

Address to Ministerial Dinner – Africa Down Under Conference
Peter Coleman, CEO and Managing Director
Woodside Energy Ltd.

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Distinguished ministers from Africa.

The Hon. Bill Marmion, West Australian Minister for Finance, Mines and Petroleum.

The Hon. Gary Gray.

Australian and African Heads of Mission.

A very warm welcome to you all, especially to our visitors to Perth.

If you haven't been here before, our claim to fame is that we are one of the world's most isolated capital cities. We have a population of two million people who are actually closer geographically to Jakarta than Canberra.

However, as we look west over the Indian Ocean we have the good fortune to be Australia's gateway to the 54 nations of Africa.

Today, the State of Western Australia is the preferred location for many Australian company headquarters, home to roughly 40 per cent of Australian Securities Exchange–listed companies. About 80 per cent of companies listed in Western Australia have chief executive officers in the resources sector.¹

I think it's fair to say that we are a State that has attracted significant talent and built up extensive expertise in a wide range of resources industries since the famous Kalgoorlie gold rushes of the 1890s.

We supply two-thirds of Australia's minerals – over forty kinds. We contribute more than half of Australia's merchandise exports – more than the eastern states of New South Wales, Victoria and Queensland combined.² Our annual exports of resources in 2014 were valued at A\$113.6 billion.³

The company that I lead, Woodside, has been part of this success story.

We're Australia's largest independent oil and gas company and the operator of the North West Shelf and Pluto LNG projects off Australia's north-west coast. Over the past ten years we've contributed over A\$3 billion to Western Australian State revenue – a massive boon for the State's economic development.

¹ State of Mind report, April 2015 <http://www.stateofmind.vision/> and WA Department for State Development

² State of Mind report, April 2015

³ WA Department for State Development

Our global footprint has grown significantly in the last couple of years. Today Woodside has a presence in 17 countries, including three African countries – Cameroon, Gabon and Morocco. I'll say a bit more about that later.

I should also point out that in a former life I was an Exxon Mobil executive. I spent 27 years with Exxon and a significant amount of time working on projects in Nigeria and Chad.

So I do have some experience in Africa, and I do have some insights into resources projects across the continent and the associated challenges and opportunities.

I've also recently been appointed the chair of the Australian Government's Advisory Group on Africa-Australia relations – a group which aims to enhance the institutional, commercial and people-to-people links with Africa.

Tonight I want to focus on the role that the private sector can play in shaping Africa's future.

Let me start by saying that every time I've visited Africa, I'm reminded of what people want to see – it's true economic development.

Africa is home to some of the world's fastest-growing economies, many of them buoyed by recent oil and gas finds. But it is also home to some of the world's poorest people.

Wherever local people are on the economic spectrum, universally they want to be responsible for their own destiny. Strong financial institutions and robust financial systems will be vital to Africa's future.

As economies grow, people need confidence in their banking systems, so they can be paid for work done, so they can borrow money to buy land, so they can attract investors for start-up projects.

Private sector investment, which appropriately manages risk, is crucial to the proper development of these financial institutions and systems in Africa.

There is a widespread understanding today that aid alone won't achieve true economic development – and that it can actually stymie development if kept in place for too long.

To paraphrase US President Barack Obama, in his address in July to the African Union – Africa wants trade, not just aid.

What President Obama actually said was:

“As Africa changes, I’ve called on the world to change its approach to Africa. So many Africans have told me, we don’t want just aid, we want trade that fuels progress. We don’t want patrons, we want partners who help us build our own capacity to grow. We don’t want the indignity of dependence, we want to make our own choices and determine our own future.”

I agree with this sentiment.

I’m pleased that the Australian Government also recognises the fundamental role of the private sector as a key source of economic growth, incomes and jobs in developing countries.

The Federal Government’s latest ministerial statement, *Creating Shared Value Through Partnership*, released on Monday, outlines a strong vision for engaging the private sector in developing countries.

This is something that Woodside has done in Myanmar and we are looking to do more.

Going forward, I think there will be significant private-public sector opportunities for creating shared value in Africa.

The continent is of course today the world's fastest-growing region for foreign direct investment.

In a year when the global greenfield foreign direct investment market grew one per cent, Africa saw a 65 per cent increase in capital investment in 2014 over the previous year, to an estimated US \$87 billion.

Foreign investment is market-driven, and as a result economies that achieved strong economic growth last year also received growing investment.⁴ Take resource-rich Mozambique, where the International Monetary Fund is forecasting seven per cent GDP growth for 2015. It attracted US\$9 billion in capital investment last year.

Currently we have more than 200 Australian resources companies' – mainly rock miners – active across more than 700 projects in Africa.⁵

And Australian companies have a good track record in new environments. A recent University of WA report, State of Mind, noted that Australian mining

⁴ Financial Times, May 2015

⁵ DFAT Africa country note

companies have discovered four times more wealth overseas than they have at home.

Nonetheless, Africa remains a relatively new frontier for many Australian companies.

While our brand “Australia” is generally well received across the continent, we don’t have the same historical colonial links in Africa as Europe or the United Kingdom does.

For many of us, our traditional orientation in Australia has been to Asia. Perth sits in the same time zone as the mega-cities of Asia.

As I mentioned earlier though, we have resources, expertise and technology capabilities. And Africa is home to some of the world’s richest resource countries. So the potential for meaningful long-term partnerships is significant.

Some of you here tonight will have already enjoyed long-term partnerships in Africa as you explore for minerals like gold, diamonds and nickel.

We need to learn from your experiences and build on this.

Australian companies really need to be “economic diplomats” – we need to think creatively and offer innovative development solutions to governments and local partners.

Innovation is essential to unlocking resource potential in remote regions, particularly so in the ongoing lower commodity price environment.

I believe that Africa’s growing oil and gas sector represents a great opportunity for Australian companies.

I see real potential to grow Australia-Africa partnerships through the developing of Africa’s oil and natural gas resources.

As I’ve already mentioned, Western Australia is home to some of the world’s largest LNG developments, with around 27 per cent of global LNG capacity under construction.

By 2017, Western Australia will have LNG production capacity of about 50 million tonnes per annum – 58 per cent of Australia’s total LNG production capacity.⁶

⁶ Australia expected to produce up to 86 mtpa by 2017

At last count we had 400 international companies in Perth servicing the oil and gas industry.⁷

So there's a global expertise here, a skilled workforce with niche skills in deepwater exploration, oil and gas technology and construction management. We're fast becoming a centre for scientific and technological innovation, driven by the needs of the energy sector.

This is all expertise that can assist Africa in developing a truly sustainable oil and gas industry, with significant economic benefits flowing to its citizens.

In short, we can be a catalyst for true economic development.

From Woodside's perspective, we see real potential and promise in Africa. We're very pleased to be back after a hiatus of about eight years.

We actually drilled the first ever offshore exploration well in Kenya – Pomboo-1 – in 2006 but turned our focus back to Australia to get our Pluto LNG facility up and running.

⁷ Department for State Development: <http://www.dsd.wa.gov.au/invest-in-wa/sector/resource-services/oil-gas>

Pluto was one of the fastest developments in the world at the time from discovery to first gas – a testament in large part to the skills and capability in Perth and Western Australia.

Since then we've introduced a new global exploration program and as a result we've acquired interests in offshore Gabon, Cameroon and Morocco.

In Morocco we've completed seismic studies across our Rabat Ultra Deep permits and we'll be interpreting those results in the coming months.

We farmed in to another opportunity in Tanzania last year – the Lake Tanganyika South production sharing contract. Following a 2D seismic program, we elected not to progress into the next phase of exploration.

We have since had very productive discussions with the stakeholders in the Tanzanian Government about the technical findings from our activities. I think this provides an important legacy for our investment in the country.

I have to say that as we have engaged with various stakeholders and governments across Africa, I've again been struck by the overwhelming desire for resources wealth to translate into meaningful economic development for communities.

I have said this at conferences before, but I really want West Australian companies in Africa to be known as those who do the right thing across all aspects of their business – whether it's environment, safety or transparency.

This is essential if we are to build our relationships with African countries and grow our businesses in Africa.

With this in mind, Woodside recently applied to join the Voluntary Principles on Security and Human Rights Association. This provides a useful tool to enable us to speak a common language when we're dealing with stakeholders across Africa, to ensure best practice on security and human rights.

We've also maintained our ten-year membership of the Extractive Industries Transparencies Initiative. Again, a useful starting point to ensuring transparency in our dealings.

It's worth mentioning too that African stakeholders are always asking visiting Woodside staff – how can we explore, develop, produce and trade resources in the most cost-effective yet sustainable way?

It's no secret that oil and gas projects are difficult and they cost a lot.

Our view is that we need to embrace innovation across the value chain – from exploration, to development, to production, to marketing, to trading – to ensure that we maximise value. This is especially true in today's tough business environment.

There's real interest in Woodside's work on data science, nearshore technology, modular construction and subsea developments.

Some of you in the audience tonight will be smaller companies with particular niche technology expertise in the oil and gas industry.

I guarantee this is of real interest to Africa partners and offers potential for you to grow your business in a new market. This applies not just to oil and gas, but across the board.

In closing, let me just congratulate the organisers of the Africa Down Under conference.

Traditionally it's been a conference for the rock miners and I'm delighted that oil and gas is also playing a role now.

There are great opportunities here for fruitful discussions.

As you exchange ideas on exploring, developing, marketing and trading resources out of Africa, I urge you to be creative. I urge you to be innovative.

And keep in mind President Obama's words that trade, not aid, will be the key to true economic development in Africa.

Thank you.