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By email to [gas.inquiry@acc.gov.au](mailto:gas.inquiry@acc.gov.au)

**Australian Competition & Consumer Commission**

**Response to ACCC review of upstream competition and the timeliness of supply - issues paper**

Esso Australia Resources Pty Ltd (**Esso**), on behalf of its joint venture partners, BHP Petroleum (Bass Strait) Pty Ltd and Mitsui E&P Australia Pty Ltd, operates a network of 23 offshore installations, 600 km of pipelines and three gas processing plants in Victoria. Esso has been supplying natural gas for over 50 years and currently markets gas to major wholesale gas retailers and large industrial users in Victoria and New South Wales. In addition to natural gas, Esso is a major supplier of ethane feedstock, liquefied petroleum gas, condensate and crude to refineries, petrochemical producers and consumers in Victoria and global markets.

Esso welcomes the opportunity to provide feedback to the ACCC's 'review of upstream competition and the timeliness of supply - issues paper' (**Issues Paper**).

Esso supports the submission made by the Australian Petroleum Production & Exploration Association (**APPEA**) and echoes APPEA's position that the ACCC's review of upstream competition and the timeliness of supply must be considered within the context of maintaining an open and competitive market that attracts investment in new gas development projects.

Esso has the following additional comments.

In the Issues Paper, the ACCC has identified concerns in relation to large producers and their role in acreage releases, farm-ins and mergers and acquisitions.

- The Issues Paper identifies the potential for "processes used by governments when releasing acreage to encourage more diversity" (pg 10)
- "Do you consider that proposals by larger producers to enter into JV arrangements (or farm into existing JV arrangements) should be subject to mandatory notification requirements and ACCC consideration?" (pg 15)
- "Are there any other ways in which mergers and acquisitions could affect competition and/or the timeliness of supply that have not been identified?" (pg 16)

Discussions about modifying rules pertaining to acreage releases, farm-ins and mergers and acquisitions need to contemplate the scale, complexity and cost of offshore exploration and development activities. Limiting large producers' acreage access would challenge the viability of

small explorers, who generally lack the financial strength or technical expertise to explore for and develop gas on their own. In other words, interventions that limit the access of large producers to acreage would reduce upstream competition.

This is highlighted by Esso's own recent exploration experience.

In 2017, Esso Deepwater Gippsland Pty Ltd (**Esso Deepwater**), an affiliate of Exxon Mobil Corporation, acquired Liberty Petroleum Corporation's (**Liberty's**) interests in the VIC/P70 permit in the offshore Gippsland Basin.

In the last three years Esso Deepwater spent more than \$200 million drilling three exploration wells. One of these wells was drilled at a water depth of 2300 meters, setting the record for the deepest water well ever drilled in Australia.

While none of the three wells identified commercial quantities of gas, exploration success would have opened up a significant source of new supply proximate to southern demand centres.

In the event that Esso Deepwater had not acquired Liberty's VIC/P70 interests, and Liberty had been unsuccessful in finding an alternate acquirer or partner, it is very likely the title would have remained unexplored.

It is noteworthy that Liberty's approach to developing acreage explicitly acknowledges that farm-in or acquisition by larger partners is core to their business model:

*"Our focus is to capture government grants of title safe exploration permits ... conduct high end technical work ... [and] then seek to attract world class operating partners to help fund and operate our various projects."<sup>1</sup>*

Anti-competitive policies such as limiting the extent to which producers with significant existing acreage can access acreage in their own right, or buy-in to acreage held by other parties, will reduce exploration activity and ultimately domestically produced gas.

Yours sincerely,

DocuSigned by:  


David Berman  
Commercial Director  
Esso Australia Pty Ltd  
For and on behalf of Esso Australia Resources Pty Ltd

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<sup>1</sup> <http://libertypetroleumcorp.com/about-us/overview/>