

Kevin Rudd and Labor

A New Way



Oil & Gas Innovation Partnership

Policy Summary

Australian Innovation Partnerships are a new way of supporting Australian industry – placing industry in the driver's seat to coordinate Australian effort, drive Australian innovation, exports and jobs, and diversify our national economy.

Beyond the China resources investment boom, we need a plan to build a modern and diverse economy so that we continue our 22 year record growth and continue to provide the jobs Australians rely on. Only Federal Labor has a plan to ensure a prosperous future.

In the past Australia has put too many of our eggs in the one basket.

Federal Labor has a new way to diversify the Australian economy beyond the China resources boom – so that we have many strong industries and regions.

Australian Innovation Partnerships are part of the \$1 billion *Plan for Australian Jobs*. Federal Labor is investing over \$500 million to establish 12 Partnerships.

Australian Innovation Partnerships cement networks, improve collaboration, coordinate research, and provide new tools and services for industry growth.

They are industry-led, but will have significant research partners and the support of government. They will be focused on improving industry at home and increasing links abroad.

Two Partnerships, in Manufacturing Excellence and Food Innovation, are already successfully up and running, with headquarters in Melbourne.

A third, the Medical Technologies Innovation Partnership, was announced on 12 August, with planned headquarters in Sydney at Macquarie Park.

The fourth, the **Oil & Gas Innovation Partnership**, will be headquartered in Perth, but with nodes throughout Australia.

More Innovation Partnerships across Australia, covering a diverse range of sectors, will be announced in the coming weeks.

The new Australian Innovation Partnerships are a key part of Federal Labor's positive plan to grow jobs, diversify growth and boost productivity competitiveness.

What is the Oil & Gas Innovation Partnership?

The Oil & Gas Innovation Partnership is a network of 35 businesses and research institutes, backed by government. Businesses range from large-scale multinationals (like Woodside, Shell and Santos), small and medium sized enterprise (SMEs), universities and research institutes, including the Western Australian Energy Research Alliance that represents University of WA, Curtin University and the CSIRO.

Together, this large network will develop a strategy for future growth based on a highly skilled workforce, greater productivity, innovation, accessing global markets and sufficient scale to attract international investment and partnerships.

The Oil & Gas Innovation Partnership will have headquarters in Perth and "nodes" in Brisbane, Darwin, Adelaide, Melbourne and Sydney.

Businesses, our research sector and government all need to work together more closely to increase productivity, innovation and access new opportunities in this vital sector.

The Innovation Partnership will contribute to ongoing growth in the oil & gas sector. To achieve this, the oil and gas sector needs to develop services and products that will be in demand all over the world. Our oil and gas businesses need to service the sectors of other countries as well as the sector here in Australia.

Collaboration between industry players is crucial to drive the necessary changes.

The Oil & Gas Innovation Partnership will facilitate collaboration between industry players to enhance competitiveness, create jobs, and build capabilities and skills for export growth. It will:

- Establish flagship projects to focus innovation on high economic impact areas.
- Create an 'innovation marketplace' – facilitating networks among industry players including contractors, suppliers and research institutions.
- Assist Australian businesses, especially SMEs, access new export markets.
- Encourage more investment by overseas companies.
- Position the sector at the forefront of global industry trends.

The economic and jobs benefits of the Oil & Gas Innovation Partnership are potentially vast. The Partnership may help unlock investments delivering:

- Over \$180 billion in additional investment (adding 1.5 per cent to GDP).
- Over 150,000 new jobs.

The Partnership is a significant, industry-led and industry-backed initiative. Already it includes over 30 world leading partners from industry, academia and SMEs.

We expect this number to expand. There are already over 250 expressions of interest from other organisations wishing to participate.

Core industry partners are oil & gas explorers, producers and large contractors with a turnover greater than \$250 million, including:

- Woodside Petroleum Ltd (Australia's largest oil & gas producer).
- Shell Development (Australia) Pty Ltd (one of Australia's largest anticipated investors over the next five years).
- Santos Ltd.
- Thiess Pty Ltd.
- GE Oil & Gas (Australia, New Zealand and PNG).

The 18 SME partners are businesses with an annual turnover of \$2 million - \$250 million.

The core research partners, representing the majority and diversity of Australian energy research capabilities are:

- The Western Australian Energy Research Alliance (University of Western Australia, Curtin University, CSIRO).
- University of Queensland.
- Queensland University of Technology.
- Charles Darwin University.

Why the oil & gas Sector?

The oil & gas industry is strategically important for Australia. Australia has a world leading oil & gas industry, particularly LNG in which it produces about 10 per cent of world supply. Gas is also a transition fuel to a clean, low-carbon energy future, producing far less carbon pollution than coal when used to produce electricity.

The oil & gas sector:

- Represents 2 per cent of Australia's GDP – projected to rise to around 3.5 per cent of GDP by 2020.
- By 2025, the sector could add \$260 billion to GDP and around \$7 billion per annum in tax.
- Is forecast to earn Australia over \$120 billion per annum in exports by 2018.
- Is forecast to support an additional 100,000 jobs over the next decade, with potential to add a further 150,000 jobs.

Future innovation and investment in the oil & gas industry will help further expand Australia's world leading capabilities. For example, future oil & gas developments are likely to involve advanced construction techniques with cross economy and global applicability.

Similarly, Australia is expected to develop a world leading position in floating liquefaction technologies which can be applied around the world.

Why collaborate?

Evidence across industries and in the oil & gas sector shows that collaboration between industry players as well as researchers, which respects individual competitive advantage, is the best way to address industry challenges.

Collaborative approaches to growing world class oil and gas sectors have been successfully implemented internationally, including in Norway and the UK.

National Centre of Excellence Subsea (NCE) Norway:

- Set up by Innovation Norway in 2006 to build capability in subsea maintenance, modification and operation.
- 100 members from business, education and research organisations.
- Employment in member companies rose from 2,500 in 2004 to 4,600 in 2008 and aggregate turnover increased by 255 per cent in the same period.
- Facilitated 50 joint industry projects and raised \$80 million in its first two years of operation for these industry projects and R&D activities.

PILOT (formerly the UK Oil and Gas Task Force)

- Set up by the UK government in 1998, initially focused on lowering supply chain costs; later expanded to increase recovery, efficiency, technology development and industry strategy.
- Virtually all major operators and contractors in the UK participate in PILOT.
- Estimated that local content has increased from under 50 per cent to greater than 70 per cent; payment terms have reduced from 90 to 40 days; transaction costs reduced by 20 per cent.

How does the Australian Innovation Partnerships initiative work?

Australian Innovation Partnerships are part of the \$1 billion *Plan for Australian Jobs* package. Applications for these partnerships were assessed by an independent Board.

The response from industry has been overwhelming. Over 50 applications were received involving around 450 business, industry associations, government departments, universities and research institutes, covering an incredibly diverse range of sectors.

In June, the Board came back to the Federal Government with a shortlist of 10 applications to go on to the next phase of the assessment process and be considered for the program.

The Rudd Labor Government is expanding on its original commitment so that we can back all 10 applications on the shortlist handed down by the Board, as well as the already established two Partnerships specialising in Manufacturing and Food. This has required an additional investment of \$12 million to the over \$500 million program.

If these applications can demonstrate they have the right partnerships, plans and strategies in place, then Federal Labor will back all of them under the new Australian Innovation Partnerships initiative if re-elected to government.

The remaining Australian Innovation Partnerships will be announced in coming weeks.

Why we need to act?

Australian Innovation Partnerships are part of Federal Labor's plan for a new way to boost our commitment to diversify growth, advance our innovation system, increase productivity and help business to create more high skill, high wage jobs.

These Partnerships will support the development and deployment of new technologies to promote new products, access to new markets and improvements in productivity.

As part of the economic transition underway, new sources of growth will need to be developed in industries such as advanced manufacturing, financial and other services and emerging technologies like digital and medical. Innovation Partnerships will promote the ability of these industries to expand and create the growth and jobs of the future.