

Voelte floats an interesting question

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FLOATING oil and gas production vessels are meant to be moveable. But in effect, Woodside Petroleum boss Don Voelte is proposing to use a floating production system atop the Sunrise gas field as his "immoveable object".



Pitted against the Sunrise floater is an equally interesting concept – Australian Prime Minister Kevin Rudd, a politician who sees himself as the irresistible force.

Philosophers and oilmen do not have much in common but this meeting of "the immoveable object" and "the irresistible force" is a truly delicious clash of wills with one doomed to break.

The smart money on who breaks, thus answering one of philosophy's great questions, is Rudd, simply because his force is weaker than Voelte's object.

Before getting any deeper into matters philosophical, consider the events which led to this case study of rams butting heads.

A few months ago, when times were different and prices higher, Rudd and Climate Change Minister Penny Wong dashed out an Australia-only emissions trading scheme.

In theory, said quickly, and with a stiff breeze behind it, the scheme might have worked – remembering that old stock market adage that if the breeze is stiff enough even turkeys can fly.

Oilmen, especially those with gas projects on their drawing boards, complained bitterly about the emissions trading scheme.

But with oil north of \$US100 a barrel, and profits pouring into corporate coffers, no one would listen to a bunch of petroleum fat cats crying poor.

Today, with oil close to \$US50/bbl, that proposed emissions tax is starting to look somewhat painful.

Wong and Rudd, naturally, do not agree. They are sticking to a line that the trading scheme will start in 2010 and no one in the oil game will get dispensation of any sort.

Enter Voelte with his floater.

"I wonder," mused the Woodside man, "if the emissions trading scheme is applicable to a vessel sitting in Timor Leste waters."

It was a question which needed asking and it will galvanise the attention of government bureaucrats, because the thought amusing Voelte is the latest in a series of suggestions that if Australia flies solo with an emissions tax then industry will fly out the window.

Slugcatcher does not know the answer to Voelte's question, and suspects that no one else does either because it actually leads to another interesting philosophical debate; the one about changing an axe head and an axe handle and wondering whether you have the same axe.

In the Sunrise case, the gas is in jointly administered waters, and therefore partly Australian, but the Timor Leste border is only 15 kilometres to the north – begging the question as to whether an emissions tax applies in the reservoir (before the gas is produced), in the submarine pipeline (as it is produced), or on the floating vessel when it is produced.

Disregarding those questions, the real issue is that Voelte's suggestion is simply the latest in a series of observations (we can't call them threats, yet) from Australian industry that it is looking at ways to avoid/evade/dodge a tax which will lower profits and/or render a project unprofitable.

For Rudd, who has been talking up the need for coordinated economic stimulus, the idea of applying a new tax which potentially kills some aspects of economic growth is ludicrous.

Not so, say his little acolytes – an emissions tax will encourage new forms of industry, over time.

Well, this is going to come as a shock to the Rudd brigade, you don't have time.

What's more the much promised advent of alternative energy replacing known sources of energy such as oil, gas and coal, has not arrived – and might never arrive until you embrace the nuclear option.

The Slug, as a sideline observer of these matters, is immensely amused as industry leaders, such as Voelte, engage in a spot of combat with political leaders, such as Rudd.

Both believe they are right, and both refuse to give ground. But in time one will have to, and that one is certain to be Rudd as he discovers how money flows to where it's most welcome (an immutable law of business), and gas can flow to where it can be processed at the lowest tax rate (otherwise known as *Slugcatcher's Law*).