

Woodside backs a carbon price - for the planet, our children, business and jobs

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In its most recent report, the Intergovernmental Panel on Climate Change has issued a challenge to the world, outlining the radical change that will be needed to limit global warming to 1.5 degrees. If the world chooses to go down that path, it is clear we will need new ways of generating energy.

We are working on those, but the reality is the world is still struggling to find consensus around a 2-degree pathway – and achieving even that will require innovative energy solutions and a growing role for natural gas in the decades ahead.

This week I made the point, in a speech to the Melbourne Mining Club, that a global carbon price is the best way to drive the transition to a lower carbon society. It is true that a carbon price would drive increased demand for gas, which Woodside produces. That's because gas has a lower carbon intensity than other fossil fuels. The emissions released in producing liquefied natural gas are more than offset by those avoided when it displaces higher-emissions fuels. As a fuel for reliable and readily dispatchable power generation, gas is also the ideal partner for renewables and can enable increased renewable penetration by resolving intermittency issues.

For these reasons, gas plays a bigger role globally in the years ahead in both the sustainable development scenario outlined by the International Energy Agency and in the "middle-of-the-road" scenario outlined in the IPCC's latest report. Gas can support a balanced approach to achieving a lower-carbon society, in line with the aspirations outlined in the United Nations sustainable development goals, securing emissions reductions while improving urban air quality and increasing access to modern energy.

We do think gas needs to be part of the solution – but that's not the only reason I support a global carbon price.

The scientists have warned of the consequences of inaction. If we wait to see if they are right, it will be too late to act. So, prudence dictates that we think about what contribution we can make, individually and collectively, to limiting climate change and mitigating its effects. We owe it to our children and grandchildren. Business leaders are used to calculating risk and managing it. Clearly, the risk of inaction is too great. If we are to have a chance of transitioning to a lower-carbon economy, large and experienced companies like Woodside will play a crucial role.

We acknowledge there is currently little will among global leaders to pursue a carbon price. So, for now, we are stuck with a patchwork of national approaches, loosely co-ordinated under the Paris Agreement. And so, we need to deal with the challenges this poses. If we are to find a way to progress action under these conditions, we need to ensure some protection for the sectors that are most exposed to the impacts of climate action. The past decade has shown that Australia can only move at the pace of the most vulnerable sector.

If we want deep emissions cuts, then we need to reconcile them with economic competitiveness. A failure to do so is to set up emissions reduction as being in conflict with jobs, and we know how that ends. So, finding ways to cut emissions whilst protecting jobs is not a trade-off with emissions reduction – it is a prerequisite for it.

At Woodside, we are aiming to increase our carbon abatement and efficiency, including through integration of batteries and potentially renewable power in our operations in northern Western Australia. We are developing new markets for LNG to displace higher-emissions transport fuels and exploring the potential for hydrogen power, derived in the first instance from natural gas. There is an opportunity for Australia to be a world leader in hydrogen supply. The ultimate goal is “green” hydrogen, using renewable power to produce hydrogen from water, but the logical first step is “blue” hydrogen, using steam methane reforming to produce hydrogen from the abundant gas resources off Western Australia.

We may well be at the dawn of a new era for energy – but it is an era that builds on Australia’s decades of experience supplying energy around the world. Australia has all the resources it needs to support a lower-carbon society, both at home and abroad, and to do it in an internationally competitive way that ensures continued growth and jobs. Capturing this opportunity is going to require a joint effort from leaders across industry, the community and politics.