Opening

Good afternoon!

What a unique and special privilege it is to have the opportunity to make a speech in the Australian Parliament House. I am truly honored to be with you.

I guess you might say “This is my maiden speech in this place!”

No matter where we operate globally, it is our practice at INPEX to recognize First Nations’ peoples.

Here in beautiful Canberra, I acknowledge the Traditional Owners of the land on which we meet – the Ngunnawal people – and pay my respects to Elders past and present.

Thank you first and foremost to Minister King – not just for sponsoring this occasion, but also for your strong support and understanding of our industry sector in general, and for your friendship to INPEX in particular. We are indeed very fortunate to have you as our minister.

Thank you, too, Ambassador Yamagami for your powerful comments and reminder of the importance of the Australia-Japan relationship.

Today, I intend to outline the challenges we face in striking the right balance between energy security and the energy transition.

Before I do so, please allow me to introduce INPEX.

1) INPEX/Ichthys overview

For those of you who may not be familiar with INPEX, we are Japan’s flagship exploration and production company.

INPEX was founded as a state-owned company in the 1960s with a mandate to contribute to Japan’s energy security.

Today, INPEX is traded on the Tokyo Stock Exchange while the Japanese government continues to maintain a 21.19 percent share in the company.
Indicative of the company’s strategic importance, INPEX is the only company in which the Japanese government maintains a “golden share” to prevent a hostile take-over.

Energy security is in our DNA.

**INPEX in Australia**

INPEX has been a proud member of the Australian business community since 1986.

It is fair to say Australia is very much a second home for INPEX.

We are best known as the operator of Ichthys LNG which is the "Crown Jewel" in our global portfolio.

Ichthys LNG required a capital investment in excess of 60 billion Australian dollars.

INPEX’s share represents the largest ever overseas investment by a Japanese company and – by extension – the largest single Japanese investment in Australia.

Australia accounts for more than 75 percent of INPEX CORPORATION’s global revenue, largely due to Ichthys LNG.

You may find it surprising to learn that our Australian head office in Perth is our largest office globally - bigger than our global HQ in Tokyo.

And today we celebrate a very special milestone with our 500th LNG cargo from Ichthys currently being loaded in Darwin!

Despite the fact that Ichthys is an export project, we regularly supply gas to keep the lights on in Darwin when other sources are unavailable.

**Summary**

I understand that not all of you will be able to remain for the duration of my remarks – either by choice or due to the bells which call parliamentarians away.

As such, I will summarize my key messages:

- Energy security and national security are linked. Australia plays a vitally important role in providing energy security to Australia’s friends and allies in the region. Ichthys alone accounts for 10 percent of Japan’s LNG imports and 15 percent of Taiwan’s.
Australia is well positioned to contribute to – and benefit from – the energy transition, but this is not a guaranteed outcome.

If Australia is *fair dinkum* about wanting to become a “Clean Energy Superpower” it must act decisively to attract investment.

Australia may be a lucky country but needs to recognise it is in a global competition. The race has started, and Australia already lags far behind.

Stable and predictable policy settings are the key to attracting foreign investment in major energy infrastructure projects.

Certainty in policy direction and a stable regulatory framework will continue to encourage strong investment in Australia.

Unfortunately, the investment climate in Australia appears to be deteriorating.

In Japan we say, “Don’t cheat at rock, paper, scissors.” This translates to “Don’t move the goal posts after the game has started!”

**Domestic Considerations**

I acknowledge the price challenges in the Australian east coast gas market. While INPEX is not directly involved in that market, we believe the clear solution is to encourage additional supply.

We are concerned that market intervention will only compound the situation. Price intervention is likely to discourage investment in exploration and production while simultaneously driving up demand.

The political temptation may be to restrict LNG exports via the Australian Domestic Gas Security Mechanism, but this would risk damaging Australia’s hard-earned international reputation as a premium trading partner and should therefore be avoided at all costs.

The energy policy environment in Australia today appears to be driven almost by ideology and domestic concerns.

This gives us great cause for concern.

While we still don’t have sufficient detail, the likely consequences of the new policies being rushed into legislation are considerable.

These consequences can be divided into three general categories: 1) Climate Change, 2) Geopolitical, and 3) Economic.
In a perverse way, the new policies intended to reduce the impact of climate change will most likely have the opposite outcome.

Please let me explain.

Global demand for energy in general, and for LNG specifically, is growing – no more so than in our Indo-Pacific region. We foresee an expanding gap where LNG supply cannot keep pace with demand.

Australia is competing for global investment and the changes we are seeing to Australian policy settings will choke investment and strangle the expansion of LNG projects in this country.

The consequence of these well-intentioned policies will be that the increasing energy demand in our region will be met by coal and not by natural gas.

The result will be much higher global greenhouse gas emissions and will make net zero by 2050 an impossible task.

On the geopolitical front, Australia’s “quiet quitting” of the LNG business has potentially very sinister consequences. The question of who will replace Australian supply into the market is front and center.

Alarmingly, the “inconvenient truth” is most likely that Russia, China and Iran fill the void.

I hope this point is obvious to all of you and that you appreciate that this outcome would represent a direct threat to the rules-based international order essential to the peace, stability and prosperity of the region, if not the world.

Lastly, I would like to emphasize the very significant contribution our sector makes to the Australian economy.

Considering Ichthys alone, an economic impact assessment by a leading independent consultancy, ACIL Allen conservatively projects that the project will increase GDP by 190 billion Australian dollars and contribute 73 billion Australian dollars in tax revenue over the life of the project.

And our industry peak body APPEA estimates the industry currently employs more than 80,000 people directly and indirectly in Australia in high paid jobs.

Our industry is not only a major employer in this country - we underpin the Australian way of life.

The energy sector is Australia’s “Golden Goose” and deserves to be celebrated not vilified.
2) Energy Security

Until recently, the transition to lower carbon intensive energy sources dominated energy policy globally.

Today, energy security rivals energy transition as a priority.

The definition of energy security has suddenly and violently been upended.

Russia’s aggressive invasion of Ukraine has demonstrated how energy can be weaponized. This has required us to think about energy security in a new and more strategic way.

As a result, we are seeing a shift toward more secure supply chains. New trading blocks are being established between like-minded countries with similar values.

For Japan, that means OECD democracies with rule of law and respect for the rules based international order – countries like Australia.

In this context, the relationship between Japan and Australia is going from strength-to-strength and Australian energy, and LNG in particular is becoming more attractive and more important than ever.

Today, LNG from Australia accounts for about one third of all LNG imports into Japan.

When Prime Ministers Albanese and Kishida met in Perth last October, they reaffirmed the critical importance of enhancing energy security cooperation, including through secure and reliable energy resources trade and investment, such as in LNG.

They also recognized that collaboration on renewable and clean energy technologies provides a key opportunity for Japan and Australia to deliver improved energy security and economic prosperity for both countries while supporting the transformation to net zero emissions.

3) Energy Transition

Since last year many countries have suffered from high-energy prices and the risk of shortages of oil and natural gas.

It seems broadly understood that the transition is a long-lasting process. Fossil fuels and new energy will need to co-exist for decades.

INPEX recognizes the need to actively address climate change. We have committed to net-zero carbon emissions by 2050, with an interim goal of
achieving a 30% or more reduction in carbon intensity over 2019 levels by 2030.

Targets are easy to set, but difficult to achieve. We have therefore developed a plan – known as the INPEX Vision@2022 – to achieve our goals. Our plan is admittedly imperfect and will need to evolve over time.

Nevertheless, we must not let perfect stand in the way of the good.

Our strategy is to first look for opportunities to make our existing product slate cleaner – that is, to reduce greenhouse gas emissions from our current operations such as Ichthys LNG here in Australia.

In parallel, globally we will invest cash generated from our ongoing hydrocarbon business in 5 net zero businesses with the intention of having these operational by around 2030.

If and when demand for low carbon energy sources such as hydrogen and ammonia starts to increase, we will adjust our production of these products to meet demand.

We believe gas in particular has an essential role to play in the energy transition and we forecast strong demand for LNG for decades to come.

By 2030, INPEX’s gas to oil investment ratio will increase to 70:30 from approximately 50:50 today.

Carbon Capture and Storage – CCS – is fundamental to achieving net-zero emissions by 2050. There is no pathway to net zero without CCS.

Producing lower carbon gas has an enormous advantage over introducing new energy sources. This is because the infrastructure to produce, transport and utilize gas is already in place.

INPEX is leading a prospective CCS development with joint venture participants Woodside Energy and TotalEnergies which we call the Bonaparte CCS Assessment Project.

We have been awarded a greenhouse gas storage assessment permit in the Petrel sub-basin some 250 kilometers or so off the coast from Darwin and our intention is to inject the first CO2 from Ichthys by the end of this decade.

CCS would enable an approximate 40 percent reduction in greenhouse gas emissions from Ichthys.

Further decarbonization of the liquefaction process will allow us to get scope 1 emissions at Ichthys LNG to virtually zero.
In addition to reducing greenhouse gas emissions from LNG production, CCS enables the production of low-carbon hydrogen from methane, which is known as “blue hydrogen”.

While some ideologues insist that only “green hydrogen” is acceptable – that is, hydrogen produced from water using renewable energy – we take a more pragmatic view.

Blue hydrogen is likely to be more economic to develop and, thus more competitive in the marketplace.

It stands to reason that the more affordable the energy source, the greater the demand for that product. This is another example where we must not let perfect stand in the way of the good.

INPEX is leading Japan’s first blue hydrogen project - a demonstration project in Niigata Prefecture designed to produce 700 tons of blue hydrogen per year.

The plant is scheduled to open in 2025.

We are optimistic that we will be able to leverage our experience in developing the Niigata demonstration project to support the Darwin Hydrogen Hub and other Australian blue hydrogen projects.

For whatever reason, the Australian government seems hesitant to “lean in” on CCS projects. This stands in stark contrast with most other nations. For example - the Japanese government, through JOGMEC, has committed $55 million in support for our Bonaparte CCS assessment project, while the Australian government withdrew funding support.

Australian hesitancy to embrace CCS risks Australia’s opportunity to meet its 2050 net zero target.

A failure to facilitate CCS also threatens this country’s aspiration to become a clean energy superpower and sacrifices the associated jobs, investment and revenue.

I note the Safeguard Mechanism reforms will require all new gas fields tied to existing LNG facilities to be net zero on day one.

CCS effectively becomes mandatory for all new oil and gas projects in Australia.

This outcome clearly underlines the critical importance of carbon capture and storage.

The American example stands out as “international best practice” with regard to CCS.
The Inflation Reduction Act in the United States provides tax credits up to $85 US dollars per ton of CO2 permanently captured.

I was in Houston a few weeks ago to participate in the CERA conference which is arguably the most prestigious energy conference in the world.

There, the main topic of conversation was the Inflation Reduction Act and how the United States is now positioned to dominate clean energy investment, including in CCS.

Although many US industries had been skeptical about transition and reluctant to invest in new types of clean energy, this law completely changed the atmosphere and mindset of US industries and created enthusiasm among industries.

I noticed even European industries and investors began to consider the US as the preferred investment destination for clean energies.

I also note the high expectation from the Asian region (especially Japan, Korea and Taiwan) that Australia will assist in helping them to achieve their Net Zero targets. This will be accomplished not only by supplying LNG but also by providing various options to offset their greenhouse gas emissions while leveraging Australia’s huge subsurface potential and technical capabilities of CCS accumulated by world-class LNG

**New Energy**

With an eye on the future, INPEX is also looking at new energy (non-fossil fuel) opportunities, including here in Australia.

To this end, INPEX’s ‘carbon farming’ collaboration with ANZ and Qantas offers promising long-term economic and environmental benefits to Western Australia’s Wheatbelt region.

This initiative involves mallee tree plantations on degraded farmland to generate Australian Carbon Credit Units.

In the longer-term, we are investigating the opportunity to produce sustainable aviation fuel from mallee oil – hence the involvement of Qantas.

INPEX also has an exciting collaboration with AGL, Osaka Gas and others to evaluate an industrial-scale green hydrogen export hub at Torrens Island, South Australia.

Work is also underway to strengthen and expand forest conservation projects aimed at CO2 absorption. This includes the 34-million-Australian-
dollar Ichthys savanna fire management program in the Northern Territory.

On the renewable energy front, we are working hard to secure 1-2 gigawatts of installed capacity by 2030, mainly through offshore wind and geothermal power generation.

Another important takeaway from our INPEX Vision@2022 is the exciting growth plans we have for our Australian business. These include ambitions to expand our Ichthys LNG onshore facilities in Darwin by around 2030.

With CCS and technical innovations to decarbonise our processing plant, the LNG we may produce in the future represents a distinctly different product than the LNG we currently ship to market.

This will enable us to meet the expectations of the market and of society and to ensure we deliver on our net zero commitment.

4) Closing

In closing, let me say that we are encouraged by Prime Minister Albanese’s recent comments recognizing the key role that gas will play in the world’s transition to clean energy, while guaranteeing energy security both for Australia and for our partners in the region.

We were also very pleased to hear Minister King’s remarks at last week’s Australian Domestic Gas Outlook Conference.

There, she not only acknowledged that gas will form an important part of Australia’s energy mix for the foreseeable future, but also noted the key role gas plays in the development of the critical minerals that will be required for the world to reach net zero by 2050.

Minister King also said the Australian Government welcomes foreign investment in the resources and energy sectors, especially from LNG customers.

These statements give us hope that Australia will remain an attractive investment destination.

It is now time to find the political courage to convert these words into deeds.

As we work to transition to a low carbon society, the relationship between our two nations is going from strength to strength.
We see Japan and Australia entering a new chapter and forging a strategic trust-based partnership that delivers security, sustainable energy and economic prosperity to the people of both countries.

At INPEX, we are proud to play a central role in this story.

Thank you for your time this afternoon.