

**OIL REFINERY (KWINANA) AGREEMENT AMENDMENT BILL 2016**

*Introduction and First Reading*

Bill introduced, on motion by **Mr W.R. Marmion (Minister for State Development)**, and read a first time.

Explanatory memorandum presented by the minister.

*Second Reading*

**MR W.R. MARMION (Nedlands — Minister for State Development)** [12.27 pm]: I move —

That the bill be now read a second time.

The purpose of the Oil Refinery (Kwinana) Agreement Amendment Bill 2016 is to ratify an agreement made on 5 October 2016 between the state and BP Refinery (Kwinana) Proprietary Limited, which I will refer to as the variation agreement. The bill is necessary in order to give effect to amendments to the Oil Refinery (Kwinana) Agreement Act 1952, which I will refer to as the state agreement. The main purpose of the variation agreement is to provide BP with a 30-year extension to the current state agreement, which is set to expire on 1 January 2020. To put this variation agreement in context, I will provide some background on BP's operations in Western Australia and the requirements to vary the state agreement.

BP Refinery (Kwinana)—current operations: BP has operated in Western Australia for almost 60 years under the state agreement. The Kwinana refinery was developed in the 1950s by BP under the state agreement and was the foundation industrial project in the Kwinana industrial area. The refinery has the capacity to refine six million tonnes of crude oil each year, which accounts for 80 per cent of Western Australia's current fuel requirements for road, marine and aviation fuels. The refinery supplies fuel to the mining, power, transport and agricultural industries and is currently the sole supplier to Tasmania and the largest supplier to South Australia. The company's operations under the state agreement comprise: an oil refinery at Kwinana, located on a 250-hectare freehold site in the Kwinana industrial area; pipelines that transfer product to the Kewdale freight terminal, which carries fuel for use in the Perth metropolitan area, the wheatbelt and Kalgoorlie; aviation fuel which is piped from the refinery to Perth Airport; and three jetties and a tug haven that are used to receive the crude oil and export the refined products interstate and to Fremantle port.

The refinery produces the full suite of petroleum and associated products including diesel, bunker fuel, three grades of unleaded petrol, aviation fuels, auto gas, low aromatic fuel used in remote communities and barbecue fuel. The refinery also provides critical feedstock to other industrial processes within the Kwinana industrial area including sulphur to Coogee Chemicals, liquefied petroleum gas for Wesfarmers' Kleenheat, and fuel gas to Engie's Kwinana cogeneration plant which produces steam and power generation. The refinery directly employs 450 staff and another 350 contractors. BP's Western Australian downstream network also includes depots, truck stops and an extensive retail network of over 40 service stations across Western Australia, as well as wholesale, bulk and distributor businesses supplying the mining sector and other customers in rural regions. The Australian refining industry has undergone significant challenges and change, resulting in the closure of three refineries in Australia between 2013 and 2015 and leaving Australia more reliant on imported fuel. It is significant that BP continues to invest in the Kwinana refinery to support its ongoing operation.

In early 2017, BP intends to undertake a major scheduled shutdown for six to 10 weeks to undergo an \$80 million maintenance program that will employ a peak workforce of 1 800 people. BP is also considering a further investment in its plant and pipelines to provide additional aviation fuel from the refinery to Perth Airport. As I have outlined, the BP refinery is a strategic industry for this state. In mid-2014, BP Refinery (Kwinana) Pty Ltd wrote to the Premier, the then Minister for State Development, requesting a variation to the state agreement, due to it expiring on 1 January 2020. The state government supported the need for a variation to the state agreement to support the refinery's long-term operational future, given the strategic importance of the refinery to Western Australia, as well as to adjacent manufacturing plants and other states, and for providing security for further investment in the plant.

I will outline the main provisions of the bill. Clause 4 provides that section 2 of the State Agreement Act be amended by inserting the new definition of the 2016 variation agreement—this current variation—a copy of which is set out in schedule 3 of the bill. The principal agreement is the Oil Refinery (Kwinana) Agreement 1952, as amended from time to time. Clause 6 will insert a new section 3D into the State Agreement Act which ratifies the 2016 variation agreement and authorises the implementation of the 2016 variation agreement. It also provides for the 2016 variation agreement to operate despite any other act or law, without limiting or affecting the application of the Government Agreements Act 1979. Clause 7 will insert, as the third schedule to the state agreement, the 2016 variation agreement.

I will outline the key provisions of the variation agreement. Clause 2(3)(a) and (b) will amend clause 5(e) and (f), which deal with pipeline-laying procedures, by replacing "Treasurer" with "Minister". This amendment will

update the state agreement to provide for the minister responsible for the Government Agreements Act 1979 to be the minister responsible under these clauses. Clause 2(3)(c) will amend clause 5(n), relating to payment of rates on the refinery site by excluding from the unimproved value rating exemption provided by this clause improvements on the refinery site, being accommodation, recreation and administration facilities and associated buildings or maintenance workshops existing within 100 metres of those facilities. This clause will implement the state government's 2011 policy "Application of Gross Rental Valuation to Mining, Petroleum and Resource Interests", ensuring that BP pays the gross rental value on its site administration facilities and maintenance workshops. Clause 2(3)(e) will amend clause 5(t), "Agreement expiration", by removing the previous date of expiration and inserting the new date of 1 January 2050. The 30-year extension will support BP to continue its Kwinana refinery business and investment decisions into the future. Clause 2(3)(f) will amend clause 5(u), "Temporary premise licenced for liquor", by removing the clause, which is considered spent and no longer appropriate. Similarly, section 3A of the act is to be deleted by clause 5 of the bill.

Clause 2(3)(g) will insert the following new subclauses into clause 5 of the state agreement after clause 5(x). Subclause (ya), "Local industry participation plan", will require the company to prepare and implement a local industry participation plan to provide for local industry participation benefits as defined in this subclause to flow from the principal agreement. Subclause (yb), "Use of local labour professional services and materials", will require the company to utilise local labour, services and materials within Western Australia or, if not available within Australia, where it is reasonably and economically practicable to do so. This clause also requires the company to submit local content reports to the minister, outlining expenditure on contracts, research and development and community contributions.

The ratification of this bill by Parliament provides for the long-term operational future of BP's Kwinana refinery, increases certainty for Western Australia's fuel security and supports ongoing employment in Kwinana and the state. I commend the bill to the house.

Debate adjourned, on motion by **Mr D.A. Templeman**.