



IF YOU WANT TO WIN, YOU HAVE TO BE CLEVER

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Legal Briefings - By **Tony Joyner, Managing Partner, Perth**

Remember last century when we saw phenomenal world growth? This was fuelled by the massive production and consumption of resources. But that model of increasing demand and reducing prices is looking increasingly wobbly, as the last few years have shown.

THIS CENTURY IT IS GOING TO BE DIFFERENT, AND IT'S GOING TO BE HARDER.

There are several factors at play here:

GLOBAL DEMAND FOR RESOURCES WILL INCREASE

And as we are seeing now, demand will fluctuate. But over the long term, it is inexorable.

One statistic is illustrative: it is expected that the global car pool will double to 1.7 billion by 2030.

COSTS OF EXPLORATION AND PRODUCTION ARE INCREASING

This is especially relevant to high cost producers like Australia.

FINDING NEW SOURCES OF SUPPLY FOR RESOURCES IS BECOMING HARDER

With some exceptions - notably, natural gas and renewable energy - new sources of supply are increasingly smaller, and in more difficult locations. That means they are trickier and more expensive.

THE MARKET IS BECOMING INCREASINGLY COMPLEX AND LESS CERTAIN

So on top of all this, there is more competition. And it is coming from a number of different sources. And they don't play the game like it used to be played.

So at the moment you have this interesting situation where the existing players are looking at how to best protect what they have, and leverage that into new projects.

And new entrants are working out how they can gate-crash, and change the game.

And all of this is complicated by the fact that at the moment, we are in a period where prices are comparatively low, and companies are being very careful.

Now, one response to all this has been cost cutting. Which is sensible, but you cannot cost cut to glory, and to succeed in the longer term, resources companies have to go beyond this.

Put simply, that means they have to innovate.

Because the logical response to all of these factors, all of these pressures, is innovation.

Innovation makes production cheaper, and it means you can do things others can't do, and you can get to places other people can't get to.

Look at fracking and automation – two obvious examples where innovation has made a step change in the industry – and where those who have innovated have benefitted, and those who haven't have been left behind.

Now, the resources industry knows this. They are all talking about innovation.

THE INTERESTING ISSUE IS WHETHER THEY ARE DOING MORE THAN TALKING ABOUT IT.

My observation is that some companies are now pretty good at this – innovation is in their DNA.

But I worry that other companies aren't much beyond the lip service stage. They have had some talks about it. They may even have roles within the organisation that have the word 'Innovation' in them. But when those people leave the room, I worry that they just get back to doing what they've always done.

And they'll get side-swiped.

Historically, there were always new frontiers – the winner was who got over the hill the fastest and who could get it out of the ground quickest.

That is no longer the case. Like the rest of the planet, this particular playing field is shrinking and crowded, and **if you want to win you have to be clever.**

KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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