

10 July 2020

Northern Territory Economic Reconstruction Commission  
Submitted via website  
ntrebound.nt.gov.au/submissions

Dear Commissioners,

Thank you for the opportunity to make a submission.

The Australia Institute is an independent research organisation, based in Canberra. We have published several research reports in the NT in recent years, particularly relating to climate change challenges and the role of the mining, oil and gas industry in the NT economy. We also publish more broadly on economic policy, with a recent focus on pandemic response.

I have attached four recent reports to our submission. The first, *Design Principles for Fiscal Policy in a Pandemic*, provides an overall guide for policymakers on how to select policies and projects that create jobs in the short term and lasting benefits in the long term. In short, policies should 'go early, go hard, go households', and also target activities with high employment intensity, target industries that are most impacted by the crisis and projects that deliver co-benefits to other parts of the community.

Based on these principles, among the last priorities for policy makers would be assistance to the oil and gas industry. It is a highly capital intensive industry that employs very few people. Oil and gas projects take many years to develop and the overall commercial viability of an onshore industry has been questioned. ACIL Allen in their report to the NT Government's Fracking Inquiry found a scenario where the industry "fails to commercialise" was their most likely scenario with "high to very high probability". Far from providing co-benefits, oil and gas projects divide communities and present environmental risks.

Yet media reports and interviews with Commission Chair Andrew Liveris suggest the commission is looking recommend policies favourable to the oil and gas industry. Mr Liveris's suggestion in the NT News that significant gas-based manufacturing industries can viably develop in the Territory is contradicted by data in the second attached report, *Why onshore gas will not help manufacturing in the NT*. The report highlights that Power and Water Corporation (PWC) had access to large surpluses of gas from 2009 as the Blacktip project began production. PWC spent years trying to find use for this surplus gas, which it would likely have provided at near-zero cost to any project that could deliver employment and industrial diversification to the Territory. Despite access to near-free gas, employment in gas-related manufacturing sectors declined slightly through this period. Onshore gas is likely to be far more expensive than Blacktip's surplus gas, which is now piped to Queensland. Developing a petrochemical industry in the NT is now more difficult and likely to require huge government subsidy. This is not in the NT public interest.

Subsidies to the oil and gas industry are not a new idea. The third attached paper, *Fracking and slacking NT Government subsidies to onshore oil and gas*, shows that NT Budget Papers contain almost \$100 million in gas related expenditure and unrecovered administrative expenses over the last decade. More importantly, the report discusses the billions in

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commitments from PWC that were required to develop Blacktip and the Northern Gas Pipeline. These projects are owned by multinational energy companies but were subsidised by the owners and customers of PWC, ie all Territorians. Expensive, inequitable, environmentally damaging projects like these should not be a part of the Territory's policy response to the pandemic crisis.

Nor should cuts or freezes to public service wages. The NT Government has in the recent past looked to save on public sector wages, albeit with the freeze targeted at executive level salaries. New South Wales recently went further, looking to cut public sector wages at all levels. Such a policy would have significantly reduced the spending power of public service workers, reducing demand in labour intensive industries and therefore employment. The final attached report, *The macroeconomic impact of the NSW public sector pay cut*, estimates that this reduction in demand by public servants would have led to greater job losses than the number of jobs that would have been created by the NSW Government's policy of directing savings to construction. Members of the NSW upper house were provided with this paper, and ultimately voted against the Government's wage cut.

Our team would be happy to provide further detail to the Commission.

Regards,

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