



Friday, April 24, 2020

Hon Dan van Holst Pellekaan  
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Australia

Honourable Dan van Holst Pellekan,

The IAGC recognizes and empathizes with those impacted by the global pandemic 'COVID-19.' This unprecedented event has resulted in a significant toll on human health. Further, many sectors of global industry have been severely and detrimentally affected. In particular, the energy sector has seen dramatic reductions in the price of oil, exacerbated in part by geopolitical tensions between those countries within the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC nations. West Texas and Brent Crude futures have cratered, creating great uncertainty in the marketplace, and the IAGC is concerned about the knock-on impacts within the whole of the value chain. The importance of ensuring stability in the geophysical & exploration (G&E) industry to maintain the critical supply chain and infrastructure to replace current energy reserves and to fulfil future demands cannot be emphasized enough.

Founded in 1971, the IAGC is the global trade association for the geophysical and exploration industry, the cornerstone of the energy industry. With more than 80 member companies in 50 countries employing an estimated 87,000 people with revenues exceeding 11.5 Billion (USD), our membership includes onshore and offshore survey operators and acquisition companies, data and processing providers, exploration and production companies, equipment and software manufacturers, and industry suppliers and service providers. IAGC member companies play an integral role in the successful exploration and development of offshore hydrocarbon resources through the acquisition and processing of geophysical data. Geophysical surveys are undertaken to assist a broad range of clients in understanding the subsurface of the ocean in order to make decisions about resource development, the safe location of infrastructure and decisions relating to the delineation of exclusive economic zones.

IAGC members are working to ensure that essential survey operations continue safely in the current environment, implementing guidance relating to COVID-19 issued by relevant bodies including the World Health Organization (WHO), the International Maritime Organization (IMO), National Health Authorities, and Industry Bodies. This is being done to ensure that the health and wellbeing of offshore workers is not compromised. IAGC members are well experienced in managing health and safety of their personnel in remote environments, and through the IAGC and other bodies, efforts are being undertaken to share knowledge and best practices in response. The impact of COVID-19 is being felt widely throughout the supply chain, as necessary travel restrictions are making crew changes, re-provisioning and other routine elements of offshore survey work challenging.

#### **Ensuring Personnel Movement**

To impede the spread of COVID-19, many governments have imposed, among other things, travel restrictions, mandatory directions for citizens to remain home and business closures. Many of the same countries have made exceptions for personnel working in 'essential' or 'key' industries such as the energy industry. The exploration industry maintains work crews, both offshore and onshore, consisting of employees of many nationalities, making it imperative that exceptions are

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sufficiently broad and clearly defined and easily understood to ensure adherence to any screening measures adopted by countries. We urge Australia to continue to work closely with the global energy industry and APPEA to ensure the disruption to energy workers is minimized.

### **Maintaining Licensing, Workplans & Regulatory Certainty**

Exploration is essential to maintaining a stable energy industry. The industry favours stable and predictable fiscal and regulatory environments that include regular licensing rounds on predictable timeframes. The present uncertainty is, in extreme but understandable cases, prompting National Authorities to delay exploration licensing rounds and decisions to reduce expenditure on workflows, including exploration commitments.

We want to highlight the importance of maintaining contractual timelines in relation to workflow commitments within awarded license blocks, including all relevant commitments to acquire seismic data, either through the licensing of multiclient data, or via the acquisition of new and novel data in the field. This will ensure that supplies remain stable, not just in relation to short-term production, but in the medium and long term, where the negative impact of any delays to exploration will be incurred.

However, we acknowledge that Australia has recognised COVID-19 as a *force majeure* event<sup>1</sup> and that, with appropriate demonstration of resource or financial constraints, an offshore titleholder may apply for a 12-month suspension and extension of their title for COVID-19 related events that have disrupted offshore work program activity. We urge that requisite extensions to the licensing and confidentiality periods for geophysical data are also available, upon application, to titleholder that own exclusive data and the owners of non-exclusive (i.e. multiclient) Geophysical data.

At the same time to promote stability, we urge South Australia to avoid any other changes in the multiclient data licensing and data confidentiality framework. In the current uncertain environment changes will be harmful to G&E business confidence.

Finally, as South Australia's regulatory agencies and personnel are strained with limited capability to process authorization and permit requests or maintain existing authorizations and permits. The limited work capabilities of regulators and unknown nature of the current timeline for resolution of the issues facing the G&E industry mean unavoidable expense alongside instability in operations and planning.

We urge regulators and policy makers to extend existing authorizations and permits for survey activities to ensure minimal regulatory disruption.

### **Financial Stability**

Geophysical companies have invested hundreds of millions of dollars in the creation of non-exclusive Geophysical Data throughout Australia. These data have been instrumental in finding and developing new energy supplies (e.g. Santos's Dorado oil field, offshore Western Australia). These data (and their derivative products) are carried on the collective balance sheets of geophysical companies at a significant value estimated at billions of dollars. A large unrecovered investment. For this reason, it is necessary to recognize the Intellectual Property value associated with the data and ensure the viability of exploration companies during these challenging times.

In the near-term, exploration companies are likely to see losses mount as production and development companies curtail budgets and cancel existing agreements. We welcome the measures the Australian and South Australian governments have taken to support Australian business. The instant asset write-off and cashflow boosting mechanisms are welcome, as are

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<sup>1</sup> <https://www.nopta.gov.au/documents/fact-sheets/fact-sheet-COVID19-exploration-permits-20200416.pdf>

the measures to accelerate their depreciable deductions and the JobKeeper payments will enable some of our members to defray some of the costs of their people through this unprecedented time. We point out that our members commonly invest capital in the tens of millions, therefore we ask that the South Australian government to consider making representation to the Commonwealth about increasing the instant asset write-off threshold above \$150,000.

Further, near-term liquidity and access to capital at reasonable interest rates to refinance existing commitments would enhance exploration companies' ability to sustain operations. We encourage South Australia to consider making insured, government backed loans available at low interest rates for short term liquidity requirements.

These measures would assist companies to focus resources on maintaining their employees and the intellectual capital invested in individuals.

### **Conclusions**

As the world faces the challenges in dealing with the novel corona virus 'COVID-19' along with geopolitical challenges from an oversupply of oil on the world market, the fundamentals of the energy industry are weak. Policy decisions today will have lasting impacts on the economy for months, if not years, to come. The exploration industry provides the key to unlocking energy resources that provide jobs and development across regional South Australia and urban Australia and will be a foundation of the economy when the COVID-19 virus has run its course, however, in order to be present, there must be a viable energy industry when that time comes. Energy is the bedrock of today's civilization, and supports the transportation, farming, medical, and manufacturing industries that are all essential to meet today's challenges, and none are possible without a stable and consistent supply of energy which starts with geophysical and exploration activities.

Thank you for your attention. We would be pleased to answer any questions or provide any clarification you may have.

Sincerely,



Nikki Martin  
IAGC  
President