

NATURAL GAS (CANNING BASIN JOINT VENTURE) AGREEMENT (TERMINATION) BILL 2017

Introduction and First Reading

Bill introduced, on motion by **Mr M. McGowan (Minister for State Development, Jobs and Trade)**, and read a first time.

Explanatory memorandum presented by the minister.

Second Reading

MR M. MCGOWAN (Rockingham — Minister for State Development, Jobs and Trade) [1.14 pm]: I move —

That the bill be now read a second time.

The purpose of the Natural Gas (Canning Basin Joint Venture) Agreement (Termination) Bill 2017 is to ratify an agreement made on 27 November 2017 between Buru Energy Ltd, Diamond Resources (Fitzroy) Pty Ltd and Diamond Resources (Canning) Pty Ltd, as the joint venturers, and Mitsubishi Corporation, as the guarantor, and the state of Western Australia, which I will refer to as the termination agreement. The bill is necessary in order to amend the Natural Gas (Canning Basin Joint Venture) Agreement Act 2013 to provide for the ratification of the termination agreement, which will terminate the Natural Gas (Canning Basin Joint Venture) Agreement 2012, which I will refer to as the state agreement.

The state agreement was entered into in November 2012 between the state, the joint venturers and Mitsubishi Corporation, as guarantor. The state agreement provided enhanced certainty of tenure initially over five petroleum exploration permits, where the joint venturers could explore and evaluate gas resources without the obligation to relinquish ground under the Petroleum and Geothermal Energy Resources Act 1967. This measure encouraged further exploration informing the technical and economic evaluation of unconventional resources, with the objective of proving up sufficient reserves of natural gas to underpin the establishment and sustained operation of a domestic gas project. The primary reason for the termination agreement is a change in the commercial interests of the joint venturers.

On 25 May 2017, the joint venturers announced that they had entered into an agreement for, amongst other matters, the transfer of interests in the five exploration permits subject to the state agreement. Under that agreement, Buru Energy acquired 100 per cent of the interest in four of the exploration permits and Mitsubishi, through its wholly owned subsidiaries Diamond Resources (Fitzroy) Pty Ltd and Diamond Resources (Canning) Pty Ltd, will have 100 per cent of the interest in the remaining permit EP 371.

Mitsubishi has recently proposed its own regional domestic gas project using the resource identified and located within EP 371. This would initially deliver gas into the Kimberley region and the Perth metropolitan market in the longer term. Mitsubishi's proposed regional domestic gas project cannot be implemented under the state agreement as it is currently structured. The state agreement stipulates that the joint venturers are jointly and severally liable for the development of the domgas project. However, the commercial interests of the joint venturers are no longer aligned. Further, the state agreement requires that the domestic gas pipeline be owned and operated by the joint venturers, whereas Mitsubishi proposes that this will be built, owned and operated by a third party. Furthermore, throughout the duration of the state agreement, the evaluation of the natural gas resource in the Canning Basin has taken longer than was originally planned. This has been for a number of reasons, including the time to ensure that traditional owners had access to clear and independent advice about the project, the impact of the Kimberley wet season, and recent changes in policy on hydraulic fracture stimulation—fracking—in Western Australia and the associated scientific inquiry into fracking.

The state has agreed to the termination agreement in the interest of encouraging ongoing investment and development in the Kimberley region, with the potential of the regional domestic gas project envisioned by Mitsubishi, subject to the findings of the scientific inquiry into fracking. In enacting the moratorium on fracking, the state has recognised that there is sufficient justification for a suspension of the requirement to compulsorily relinquish permit land areas and fulfil work program commitments of up to four years. This is the result of the time frame for the completion of the inquiry itself and the time required to complete planning, approval processes and land access and weather window buffers prior to on-ground activities occurring. The termination agreement accounts for the impact of the moratorium by allowing the extension to the terms of the petroleum titles by four years, and the year end for each work requirement relating to these titles is also suspended and extended for the same period.

I commend the bill to the house.

Debate adjourned, on motion by **Ms L. Mettam**.