, bringing forward projects to increase these future supplies of liquid fuels. Only in this way can we guarantee the future strength of Australia and ensure that the very high standard of living currently enjoyed in Australia is shared by future generations.