

GAS SUPPLY (GAS QUALITY SPECIFICATIONS) BILL 2009

Second Reading

Resumed from 19 August.

MR M. McGOWAN (Rockingham) [8.44 pm]: I rise as the lead speaker for the opposition, on behalf of the shadow Minister for Energy, who resides in the upper house, to indicate that the opposition supports the Gas Supply (Gas Quality Specifications) Bill 2009. I do not at this stage, depending, of course, upon the Premier's response to what we say, have any intention of moving any amendments to this legislation.

The legislation, at its core, seeks to allow gas to come on stream in the domestic market that is of different and what is described as broader specifications than gas that is currently used in our domestic gas market. The reason that this legislation has been brought forward is that the gas that is currently being used is perhaps of higher quality than some of the gas that is available to be used. If we want to put additional pressure on the cost of gas available for the domestic market—that is, for both residential consumers and business—the best way to do so is to increase the supply of gas. One of the important ways of increasing supply is to ensure that we allow gas that is currently not permitted to be used in the domestic market to come on stream. It is a fairly simple proposition; that is, we allow some of those gas fields that are not in operation to be exploited. That will mean that the gas from those gas fields can feed into some of the domestic supply pipelines, and it will be able to power industry and business along the route of the pipeline—most probably in the south west of the state. The gas will be used by the domestic gas reticulator, and will therefore be used in households in the south west of the state.

The opposition supports this legislation. I understand that there has been an ongoing process of discussion for some considerable time that this legislation should be brought into effect. The opposition has indeed been briefed on a few occasions by different people. In particular, I acknowledge BHP Billiton, which has provided one or two briefings for me about some of its proposals in this regard. It has a field called Macedon, and it would like to bring Macedon on stream for domestic gas supply. Part of the problem with the Macedon gas is that it is higher in some impurities and some gases that form the overall component of what is described as natural gas. It is higher in some of those gases that reduce the energy content of the gas that comes on stream. Because they reduce that energy content, it is obviously gas that does not meet the existing specifications.

As I understand it, the existing specifications came into effect roughly 30 years ago. Those specifications are high, and have been higher than the specifications that are in place in the eastern states of Australia. For the past 30 years we have operated in this state on the basis of those specifications. Largely, our gas market has been powered by the North West Shelf gas project, which has provided the bulk of domestic gas, in particular to the south west of the state. Therefore, if we want to bring other gas supplies on stream, Macedon being the one to which I am referring, we must provide an opportunity for gas of Macedon-style specifications to come on stream. That means legislative amendment.

BHP Billiton and its Macedon project were very keen for this legislation to go forward. In the initial discussions that BHP Billiton had with me, it indicated that it had some concerns about some of the compensation matters that might be applicable to BHP Billiton, as a gas supplier. In the latter briefing it provided for me, it indicated that the compensation issue was largely resolved as far as it was concerned. I will go into the compensation issue in a little while. However, BHP Billiton indicated that it supports this legislation and the way it is structured. I also understand that other fields may well come on stream, apart from Macedon. There is one called West Tryal Rocks, I think, that might have a similar problem in that its gas does not meet the existing specifications. Therefore, if West Tryal Rocks is able to come on stream, obviously that will increase the supply of gas into the —

Mr C.J. Barnett: The gas is probably a fair bit out of spec at West Tryal Rocks, so it might need some processing to meet the specifications.

Mr M. McGOWAN: I was not aware of that fact.

A few issues have to be resolved. As I indicated, compensation is one issue. I will deal with that in a moment. In relation to the marketplace and consumers, this legislation will largely be welcomed by the broader business community. Whilst some operators may have concerns about broader specification gas and how it might be used by their capital plant, the broad consensus is that it will not just benefit the suppliers of the gas but the users of the gas at the end; that is, the businesses and companies in the south west that would use the gas. I do not think householders would notice much difference. When we pay for our gas component, we pay for the energy component; we do not pay for the square foot of gas that we receive. If there is less energy content, we do not pay a higher cost for that just because we are using a greater square footage of gas. I do not think consumers will notice any significant difference in this legislation.

The major users of gas in industry around the south west, of which there are a number, would be happy with this bill, particularly in light of the compensation aspects of the legislation. The compensation aspects of the legislation are quite complex. The drafter, Jackson McDonald, has done a pretty good job coming up with a fair arrangement. I would not use the word “generous” but the legislation tries to take account of all the parties that may have some concerns about gas. There are three parties that might have an interest in the compensation aspects of the gas. The first are the pipeline operators. A company that owns a pipeline into which gas is being fed would want to maximise the capacity of gas that is going through and the energy content of that gas. If broader specification gas is going into the pipeline, and that gas obviously takes up more capacity than the former specification gas, there may be an issue of compensation or the cost of transporting that gas versus transporting the former specification gas. Therefore, there is an issue of compensation for pipeline operators. The second group that may have an issue with compensation, as I indicated earlier, is the business operators in the south west who operate major plant and equipment. I am talking about Alcoa, some of the downstream agricultural producers and the other major companies in the south west that use gas. Alcoa is the largest one. Some of the plant that those major companies have in place was established a long time ago. They might say that their plant was designed for the specification of gas that was formerly there. Therefore, if the specification of gas coming through is changed, they may believe they are entitled to compensation. That is a fair claim. The legislation says if that occurs, the company has to prove damage. If a company that was operating plant changed that plant on the basis that the gas was no longer suitable, it could claim compensation provided it could prove damage; that is, provided it could prove that it had to change or modify the equipment or provide details of whatever cost is incurred. It has to show the damage. That is a basic principle of contract law. I do not think that would be a difficulty. In the case of major businesses, that is resolved.

In the case of consumers, there is an issue with people with certain household products that are over 30 years old; that is, products that were installed before 1980. There can be an element of danger with some of these household products, whether they are stoves or heaters, with the new specification gas. I will give the best example I can. If the broader specification gas comes on-stream, which has a lower energy content, there is the prospect of the flame on a stove, heater or hot water system going out. If the flame goes out and the gas is still being supplied, that household has a very significant issue, which could potentially be disastrous. That is an outside chance but it is recognised by the legislation. The legislation says that people with equipment of that age or that vintage will be compensated for the cost of that equipment when it is changed over. These are the sorts of things that the Premier should answer in the interests of consumers. What sort of effort will the government make to ensure that people are aware of this problem? I am advised that there will be an advertising campaign. I think there should be an advertising campaign. People should be aware that if they have equipment above a certain age, it could be dangerous to operate that equipment. I do not want to be a scaremonger but that is the advice I have received. Some of that equipment could be very dangerous for people. Imagine if a hot water system or stove is operating, it goes out and the householder does not remember that it has. If it is a hot water system, it will obviously keep operating. It would fill that person’s house with gas and there is an issue of life and death for that person’s family. Something very comprehensive has to be put in place to ensure that no-one is maimed or killed or suffers any consequence as a result of this change to the gas specification legislation. They are the three areas of compensation—pipeline operators, major businesses and consumers.

I understand that there will be some arrangements regarding disputes. People may have disputes, pipeline operators in particular, but also major businesses may have disputes with the suppliers of gas. There will be an arbitration procedure under the legislation. The arbitration procedure will allow for those disputes to be worked out. It will allow for technical advisers to resolve the major technical issues between the suppliers of the gas, the pipeline operators and the major plant and business operators who use the gas. That is a fair mechanism to resolve those sorts of issues. I think that is fair.

We also have to remember that this legislation will change many contracts. It will change the contracts by force of law, which is unusual. That is often regarded as a sovereign risk issue. The reason it is changing those contracts is that some of those existing contracts between gas users and gas suppliers specify the specification of the gas that is being used. By force of law, it will change those contracts to allow the users of the gas to use broader specification gas. That is why this legislation had to be negotiated so carefully and in such a considered way between users and suppliers of gas. When we change a contract that has been negotiated, usually bilaterally but sometimes multilaterally, between a group of people or a group of parties, we have to make sure that we are sensitive to their needs. I understand that the regulation-making capacity of the legislation will allow for some of those issues that may arise and may not be foreseen at this time and be resolved as time goes by. An important component of the legislation is that companies will have a major capacity to deal with some of these issues by way of regulation as time goes by.

Broadly, the opposition supports the legislation. It brings into focus domestic gas issues and the supply of domestic gas into the Western Australian marketplace. I am a supporter of a strong domestic gas policy. I have always thought that Western Australian resources—gas is obviously the main one, but other resources as well—

should always be available at an affordable rate for Western Australians. That might upset some people, but it is a fair proposition for any sovereign government, Parliament or people to insist on as the basis for fair usage of our natural resources. I do not wish to delve too much into the history, but Sir Charles Court set up the North West Shelf gas project on the basis that it would be first and foremost an opportunity for Western Australians to receive some of the benefit from our gas. I am pleased to see that this legislation allows for greater use of Western Australian gas and resources.

In this context, the Gorgon announcement made yesterday also allows for some domestic gas to come online over a period, ramping up between 2015 and 2020 to 300 terajoules a day. By comparison, I understand that the Macedon project, by the time it is fully operational, will get to around 200 terajoules a day for Western Australian consumption. The Gorgon project and the Macedon project are not dissimilar, although Gorgon will be a third bigger than Macedon when it is fully operational in its domestic gas supply. The Gorgon project had some issues with the specification of its gas. It has a very high level of carbon dioxide—16 per cent—so the removal of the majority of that, to bring it down to roughly six or seven per cent, would bring it within the specifications of Western Australia's gas supply. The way the Gorgon project is stripping the carbon dioxide is a very special technique.

Much has been said about the geosequestration technique. I have heard people say that it does not work and that there is no such thing and so forth. However, I went and saw it. I went to a place called Trondheim in Norway in 2006, and to the headquarters of a company called Statoil, which operates Norway's offshore oil and gas fields. The company is mainly state owned. About 30 per cent is owned by one of the major oil companies—either Chevron or Exxon—but the other 70 per cent is state owned. Until the 1950s or 1960s, Norway was always known as the poorest country in Western Europe. It had a small population and relied heavily on its fishing and whaling activities, and was powered predominantly by hydroelectricity, which it still is. It was not an affluent place. After the discovery of oil, the Norwegian people took the decision in the late 70s or early 80s that the oil industry would be run by a different model from ours. It would be a state-owned model. Statoil was set up to exploit the oil and gas reserves off the coast of Norway. As part of this, 12 or 15 years ago, Norway established the world's largest geosequestration project in Trondheim. I went to see it in company with the people who operate it. It is actually located at the Sleipner field, off the coast. They geosequester the carbon dioxide produced from the offshore oil and gas fields. They convert it to a liquid before they inject it deep underground. It goes down roughly two kilometres. At that level it remains a liquid and remains under high pressure. Monitoring bores all over the ocean bed measure whether the gas is seeping to the surface, which is the fear with that sort of technology. In the entire time that they have run this plant, over 10 or 15 years, they have not had any issues in that regard. It was instructive for me to see that project. I had a day of briefings with the company in Trondheim.

When we did the approvals for the Gorgon project on the basis that this technology was viable and possible, all the advice I received was that the geological substratum of Barrow Island was the only place where this technology would operate. That is why the Gorgon project had to be on Barrow Island in my mind. The company advised us that the only way the project would remain in prospect was if it was on the 400-hectare site on the east coast of Barrow Island. That is where the geosequestration plant would be established. At that point in time it was costed at \$700 million or \$800 million. The company told us that if the project was put on the mainland it would be too expensive. The company would not be able to geosequester, and we would not have a project. I thought the geosequestration was the best aspect of the entire plant. Apart from the jobs, the investment, the money and so forth, we would have the world's biggest geosequestration plant. It would be bigger than the one in Sleipner and bigger than the 10 or 12 other operational plants. That was a strong selling point for that project and for that site. That was one of the bases upon which I approved it as environment minister in December 2006. It had to remain on Barrow Island to achieve that benefit. I understood the arguments of some people on environmental grounds that they wanted the project to go ashore, but I thought that on environmental grounds it was better to have it up and running and to have that geosequestration component along with more than \$100 million worth of environmental offsets. I thought it was better to keep it where it was, and we would have a bigger geosequestration plant than Sleipner.

That means that 300 terajoules a day of gas will be able to come into the domestic supply and will meet the gas specifications that we are changing with this legislation. I believe that the geosequestration and the domestic gas component were the two greatest benefits of this project. I was concerned in 2003, 2005 and 2006, when some people indicated that they thought that the project should come ashore. That is one of the unanswered questions of this whole project. Some people have rewritten some history around this, but it certainly would have been lost to the state. That was the advice we received from Chevron at that point in time. That was the position argued by the then Premier.

Mr C.J. Barnett: I do not want to debate the issue, but the first suggestion to use Barrow Island was made by me back in 1996. If you speak to the Gorgon joint venturers, they will confirm that.

Mr M. McGOWAN: I think it is a debate worth having. The Premier said he made the suggestion before I even arrived in the Parliament. What year did he say?

Mr C.J. Barnett: You arrived in 1996, from memory, but during the mid-1990s I made the suggestion to Gorgon that, because of the carbon dioxide content, it look at reinjecting into what I assumed would be the old oil reservoir, but it is not in fact, it is other sands. That is part of the history, and it was dismissed by Chevron at the time as being a fairly fanciful concept. But, to its credit, Chevron worked on it for another year and then came back and said it was a serious option.

Mr M. McGOWAN: If that is the case, it is a fair point. My problem is that subsequent to that, during the lead-up to the 2005 election, the member for Cottesloe as then Leader of the Opposition said that the entire project had to come to the mainland. He actually said that it was his election policy for the project to be moved to the mainland.

Mr C.J. Barnett: No.

Mr M. McGOWAN: I have the media clippings here; it is obvious that the member for Cottesloe said that.

Mr C.J. Barnett: The media clippings aren't correct.

Mr M. McGOWAN: The media clippings quote the member for Cottesloe.

Mr C.J. Barnett: If you read the speech in Parliament you'll get a better idea. The bargaining point that Western Australia had was the use of Barrow Island. The original proposals did not give this state the deal it should have negotiated. Therefore, from the position I was in then, I was making the point that there was a negotiation to be had over revenue shares for domestic gas with the commonwealth, and the one bargaining chip that Western Australia had was the use of Barrow Island.

Mr M. McGOWAN: From my point of view, the member for Cottesloe indicated through media quotes in the lead-up to the 2005 election that if he were elected, he would renegotiate the project to bring it ashore. He also indicated in 2003 that the project agreement was premature and rushed. Is that still his view?

Mr C.J. Barnett: That's history now, but I thought to bring in an agreement act in 2003 when the project was not due to come into reality until 2006 was evidence that it was premature. Labor and Liberal have different approaches to state agreement acts; the Labor Party's approach is to bring in an agreement act as soon as it thinks it can put one together. The approach of Liberal governments is to bring in agreement acts when the project is about to start. You can argue the pros and cons of that, but to bring in an agreement act six years ahead of the project was, I thought at the time, premature. I said that and I don't resile from that. I'm not saying it's a bad agreement at all.

Mr M. McGOWAN: The member said it was a bad agreement at the time, but the problem is that he indicated that the project should not have been on Barrow Island, and that the project agreement was premature and rushed. He said a range of other things at the time also; I understand that that is the sort of thing one says in opposition.

Mr C.J. Barnett: The front page headline was dramatic. I certainly raised the issue; I do not resile from that. I made speeches in Parliament, but the newspaper headlines were rather dramatic. They were an exaggeration of my position.

Mr M. McGOWAN: The member indicated that he did not think that Western Australia was getting the best deal it could, and that is why he said in 2005 that if he were elected to government, he would renegotiate the agreement and bring the project to the mainland. The problem from the point of view of the Gallop government—I remember Geoff saying this—was that Howard would not tolerate anything other than the standard arrangement for the return of commonwealth royalties. The gas was in commonwealth waters; therefore, the royalties would go to the commonwealth government. Premier Gallop had to decide whether we had the project or not. The Premier's view is that we should have pushed it further. There would have been two problems if we had followed the Premier's view: firstly, if the project had had to come to the mainland, we would not have had a project; and secondly, if we had pushed it further and the commonwealth government did not buckle, we would not have the project today, and the Premier would not have signed the agreement yesterday.

Mr C.J. Barnett: That's a matter of judgement. I would simply say that if I had still been minister at that stage—2003—I would have taken a harder line than I saw Labor taking at that stage. That's a negotiating tactic, I guess.

Mr M. McGOWAN: Although I was not in cabinet, I remember it fairly well. It is worth remembering that in 2003 the so-called boom had not yet hit. For the first couple of years of the Gallop government's time in office, the Western Australian boom had not reached the crescendo it reached in subsequent years. Geoff Gallop and

Clive Brown negotiated this arrangement with the company and brought in the agreement act. It is a complex agreement act; it is big and there are a lot of components to it, including the domestic gas component and other components that are not prescriptive but that try to ensure as much local content as possible. The problem with the Premier's approach of negotiating agreement acts at the last moment is that this is not a small project; this is the biggest project in the history of the country. I have heard some people say that the project has taken six years from 2003 to finalise. This is a company investing nearly \$50 billion; it does not do that easily.

The other point is that the environmental approval was very significant and major. It took the entire six years to complete. For the entire time I was Minister for the Environment, the problem of how to resolve this significant issue was always on my agenda. As I indicated earlier in the debate, that is the sole reason I went to Norway. It was an enormous environmental approval—the biggest one I handled. I had some very tough ones in 2006 that I do not think had been managed before and have not been managed since, including Wagerup, Worsley, FMG and expansions to BHP and the like. That is why the agreement act had to be in place back then—because the approvals took a long time. I am not an international financier, nor am I an oil tycoon, but it takes a long time to get a \$43 billion investment in place and settled. As I recall, companies such as Exxon were flighty about their investments, and they needed this sort of assurance to put their investments in place.

I was present at the Premier's announcement yesterday and at his event this morning. I am not particularly keen to argue about who deserves credit, but I do like an accurate historical record of what has happened. I always like for there to be some acknowledgement of people who do things, and the names of Geoff Gallop, Clive Brown, Alan Carpenter and indeed my name as the former environment minister—not that I care—did not pass the Premier's lips.

Mr C.J. Barnett: Neither did Richard Court's name, and the names of other people, federal and state, who played a role. The point I made was that successive governments, federal and state, played a role in that project. I deliberately did not pick names out; we could go back to Ian MacFarlane and a host of other people in the corporate sector and in federal and state politics, Liberal and Labor, who played a role in that project, as in any major project. I deliberately chose not to name names, because as soon as you start picking names out, you omit someone.

Mr M. McGOWAN: The role of Ian McFarlane and the commonwealth government was actually quite limited, as the Premier knows.

Mr C.J. Barnett: That's a matter of judgement. Ian McFarlane would probably see it differently. I'm not promoting his cause, I'm just saying that when you try to say who was the father or mother of a project like this, you invariably get it wrong. You may disagree, but I just acknowledged that previous governments, state and federal—by implication, Liberal and Labor—had all played a role in this project. The project has waxed and waned over the past 15 years. It is a fact that I handled the project for six or seven years during the 90s, and ironically I am back now. You handled the project during the intervening period; I recognise that.

Mr M. McGOWAN: I draw the Premier's attention to just one thing in that regard. When the Chinese gas deal was signed in 2002, Richard Court had done the majority of the work at the state level. I know that John Howard went along, and from memory Gough Whitlam also went as the sort of father of Australia's modern relationship with China. A number of people were rolled out to be part of it, but from a state point of view there is absolutely no doubt that Richard Court was, in a political and governmental sense, the main person to play that role. The announcement of that \$25 billion LNG deal with China—small by current standards—was made on 9 August 2002. I have the article from *The West Australian* and I remember Geoff Gallop calling Richard Court to congratulate him, then going out to the press to acknowledge him and give him credit publicly.

Mr C.J. Barnett: Did he call me at the time? I wasn't offended at the time, but I remember it well.

Mr M. McGOWAN: He called Richard Court, who was Premier at the time, and Geoff was Premier when this project was negotiated. I think that is an important point.

Mr C.J. Barnett: It is an important point; it was very generous of Geoff Gallop, but I also happened to be Leader of the Opposition. Although Richard Court certainly played the upfront role in China, I handled all the negotiations on the reserve position for the project and made two trips to China, alternating with Richard Court. He led in China, but as minister, I did all the renegotiations for train 3, the reserve allocation and most of the negotiations with the Chinese government. I accept that and I didn't complain that time. When you say that, it is true, but Geoff Gallop did not get up from here, walk around the other side and say, "Well done, Colin", so don't rewrite history.

Mr M. McGOWAN: Has the Premier done that with the member for Belmont, the member for Willagee or, indeed, me?

Mr C.J. Barnett: No. The point I make is that that is why I do not go through and pick out names. There are some projects that I agree people are directly identified with. When those cases come up, I will acknowledge the individuals. There will be one coming up in about a year, but so many people were involved in the Gorgon project. As I said, I had an involvement and lots of other people had an involvement too. It happens to be the case that has come to fruition now. That's the way it works.

Mr M. McGOWAN: That is right.

I suppose I will close on this point on this issue. The other day I went to the opening of Rockingham General Hospital by the Minister for Health. I was walking along the Geraldton foreshore recently and I saw the plaque there where the Premier had opened the Geraldton foreshore, which development the former government put in place. The same thing happened with the Bunbury Back Beach project. Next Sunday, of course, the Premier will be down south opening the freeway that the former government put in place in conjunction with one-third funding from the Howard government.

Mr C.J. Barnett: Yes.

Mr M. McGOWAN: I accept that. Elections come and elections go. The Premier will open a range of projects on which this government did nothing. That is all true, but the one point about the Gorgon project is that the evidence is there, as I outlined to the Premier before, that demonstrates that in 2003-05 the Premier made statements and had election policies in place that could have meant the destruction of this project.

Mr C.J. Barnett: That's not the situation.

Mr M. McGOWAN: It is right; they would have. I am referring to the election policy about moving the project to the mainland. I understand the Premier's criticism that Barrow Island is an environmental jewel and that he had some difficulties with that. He had some difficulty with other aspects of the project, but it was moving the project to the mainland that was the potential deal breaker.

Mr C.J. Barnett: You are just a bit softer with the multinationals than I am.

Mr M. McGOWAN: That is what Peter Coghlan had to say at the time.

Mr C.J. Barnett: Yes, because they knew that with me they had a tough bargain. They knew that Labor would be soft.

Mr B.S. Wyatt: Ha, ha!

Mr C.J. Barnett: It's true. You want to look at the history and the calibre of the agreement acts you put through in 2002 and 2003. Some of the projects have come to fruition, but you want to look at some of the characters and at the calibre of some of those projects that you brought in as agreement acts; they led to projects many years later. Take for example—I won't name them—a couple of very high-profile projects for which I as a minister in the 1990s had negotiated the agreement. I would not bring it into Parliament because all it would do was give an open-ended cheque to the proponent. There is a very wealthy person in Australia today —

Mr M. McGOWAN: Is he in Queensland?

Mr C.J. Barnett: He is a very wealthy person because you brought in an agreement act which made that person a great deal of money. I was never quite that silly.

Mr M. McGOWAN: Is he in Queensland and closely associated with the National Party?

Mr C.J. Barnett: There's a fair bit of rent-seeking here. Some of the most wealthy mining entrepreneurs in Western Australia have never actually put a shovel in the ground, and you ought to be aware of that. Life goes on.

Mr M. McGOWAN: He is in Queensland. I think he hails from the Gold Coast and he wears light-coloured suits. His son may well have run for the Parliament in Queensland for the National Party, as I recall.

Mr W.J. Johnston interjected.

Mr M. McGOWAN: However, I am just about to reopen —

The ACTING SPEAKER (Mr J.M. Francis): Before you do, member for Rockingham, I am cognisant of the fact that for 15 minutes I have not heard a single reference to the bill before the house. If I may, I will draw the member for Rockingham back to it.

Mr M. McGOWAN: I think I closed on the point, and I have made my point about the role of Geoff Gallop, that it would have been appropriate for the Premier to have acknowledged him, and Clive Brown for that matter. The

record is there on the Premier's statements in 2003 and 2005. I do not think that over the past year the Premier kept saying that the intensity had increased.

Mr C.J. Barnett: It has.

Mr M. McGOWAN: With this project the hard work had been done, the criticism had been stared down and it is fair to say that from that time the major part of the project had been in place. It then required the company to obtain its finances to put it in place, in particular the domestic gas level component.

Mr C.J. Barnett: Those companies don't obtain finance. If you had listened to the media, you would know that they don't seek finance. Shell doesn't seek finance. You need to understand that.

Mr M. McGOWAN: Hold on! The Premier is correct: the company had to obtain its finances internally. It had to bid internally for projects. Although each of the three parties—Shell, Exxon and Chevron—all said they were self-financed from internal resources, they had to bid for finance, as other projects were competing for that money.

Mr C.J. Barnett: No, they don't.

Mr M. McGOWAN: They do. They have a range of projects out there. I will tell the house about Exxon in particular. It was flighty about this deal. It needed the assurance of the former government, based on the state agreement act that we put in place in 2003, which the Premier described as premature. If that had not been in place, Exxon might not have been part of it and the Premier might not have been making an announcement of that deal recently.

Mr C.J. Barnett: Do you seriously think that a 40 trillion cubic feet of gas resource is going to lie idle? It is one of the world's greatest gas resources.

Mr M. McGOWAN: At some time of course it would be exploited; it is a matter of when. Some people think that it should all be exploited at once. I am not one of those people. However, this project was put in place at a time when Western Australia was not in the position it is in now in terms of the number of projects out there; therefore, the then government was out there seeking projects and this is one that it obtained. I want to pay tribute to Geoff Gallop and Clive Brown in particular for bringing this one to fruition, in particular the domestic gas component to which of course this legislation we are dealing with now will apply, and of course the geosequestration component and the major environmental offsets that are part of this project. I would especially like to see complied with and continued the conditions that we put in place for the protection of turtles and the reservation of parts of the coastline and some of the islands there as turtle habitats—sanctuaries if members like. I would like to see those parts of the state extracted from pastoral leases to ensure that there is a protected habitat for turtle life and marine life in that part of the world. They were certainly some of the conditions I put in place. Now they rely upon government action. I think members of the conservation movement probably had a point when they asked what would happen if the government changed. They said that they thought I might put the conditions in place but they wanted to know what would happen if the government changed. The conservation movement had a point. I was not expecting the government to change, but it did change. Therefore, my last piece of imploring on this bill is that the government adhere to those conditions that were part of the original and major environmental approval in December 2006. The most recent environmental approval was minor by comparison. That is a fact.

Mr C.J. Barnett: Ha, ha!

Mr M. McGOWAN: Seriously, the Premier would not know.

Mr C.J. Barnett: I think I know far more about resource projects than you do.

Mr M. McGOWAN: It is 10 million to 15 million tonnes—one extra train—but there could be another project in the change.

Mr C.J. Barnett: The company wasn't even in the feed process when you were in government.

Mr M. McGOWAN: How would it have gone into that process without the work that was done?

Mr C.J. Barnett: Exactly; it wasn't at the crunch point.

Mr M. McGOWAN: Of course the company would not have done it.

Mr C.J. Barnett: The crunch comes when they go into the feed process.

Mr M. McGOWAN: The only reason it financed the project is that it was based upon the agreement act we put in place. However, I have made all those points. The Premier has said some illuminating things. We support the legislation that is now going through the house.

Extract from Hansard

[ASSEMBLY - Tuesday, 15 September 2009]

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Mr Mark McGowan; Mr Ben Wyatt; Mr Alan Carpenter; Mr Colin Barnett

MR B.S. WYATT (Victoria Park) [9.28 pm]: I do not intend to speak at great length on the Gas Supply (Gas Quality Specifications) Bill 2009. However, I want to make it clear that I have been a member of Parliament now for three and a half years and I am responsible for Gorgon!

Mr C.J. Barnett: Join the queue!

Mr B.S. WYATT: Gorgon is mine! If it were not for me, Gorgon would not have been signed by the Premier yesterday! I think that is clear to all! It is certainly clear to me and it is certainly clear to Kevin Rudd!

Several members interjected.

Mr B.S. WYATT: There is an old saying: never get between a state Premier and a bucket of money. A similar saying could be: never get in the way of a political leader and a legacy. It has been interesting in the past little while watching two political leaders, in particular the Prime Minister and our very own Premier in this place, rushing quite hard to claim Gorgon as their very own project, and that nothing would have happened without either of them. I think the member for Rockingham just gave a very good historical outline of the Gorgon project and the series of many events that took place to get to yesterday's signing. But whether we in this place like it or not, and I think the Premier perhaps needs to reflect on this a little when he describes himself as the one person in Western Australia who knows the most about resource projects, politicians are by and large historical footnotes to these sorts of developments and these sorts of economic activities. Politicians have a very keen and active role to play, but when we look back in history, it is very rare that a politician's name is prominently attached to a major infrastructure project. I think that 10, 20 or 30 years from now, the Gorgon project will be attached to one name and that name, I dare say, is Chevron. I note that the Premier wants to claim this and I know he is very keen on Gorgon; however, I dare say that the legacy of Gorgon will be very firmly attached to Chevron, not to Colin Barnett, not to Kevin Rudd and not to Geoff Gallop, regardless of the fact that so many people had a long role to play, and I acknowledge that. These things do not happen because of one particular person, but this project has happened and it reflects well on the fact that Western Australia has developed and got this fantastic outcome, more so for Australia than for Western Australia; it is a great national outcome. Once this project is built, and is up and running, it will be a fantastic national asset and a fantastic international asset for all of us. Therefore, I think it is worth reflecting on and taking that bit of historical perspective.

The member for Rockingham referred to the Macedon project and BHP Billiton in his contribution to tonight's debate. BHP has been something of an interest of mine in the past little while. I have been reading a book called *The Big Fella: The Rise and Rise of BHP Billiton*, which is a historical look at BHP by Peter Thompson and Robert Macklin. It is a very good, interesting piece and it outlines the Bass Strait development, BHP stumbling across Bass Strait, and the luck of Mr Weeks in finding, advising and getting his deal with BHP, which made him an extraordinarily rich man. However, the name Mr Weeks is no longer attached to the Bass Strait oil and gas fields; BHP is the name that is attached to that project. I dare say most Australians, and certainly most Victorians and South Australians, would have no idea who the chairman or the chief executive officer of BHP was at the time; it was simply BHP. That is the way that history goes, but certainly Western Australia and Australia can take great credit for having a legal and regulatory system that has produced such a fantastic outcome for Australians.

I too want to echo the comments made by the member for Rockingham, the former Minister for the Environment, about the geosequestration on Barrow Island, which is extraordinary technology. I still cannot quite get my head around it, not being a person from a technical background, but it is certainly incredible technology. It is something that we need to acknowledge and celebrate.

An opposition member interjected.

Mr B.S. WYATT: I figure that it has to be more complicated than that; it just sounds far too simple. If it is so simple, why are we not doing it elsewhere?

Anyway, the turtles that had such a prominent role to play in the ongoing negotiations that led to the final approvals for Gorgon yesterday will be firmly in Western Australians' minds over the years to come.

The Gas Supply (Gas Quality Specifications) Bill 2009 is timely and I guess it is coincidental, to a certain extent, that it is being debated today, the day after the Gorgon signing. It is a piece of legislation that has been a long time in the making, again, by consecutive governments, in getting to where it is today. The opposition obviously supports the bill. Interestingly, just a few weeks ago I had a briefing with the Economic Regulation Authority about its activities and its future projects. The ERA raised this bill as something of significance for it and for the gas industry and hoped that it would come on as a matter of urgency. It has since come on and will be passed by this chamber this evening.

I also want to acknowledge, in respect of my rapid education about the energy sector and the gas industry in the past 12 months, the DomGas Alliance, which has been very vocal in wanting to ensure the supply of domestic gas. No doubt it will be happy about the passing of this legislation. As the Premier outlined in his second reading

speech, this legislation when passed will facilitate the development of a greater range of gas fields, which will therefore increase the supply of gas to the domestic market and thereby hopefully increase competition and have a downward impact on prices. Therefore, in the end consumers will be the beneficiaries of this bill, which is why I think that it is not particularly controversial in its passage through the lower house this evening. I want to thank the Minister for Energy for his department's briefing on this piece of legislation to me and the shadow energy spokesperson, Hon Kate Doust.

It is worth noting—the member for Rockingham has already made this point—that what we are really talking about is energy content. The consumers, the people at home, will not notice any difference when they use their appliances. There will be, obviously, with broader specification gas, a larger amount of gas coming through to provide similar energy content; however, consumers will not necessarily know that unless of course their appliances are not appropriate to deal with that gas. The rectification program that will deal with that is outlined in the explanatory memorandum. I must say that the explanatory memorandum is perhaps one of the more detailed explanatory memoranda I have seen for legislation in this place. It certainly gives all members a very clear outline of the legislation, what it attempts to do and the complexity of the regulations that will necessarily lie behind this bill. The detail of those regulations is currently being developed in anticipation of the passage of this legislation. The necessity to deal with some of those contracts on a case-by-case basis, the flexibility required et cetera mean that of course those regulations do not form part of the legislation. However, this is a very good piece of legislation. Broader specification gas obviously necessarily makes other gas fields that do not have that sort of quality gas or have gas with higher concentrations of impurities more accessible and hopefully more commercially viable for those who wish to exploit that gas.

I have one question about the advertising program that the member for Rockingham referred to. From memory—I may not be 100 per cent correct as my briefing on this was about a month ago—I think the advertising regime will be funded by the private sector. Will that be effectively government advertising and therefore fall within the policy and budget of the government advertising budget, or is it something that the government intends to keep separate from the standard government advertising budget? I would like it if the Premier could clarify that in his response later, as it is something that I am curious about, because obviously there will need to be an extensive advertising program to ensure that Western Australians are aware of the changes and certainly are aware of the rectification program, for example, for their own pre-1980 gas appliances, which probably applies to half of mine.

I did not intend to speak for as long as I have. Obviously, the opposition supports this legislation. I simply wanted to note that I have met with a number of organisations about this legislation, not necessarily in my role as shadow Treasurer but simply because of my interest in this area. The DomGas Alliance in particular has been active.

I conclude as I started. It is indeed timely that this legislation has come on at the time of the signing yesterday of the final approvals for Gorgon, which, despite the theatre of question time in Parliament, is something that, of course, all members of this place have strongly supported for a long time. For longer than my three and a half years in this place, Gorgon has loomed large in my mind and in the minds of all Western Australians.

MR A.J. CARPENTER (Willagee) [9.40 pm]: This is an important bill, and I congratulate the government for bringing it forward. It is a very important development for the state of Western Australia. It is an issue that has been before the state for some years now, driven really by BHP Billiton's desire to develop the gas field that was referred to earlier, but whose gas had a lower calorific value than the gas that is in the pipeline to the south west now, and that has created this problem that needed to be addressed. It was an issue that the former energy minister, the member for Cockburn, had been working on for us in government. But, from my recollection, we had got nowhere near the point of developing legislation. I sincerely congratulate the government for the work that has been conducted on this in the past 12 months. I assume that it is still related directly to BHP's Macedon gas field, which, as I recall, is off the coast of Onslow. In prospect, it provides a very, very significant augmentation of the domestic gas supply for the state of Western Australia. Given our domestic energy profile and the anticipated growth of our domestic economy, which will be substantial in the next five to 10 years and thereafter, getting more gas into the domestic market is a critical issue for the government to grapple with.

The issues as I recall them were always about who would bear the cost. It is significant that this legislation seeks to resolve that by way of a compensation mechanism to compensate end users and gas storage people for the loss of that calorific value. What it means is that more gas has to be pumped down the pipeline to get the same heating value at the other end. That affects the gas pipeline owners, the gas storage operators and the large consumers of domestic gas. There was also the particular issue of safety that the member for Rockingham addressed. The initial discussion with BHP was always about whether BHP was prepared to foot the bill that would result from lowering the specifications. In particular, it was about the small-scale domestic gas users whose heating appliances could have caused major safety issues in ordinary households from using lower calorific value for the very reasons that the member for Rockingham mentioned. It has happened in other parts of

the world. I have been present at times that it happened in Britain, when gas had leaked due to its low calorific value. That caused gas flames to go out and left gas still running, filling households and buildings with gas and causing the gas to explode and the buildings to be blown apart. If anyone was inside the buildings, loss of life occurred. That was a prospect that had to be dealt with here, but the question was: who would bear the cost of the safety mechanisms that had to be put in place and of the replacement equipment, and how would that mechanism operate? I am happy, from what I have observed from this legislation, that that now seems to have been addressed.

Although I am not as familiar with the situation as I once was, I understand there are other gas fields, with a lower calorific value that can also be exploited and that have a broader specification, enabled by this legislation. The gas industry might seem complicated, but neither the export industry nor the domestic market is overly complicated. A liquefied natural gas facility looks overwhelmingly technical, but it is in fact more or less a large refrigerator. The gas is pumped from off shore, frozen, reduced substantially in volume and shipped to a user where it is expanded and burnt. The issue here for domestic gas is slightly different. It is about the volume of gas that can be sent down the pipeline and how that occurs. I think there are opportunities for Western Australia far beyond those we have been able to exploit so far in our domestic gas industry structure.

I would be interested to hear some responses from the Premier to a couple of questions related to domestic gas. I must admit that they are not specifically related to this legislation, but flow from it and the domestic gas issue. I want to background my questions a little bit first. I do not intend to traverse the same ground as the member for Rockingham did in relation to who should be acknowledged as the instigators or the main drivers of the various gas projects. Everyone will make their jump on that and everyone has probably had a different experience. My view on the Gorgon project, for example, is that it is substantially a project that was brought to bear by the government I was a part of. Some of the initial work was done by the previous Court government, and the final bit of fairly minor work, I believe—I was not involved in the discussion, so I say that as an outside observer—on the approval of the expansion from 10 million to 15 million tonnes per annum, was done by the current government.

Mr C.J. Barnett: I won't argue —

Mr A.J. CARPENTER: I am not interested in arguing.

Mr C.J. Barnett: —but there has genuinely been an incredible intensity over the past nine months on this project. I am not discounting anything done before, but your former agencies—the environment agency—have worked to extraordinary intensity because the project was coming to the crunch. That is when the heat goes up.

Mr A.J. CARPENTER: Precisely. That does not surprise me. An enormous amount of work was done over the years the Labor Party was in government. It was more intense at different periods because there was more requirement at different periods. For example, I remember when the member for Rockingham was the environment minister and had the very heavy responsibility of determining the environmental approvals for the project, as it then was, for 10 million tonnes per annum on Barrow Island, and all the intricacies and political difficulties that went with that, only for me to be confronted with the position put by the project partners that they were intending to expand it again. I think it started as a five million tonne per annum project, went to 10 million tonnes and then to 15 million tonnes, and the partners talked about a 20 million tonne per annum project. A huge amount of work, which attracted international attention, was involved with how to develop the carbon geosequestration element of it and how to manage the environmental sensitivity around Barrow Island, which was largely done by the Minister for the Environment as the member for Rockingham then was, because that is what was required at the time. I recall also—this is leading up to one of my questions—a meeting I had with the three project partners. I congratulate Colin Beckett, as the project manager; I think he has done a magnificent job and should be given great accolades by those of us in government in Western Australia for the role he has played in bringing this project together. There were times when the project looked shaky due to international factors, pricing and cost factors. The cost of the development of the facility escalated enormously with the economic boom we experienced during 2005, 2006 and 2007. The cost of inputs also escalated enormously, and it was difficult trying to manage the three partners—Chevron, Shell and ExxonMobil. I think it was the first time they had been involved in a partnership. From my observations Exxon in particular was less enthusiastic about the time lines, shall we say, than were Chevron and Shell. Exxon seemed to me to be more content with a longer time line, driven I think by an interest in other projects around the world, than were Chevron and Shell, particularly Colin Beckett, who obviously was charged with trying to bring the project to reality as quickly as he possibly could.

The meeting to which I referred at the start of that little story that I have just told was one in which there was a discussion about an expansion from 10 million tonnes to 15 million tonnes, I think, and the ExxonMobil representative of the three partners told me that if we insisted on a domestic gas component, there would be no project. I remember the meeting very clearly. I have had several meetings of that nature. He explained that the

development costs of the project had escalated to such an extent that if we insisted on the domestic gas component, there would be no Gorgon project. We had some discussion about that, and the meeting was left at this point: I responded to Colin Beckett and the other partners that if there was no domestic gas component, there was no project, so they should go away and think about that; they should go away and think about the fact that if there was no domestic gas component to the Gorgon project, they did not have a Gorgon project. They came back within a week and said that they had re-crunched the numbers and they had figured out that they could probably do a domestic gas component, and probably do it quicker than they thought they could do it in the initial phase.

The domestic gas component, as I recall, required the partners to set aside two TCF—that is, two trillion cubic feet, not as I think the Premier said inadvertently this morning when he referred to cubic feet rather than trillion cubic feet—of the then 13 trillion cubic feet that constituted the project. That was the size of the project, I think, when the state agreement was struck in 2003—13 trillion cubic feet. If we do the maths, two trillion cubic feet of that 13 trillion cubic feet represents about 15 per cent of the then resource to be reserved for domestic gas production. One of my questions to the Premier is: do we still have a two TCF reservation for domestic gas production? I say that because subsequent to that agreement being struck, the project grew to a 40 TCF project because other gas fields were added to the project. One of the discussions that we were having was that the 40 TCF should conform to the 15 per cent domestic gas reservation policy also, so it was, therefore, much greater than two TCF. It was in fact more like six TCF. I would be interested to know whether, as part of the agreement or the final understanding, there is an agreement that the 15 per cent domestic gas reservation policy still applies over the broader Gorgon project.

That original 15 per cent domestic gas reservation, or the two TCF, was insisted upon by my predecessor as state development minister, Clive Brown. The origins of the 15 per cent domestic gas reservation policy lie with Clive Brown, not, as the Premier has asserted publicly recently, with Sir Charles Court.

Mr C.J. Barnett: It was the basis of the North West Shelf agreement.

Mr A.J. CARPENTER: There was a North West Shelf agreement that related to domestic gas, but if we look at the history of the North West Shelf agreement, we will see that it is completely and utterly different in its nature and its genesis from this project. The state agreed to take or pay for a huge quantity of domestic gas under the North West Shelf agreement. That was the reason that the federal government, in return, agreed to a royalty compensation for the state. In fact, Sir Charles Court's agreement put the state at peril financially.

Mr C.J. Barnett: No, you are totally wrong. There were two components. There was the take-or-pay contract and there was the reservation.

Mr A.J. CARPENTER: The agreement had to be renegotiated subsequently by David Parker, as I recall. I think so.

Mr C.J. Barnett: Yes, he had a go.

Mr A.J. CARPENTER: He did. The 15 per cent domestic gas reservation policy upon which I based my government's 15 per cent gas reservation policy found its origins in the work done by Clive Brown, not Sir Charles Court. As I have said publicly and privately, I am a fan of the work that Sir Charles Court did for the state of Western Australia and its development; I am, unashamedly, much to the chagrin of many people in the Labor movement. He had other qualities that did not sit so comfortably with my political view of the world, but the industrial development of this state owes a great deal to the work that he did.

I want to know whether we still have a 15 per cent domestic gas reservation policy.

Mr C.J. Barnett: We have a reservation of 300 terajoules per year.

Mr A.J. CARPENTER: That does not answer the question.

Mr C.J. Barnett: That is as per the Barrow Island agreement of 2003. That is unchanged.

Mr A.J. CARPENTER: It does not really answer the question. That takes the answer specifically to the 13 trillion cubic feet construction of the Gorgon project, which is now at least a 40 TCF project. That is not a criticism; I was asking a question. More broadly, though, because we have other LNG projects coming on track soon, do we still have a 15 per cent domestic gas reservation policy? That is the first question. Secondly, in any of his discussions with Inpex, did the Premier raise that 15 per cent domestic gas reservation policy? I did. I have heard the criticism that the Premier levelled at the member for Belmont, which is completely unfair if he knows the history of it.

Mr C.J. Barnett: I do.

Mr A.J. CARPENTER: No, he does not. The Premier has been given only a version of it. If he had lived the history of the Inpex project, he would understand that his criticism of the member for Belmont—it does not

resonate in public anymore, anyway, so this is just my explanation to the Premier—was completely unfair. I travelled to Japan, like the Premier did, but I did not travel to Japan to grovel at the feet of the Japanese.

Mr C.J. Barnett: That is highly offensive.

Mr A.J. CARPENTER: It is what the Premier did.

Mr C.J. Barnett: That is highly offensive, particularly as my father fought the Japanese in New Guinea. I find that personally offensive.

Mr A.J. CARPENTER: If that is the case, the Premier behaved offensively to the people of Western Australia. Grovelling to the Japanese company, Inpex, and asserting that somehow the state of Western Australia was at fault —

Mr C.J. Barnett: It was.

Mr A.J. CARPENTER: It was not. Let me explain what happened. It will not be reported; it is too late. Inpex insisted on absolute unfettered access to the Marat Islands. In fact, it originally wanted freehold, or the equivalent thereof. It did not want to deal with environmental approvals or Indigenous issues and it did not want to have any other gas-producing company on its site. I took advice on this matter from none other than Richard Court. It was not a party political thing. The look on the Premier's face says it all. He is dismissive of Richard Court's contribution to Western Australia. He holds him in contempt. I find that very sad. I think Richard Court, like his father, did an enormous amount of good for the state of Western Australia and he deserved to be acknowledged —

Dr G.G. Jacobs: Did you tell him that when he was here?

Mr A.J. CARPENTER: Yes. He deserved to be acknowledged for the role he played in developing the LNG industry with China. The Premier was a minister. I have heard him take credit for the carbon geosequestration idea for Barrow Island, which is laughable considering his only public utterances were in opposition to the location of the Gorgon project on Barrow Island, not once but over and over again. He said that the project should not go on Barrow Island. The Premier rewrote history. The sad thing about it is that the member for Cottesloe does not understand that what he is saying is not true, even when it is about remarks he made about his own history. If he was attached to a lie detector, it would never show a lie because he believes absolutely everything he says. The fact is that his only public utterances about the Gorgon project were in opposition to it. He said that it should go on the mainland or it should not happen. He was opposed to the Pluto project, another great development. He steadfastly opposed that project. He rewrote history to suit himself. Richard Court deserves the accolades that he got for the development of the LNG industry. I heard the Premier concoct some bizarre story that he was responsible for the development of the LNG trade with China. He flew around showing the iron ore industry to a Chinese official who was curious about the LNG industry, so the Premier landed the plane and talked to him about it and that sparked the whole idea. That is absurd nonsense.

Mr C.J. Barnett: No, it's a matter of fact that when Zhu Rongji visited here —

Mr A.J. CARPENTER: That is —

Mr C.J. Barnett: You're so bitter and twisted.

Mr A.J. CARPENTER: Premier, I am not.

Mr C.J. Barnett: You are.

Mr A.J. CARPENTER: Okay.

Let me tell the house about the Inpex project. Inpex wanted a deal including no 15 per cent domestic gas reservation, to be able to site wherever it wanted—not a hub location, let alone a hub facility—and unfettered access to the island. If we had agreed to its demands, the state of Western Australia would have had absolutely no bargaining position on any project that came along thereafter. We would have ceded any position that the state could take on the development of any project. It would have been a disaster for Western Australia. That is the truth.

I sat in the boardroom of Inpex in Tokyo, across the table from its chairman, managing director and everybody else they could muster in the room, and told them the cold, hard fact that if it wanted to do business in Western Australia, there were some pretty basic and not very difficult thresholds that it had to meet. That is what happened. It did not want to meet them. If we had given away those thresholds, it would have been the end of the state of Western Australia as an entity capable of exercising its jurisdictional powers.

What this Premier did was to run off to Japan because he was given a distorted version of what happened in the election campaign. He took off to Japan and apologised to Inpex. He did the state of Western Australia a major disservice. It was ridiculous and the Premier should not have done it. That is what happened with Inpex.

Mr C.J. Barnett: I am sorry, but you may not recall that you weren't on the trip with me to Japan. You wouldn't have any idea about what I said.

Mr A.J. CARPENTER: The Premier came back and told this house what he had done; that is, that he apologised —

Mr C.J. Barnett: What I did was to re-establish the relationship with Japan.

Mr A.J. CARPENTER: Nonsense. The Premier has no idea; he is a bungler. The Japanese have no respect for people who grovel before them.

Dr G.G. Jacobs: That is not fair.

Mr A.J. CARPENTER: What does the member for Eyre think the Japanese thought when the new Premier of Western Australia rocked up and apologised, in a most craven way, for not giving in? It is ridiculous.

Anyway, I sincerely congratulate the government for this piece of legislation. It is a significant piece of legislation that will help to facilitate the growth of the domestic —

Dr G.G. Jacobs: If you liked it so much and you were there for eight years, why didn't you do it, if it wasn't rocket science?

Mr A.J. CARPENTER: I could equally ask why the now Premier did not do it in the eight years beforehand. Timing is everything, member for Eyre.

Mr C.J. Barnett: We did and you buried it.

Mr A.J. CARPENTER: I am actually giving the Premier credit for what he has done here.

Dr G.G. Jacobs: You missed an opportunity then.

Mr A.J. CARPENTER: I advise the member for Eyre that the situation had not got to the point at which this legislation was absolutely necessary. There were initial discussions with BHP about the Macedon gas field. Those discussions developed into an inquiry into, or report on, how the issues inhibiting the development of that field could be resolved. We were voted out of government and the new government came in and took up the action. That is good.

When members opposite have been in government for a while and are being blamed for everything that has not happened, they will understand that things take time and they do not put in place new infrastructure, developments or agreements when nobody is asking for them.

By the time this matter had come to a head we were out of government. I congratulate this government for addressing this issue in this way. It is a good outcome. We will have to see how the legislation works and whether the compensation mechanisms work sufficiently well, but I trust that they will. Well done.

I think that for the development of various parts of our resource industry, particularly with the Gorgon project—we may or may not see it again with the Pluto project—there has been a significant rewrite of history. Be that as it may, it does not actually worry me. I am not bitter about it. I am very happy, member for Cottesloe, that we have this incredible project. It will mean a massive boost to the economy of Western Australia, and that is a great thing. I think that the Wheatstone project will be a great thing. I think that Fortescue Metals Group has turned out to be a great project for Western Australia, and various other projects have been good as well. This is a good piece of legislation. I hope it works well, and that it delivers the benefits to the economy of Western Australia through increased provision of domestic gas that we all anticipate it will.

MR C.J. BARNETT (Cottesloe — Premier) [10.06 pm] — in reply: I thank members opposite for their support of this legislation. We have had a wide-ranging discussion about the Gorgon project, North West Shelf, Richard Court, Sir Charles Court, Geoff Gallop and everyone else and I have made my comments on that. People will debate the history of projects. I think that the member for Victoria Park summed it up best: the main people responsible for this project are Chevron Shell and ExxonMobil.

I am not going to debate the issue, but I have been associated with the Gorgon project for over 15 years. It is unusual that I can be a minister and then come back as a minister, but the reality is that all these projects take years to develop. The North West Shelf gas was found in the 1960s. Sir Charles Court was associated with the North West Shelf, but in reality a lot happened on that project before he was a minister, but he brought it to fruition.

In terms of Gorgon, I acknowledge, and I acknowledged yesterday, that successive governments, state and federal, have played their role. I again state for the public record—members opposite might not want to hear it—but the real heavy lifting took place in the past 12 months. Members opposite do not need to take my word for it;

they can ask Chevron, because that is what happened. That is, inevitably, as it will be. When Chevron went into final engineering and design into the feed, in front-end engineering and design processes in September last year—about the same time as the change of government—that is when it spent the \$300 million to this stage; that is when all the issues came to the fore. I acknowledge that it was working against the framework of the Barrow Island Act, which was put through Parliament in 2003. The opposition of the day supported that legislation and voted in this chamber in support of it.

The intensity of effort is found when a project comes to the crunch. I have to say that I have been involved in a lot of projects over the years and members opposite probably think that I played no role at all, and I am happy for their view of history to prevail. However, the two projects in my time that had the most intensity have been Gorgon over the past 12 months and the goldfields gas pipeline 10 years ago. Those two projects took intense effort to get them over the line. That is the reality, and we can debate that forever, and members opposite will have other examples.

The last point I will make about this is that I take exception to the member for Rockingham suggesting that somehow I tried to take credit for all aspects of the Gorgon project. At no stage in what I said yesterday did I say that. I acknowledged previous governments. The member made the point that I acknowledged previous governments, federal and state.

Mr M. McGowan: I did not say that. You are verballing me.

Mr C.J. BARNETT: The member for Rockingham talked about acknowledging individuals. I chose deliberately not to do that or to acknowledge senior public servants who played a role. For example, I could pick out the name of Dr Des Kelly, who did an enormous amount of work in the 1990s on the Gorgon joint venture; he has been retired for seven years. We cannot start that game. There are too many people over too long a period.

Mr M. McGowan: I took your interjections.

Mr C.J. BARNETT: I just want to make this point. The member for Rockingham drew attention to and tried to draw some comparison with the sale of gas to China that happened when the Liberal government was defeated and Labor came to office in 2001. There is a parallel, but there is an element of timing in this. The sale of gas to China, the LNG train 3 on the North West Shelf and the variation of the reserve position had all been put in place prior to the election campaign. The election took place in February. The sale to China was announced three or four weeks later.

Mr M. McGowan: It was 18 months later.

Mr C.J. BARNETT: The sale to China was very quickly afterwards.

Mr M. McGowan: It was September 2002.

Mr C.J. BARNETT: In any case, the arrangement had been there. We could go on forever.

Mr M. McGowan: Are you going to take my interjection, as you said you would?

Mr C.J. BARNETT: I am going to make my speech and I will come back, but I will give the member plenty of time. We can argue that forever and a day. This bill is about widening the gas specification. It happened in the late 90s.

Mr M. McGowan: It was 9 August 2002.

Mr C.J. BARNETT: But that was the final bidding process. The bids had been put in, the adjustment to the reserve position had been made, the approvals for train 3 were in place and that was the bidding process and the assessment by China. That rolled out and it happened under the Labor government, but there was no graciousness, as the member for Rockingham would so describe. Governments change and projects take place. The only point I make is that I will not in any way discount the efforts of the joint venture partners, respective ministers and respective agencies over the past 12 months in getting Gorgon over the line. The member for Rockingham can dismiss that and say it was minor, but he should talk to the public servants in environment, state development or mines about the workload they have had in the past six months to get this project over the line. The crunch time always comes at the end.

Mr M. McGowan: I will just say one last thing. You just said that you deliberately did not acknowledge anyone at the event yesterday, otherwise you would have had to acknowledge everyone. That is why you did not acknowledge Geoff Gallop, Clive Brown and the like. Why did you specifically acknowledge Brendon Grylls, Norman Moore and Donna Faragher?

Mr C.J. BARNETT: Because they are the current ministers who yesterday with me signed off on the agreements.

Mr M. McGowan: So you did acknowledge people.

Mr C.J. BARNETT: The carbon dioxide liability issue only came up in the past few months.

Mr M. McGowan: No, I was considering that. It was always on the cards; don't you remember?

Mr C.J. BARNETT: Work took place, but the project is still there.

I want to go back and answer the questions raised specifically about the gas specification. Members are right—this legislation is primarily in the first instance to do with Macedon. The specification of the heating or energy value of gas and its chemical composition was laid out almost 30 years ago to recognise the gas qualities of the North West Shelf gas. That has been a barrier to other gas coming in. Some relaxation of that was made during the late 1990s when I was Minister for Energy, and further measures were due to be made in 2003. They did not happen, but that has caused no great damage. Now Macedon is a real project and the specifications will be widened to accommodate Macedon. The problem is that some gas has a higher level of either carbon dioxide or nitrogen, which are basically inert gases with no energy component. If there is a higher proportion of those gases overall, that volume of gas has less energy. When Macedon is developed and its gas is fed into the gas pipeline, it will be a different specification. The advice I have is that its volume relative to the whole gas pipeline is still relatively small, so even though it is off specification, when it goes into the pipeline and mixes up with the existing gas, the total gas will still be within specifications.

It is unlikely that any gas will be delivered to Perth homes or industry, even with projects like Macedon, that would be outside the current specification for at least five to 10 years. This legislation anticipates something that is five to 10 years away. However, if Macedon and other projects outside of the specifications come online, and if they total enough to force all the pipeline gas on average out of specification, there will be a need for the compensation measures to pipeline operators and major customers and there will be a need to advise householders owning older appliances to replace them. At a minimum this situation is five years away and more likely 10 years away.

The question was raised about the particular effect on householders. Let us say that in 10 years' time the gas is out of specification and some pre-1980 appliances are deemed to be unsafe. Most appliances considered to be unsafe will actually be pre-1970. Nevertheless, there may be 20 000 of them. There will be an advertising campaign at that stage, which is probably 10 years away—government controlled but most likely done through Alinta—to reach gas customers. They will have their appliances replaced. If they choose to buy a better appliance they will get a fair deal. If an appliance has to be pulled out and a new one put in, all the cabinet work will be done as part of that. That is estimated to cost about \$35 million when it occurs. However, that is maybe a decade away, and we will be dealing with a relatively small number of appliances. Those who have a sense of history should bear in mind that when natural gas was first delivered to Perth in 1984, replacing coal-based synthetic gas, all gas appliances in Perth had to be either adjusted or replaced. That was a major task in the 1980s. This, by comparison, is a very small task. However, this legislation lays that out and enshrines that obligation. The producers of the off-spec gas, such as Macedon and whichever other company might come on stream, will fund the program. It will be coordinated by the government of the day and it will look after safety for householders.

A couple of other questions were raised. There are benefits for doing this. It will allow smaller and different specification gas fields to come into production. Hopefully, that will increase the gas supply. If market economics work, hopefully it will force down the price of gas. The price of gas in Western Australia is high. Typically, the price of gas for major contracts is about \$8. In 2001, it was about \$1 or \$1.50. We had a major competitive advantage then. The world has changed. In the US, gas can be bought for \$3. We went from being a low-priced gas economy to a high-priced gas economy. Natural gas is Western Australia's great natural advantage. Hopefully, in the future we will have more gas producers to sell the gas to the domestic market at a comparable price to which it is fed into an LNG plant. Gas in Western Australia might then cost about \$4 or \$5. If we do that, we will get back our international competitive advantage. That is something that this government will be setting out to do. It is a real issue that will not be easily solved.

The member for Willagee raised a couple of questions. The gas reservation of the Gorgon project is as it was laid down in the Barrow Island Act 2003. If anything has changed, it is that the reservation has firmed from 150 terajoules to 350 terajoules per day. Does that equate to 15 per cent? No, it probably does not. One of the issues of gas reservation is that it has been levelled at about 15 per cent of the reserve at the time. As the reserve decreases, that percentage is diluted. Does that matter? Not necessarily if the reserve is growing and more discoveries are made. When the gas fields expanded further, there would be a revision of that reservation. That would be the time to do it.

Some comments were made about the Inpex project. That was one of the defining issues in the state election campaign a year ago. Japan, our major trading partner for the past 40 years, said that it was too hard to develop a

gas resource off the Western Australian coast. It decided that it would pipe the gas 800 kilometres below the sea to Darwin. That probably cost the former Labor government the election. The member for Willagee implied that the incoming Liberal-National government would allow the Japanese to do what it wanted. We would not have in any way contemplated the use of Marat Islands. I made that very clear to Inpex from day one. We said that we would find it a site on the Kimberley coastline and that we would not do what Labor had done and give the Aboriginal people an absolute right of veto. That was the difference. The reason that the former government lost Inpex was not Marat Islands but that it gave Aboriginal people an absolute right of veto. That is why Inpex left. That was a defining difference between the Liberal Party and the Labor Party in that election campaign. I said that there would not be a right of veto for the Aboriginal people, or indeed any other community in Western Australia. The state government would decide where the gas was processed. That was the difference. It was not about Marat Islands. Inpex was never going to develop it in Marat Islands. That was unacceptable. I agreed with the former government about that.

Mr M. McGowan: He asked you about domestic gas and whether you gave Inpex an assurance that it would not have to comply with domestic policy.

Mr C.J. BARNETT: No, I did not. I said that I supported it. I said that during and prior to the election campaign. When I was a humble backbencher, I supported the 15 per cent reservation. I publicly supported that policy, which the previous Premier promoted, on a number of occasions. It was a variation. I think it was portrayed in some circles as a new policy. I made the point that the North West Shelf gas project, way back in its agreement act, also had a reservation. It was different in nature and had changed. The North West Shelf reservation was not simply a take-or-pay component. There were two parts to it. There was the take-or-pay contract. That gas was reserved because the state had purchased it. The second component was the gas reserve. I know about that very well because when North West Shelf was selling to China and wanted to build the third and the fourth train, it did not have enough proven gas at that stage. The only way it could legitimately offer a sale contract was if the state gave some slack on the reservation, which we did in the late 1990s. That allowed the then government to sign the contract with China. The member for Rockingham said that I had nothing to do with the gas sale in China. I will not dispute that. Richard Court's greatest achievement was probably the sale of gas to China. Richard Court in every sense led that. I provided a supportive role. My role in that project was handling some of the agreement act issues. The major role there was the renegotiation of the gas reservation. That was not the take-or-pay gas but something above it. However, it is all history. I think that the member for Victoria Park got it right when he personally took credit for the Gorgon project: whoever is on the island when the project goes to 25 million tonnes and digs a shovel in will probably say it is his achievement.

Western Australia does succeed because although we have differences and positions may change over time, basically both sides of politics have supported major projects in this state and have honoured state agreements. The opposition members may be upset and think that the state agreement should have got more elevation yesterday, but the point is that in all the negotiations that took place over the past 12 months, this government honoured the state agreement of 2003 that passed through this Parliament. We did not change it or the reservation. We kept to it. That has been one of the abiding principles of this Parliament over the years; that both parties have accepted state agreements and, to the letter, have honoured them. We honoured that state agreement. We did not attempt to reopen the agreement act at any stage over the past 12 months. It would have been quite improper to do so.

I thank members for their support of this bill. This is about gas specification. It is a timely piece of legislation because it is allowing new gas fields to develop that do not have the narrow specification. It will not change the overall mix that much in the pipeline; it will put 200 terajoules of Macedon gas into a 1 000-terajoule pipeline and it will all get mixed up. Maybe as other Macedons and other fields come in, in 10 years' time it may have a different specification and, at that stage, pre-1980 and mainly pre-1970 appliances will need to be replaced. This at least makes it clear and gets it out there. I think it is sensible and timely legislation and I thank members for their support of it.

Question put and passed.

Bill read second time.

Leave granted to proceed forthwith to third reading.

Third Reading

Bill read a third time, on motion by **Mr C.J. Barnett (Premier)**, and transmitted to the Council.