

Woodside Energy Ltd.

ACN 005 482 986

Woodside Plaza
240 St Georges Terrace
Perth WA 6000
Australia

T +61 8 9348 4000

F +61 8 9214 2777

www.woodside.com.au

13 March 2018

Sent via email: info@esb.org.au

Attention: Energy Security Board

Woodside welcomes the opportunity to make this submission to the Energy Security Board's National Energy Guarantee (NEG) Consultation Paper.

About Woodside

Woodside is Australia's largest independent oil and gas company. We have a global portfolio and are recognised for our world-class capabilities as an explorer, developer, producer and supplier of energy.

Our mission is to deliver superior shareholder returns through realising our vision of becoming a global leader in upstream oil and gas. Our assets are renowned for their safety, reliability and efficiency, and we are Australia's most experienced liquefied natural gas (LNG) operator.

Our producing assets in Australia include the landmark North West Shelf (NWS) Project, which has been in operation since 1984. In 2012, we commenced production from the Pluto LNG Plant and in mid-2017 we added additional volumes from our non-operated Wheatstone LNG interests.

We continue to be at the forefront of our industry by seeking to grow new markets for LNG. To achieve this, we are planning for Australia's first LNG fuel hub to capture growing land and marine LNG fuel markets.

Woodside is characterised by strong safety and environmental performance in all locations where we are active and we are committed to upholding our values of integrity, respect, working sustainably, discipline, excellence and working together.

Woodside's climate change approach

Woodside believes that natural gas will continue to play an important role in the long term energy mix, reducing emissions by replacing coal and integrating with renewables to address intermittent power generation. This is directly aligned with the stated aims of the National Energy Guarantee.

As a long term policy objective, Woodside continues to support global carbon pricing as a means to achieve low cost emissions reductions. We also remain supportive of market based mechanisms in the absence of global action.

Carbon policy needs to be applied consistently to all fuels and emission sources so that industries such as LNG are not disadvantaged with costs that international competitors may not face.

We note that in the absence of such a policy being adopted on a long term and bipartisan basis, business is faced with heightened risk of unanticipated and potentially more costly future policy changes, and/or the re-emergence of piecemeal policy at a State level, both of which can undermine the business environment and future investment.

It is with these observations in mind that we consider the proposed National Energy Guarantee. Woodside is not a direct participant in the National Electricity Market but has a strong interest in the development of a long term, bipartisan and effective climate change policy framework that delivers emissions reductions while maintaining Australia's competitiveness. Our specific comments are therefore targeted at section 4 of the consultation paper, relating to Commonwealth Government design elements in respect of the NEG's emissions requirement.

National Energy Guarantee

Woodside agrees with the Energy Security Board that Australia's energy system should be clean, reliable and affordable. These are prudent objectives. We note that the NEG aligns with many of our policy principles outlined above.

Emissions Intensive trade exposed industries

Woodside's preference is for a bipartisan, national approach to climate change that covers all sectors. As this is not currently in place, we recognise the current need for sector level policies.

There are advantages of focusing on Australia's electricity sector in the first instance. It emits more than any other sector and new technologies have expanded the range of cost effective abatement options. The electricity sector is also less exposed to international competition as an Australian customer cannot readily purchase electricity from overseas. Many other industries, including our own, are subject to international competition and imposing regulations may encourage these industries to invest in jurisdictions with less stringent environmental regulation. This has potential to harm the Australian economy and fails to reduce global emissions as it simply moves those emissions offshore.

Setting the target

Woodside supports stable and effective policies that deliver least cost abatement. If a sectoral approach is to be taken it is important to recognise each sector has a different abatement cost curve, so an economy wide policy needs to allocate appropriate targets to each sector. The consultation paper suggests the NEG's target aligns with the current Australian emissions reduction target: 26-28% below 2005 levels by 2030.

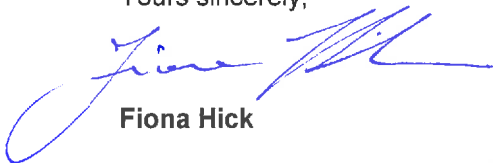
Recent cost reductions in wind and solar PV likely provide the electricity sector with more opportunities for low cost abatement than many other sectors. Woodside would therefore encourage the Energy Security Board to consider a sectoral 2030 target that is higher than 28% to ensure Australia achieves least cost abatement across the economy as a whole.

Woodside supports the intent of allowing the NEG to provide a long term investment signal and for future targets to be in line the Paris Agreement's nationally determined contributions process. This submission should be read in conjunction with Woodside's submission to the Department of Environment and Energy's 2017 Climate Change Policy Review available at:

<http://www.environment.gov.au/climate-change/review-climate-change-policies/discussion-paper-2017>

We trust this submission is of assistance and look forward to participating further in Australia's climate policy discussions.

Yours sincerely,



Fiona Hick

Vice President, Health, Safety Environment and Quality