

**PETROLEUM AND ENERGY LEGISLATION AMENDMENT BILL 2009**

*First Reading*

Bill read a first time, on motion by **Mr W.R. Marmion (Minister for Commerce)**.

Explanatory memorandum presented by the minister.

*Second Reading*

**MR W.R. MARMION (Nedlands — Minister for Commerce)** [4.17 pm]: I move —

That the bill be now read a second time.

This bill seeks to amend the state's upstream petroleum legislation that regulates the exploration for and production of the state's petroleum resources as well as the transport of petroleum by way of pipelines. These amendments will also affect the rules and principles applying to geothermal titles in the onshore legislation. The acts proposed to be amended are the Petroleum and Geothermal Energy Resources Act 1967, the Petroleum (Submerged Lands) Act 1982 and the Petroleum Pipelines Act 1969.

Under the terms of the 1979 "Offshore constitutional settlement", the states and the Northern Territory agreed to maintain, as far as practicable, common principles, rules and practices in the regulation of petroleum exploration and production in state waters with those of the commonwealth. This is often referred to as the common mining code. Western Australia has pragmatically also adopted the common petroleum mining code for its onshore areas. The amendments to the state's petroleum legislation now proposed by this bill reflect as far as practicable changes made to the commonwealth's petroleum legislation in recent years. As such, the bill, when introduced into the Legislative Council, was referred to the Standing Committee on Uniform Legislation and Statutes Review as it was a bill to which standing order 230A applied. Following the tabling of the committee's report, a number of amendments were made that deleted the minimalist interim CO<sub>2</sub> storage amendments from the bill, together with the deletion of the proposed change to only one midterm review for a retention lease, retaining instead the current possible two reviews if required.

The common petroleum mining code amendments form the bulk of the bill. These amendments will —

- enable the ranking of competitive bids received for the grant of an exploration permit;
- revise provisions dealing with the renewal of exploration permits, as, presently, permits can be renewed indefinitely and these amendments restrict the number of renewal terms to two;
- remove the present discretion that allows 16 or fewer graticular blocks to be renewed without relinquishment—as a transitional measure, existing permits will be allowed one further renewal without relinquishment;
- allow production and pipeline licences to be granted for indefinite terms commensurate with the productive life of a field rather than for the current fixed 21-year term plus renewals;
- introduce infrastructure licences as a new type of title to be adopted only for the Petroleum (Submerged Lands) Act 1982 area as other forms of land tenure are available onshore;
- introduce provisions for the management of a titleholder's geotechnical data, later public release of non-confidential elements of that data and provide for the drafting of data management regulations;
- enable the introduction of environmental management plans for petroleum operational activities to be controlled by regulations;
- reword definitions to reflect nomenclature in the commonwealth's "plain English" Offshore Petroleum and Greenhouse Gas Storage Act 2006; and
- dispense with the need for applications to be made in accordance with "approved forms".

As well as the indefinite terms for pipeline licences mentioned above, amendments to the Petroleum Pipelines Act 1969 will remove from the requirements of the act the current exemption for pipeline construction that is currently enjoyed by public authorities. The bill also amends the delegation provision to enable the minister's powers to be delegated to any person, in order to align the Petroleum Pipelines Act 1969 with other Western Australian petroleum legislation.

The last major amendment is to apply a minimum royalty rate of five per cent for petroleum that meets the definition of "tight gas" in the Petroleum and Geothermal Energy Resources Act 1967. Tight gas is natural gas produced from reservoirs that require extensive drilling and stimulation to extract gas at commercial rates. The tight-gas industry is well developed in Canada and in other parts of North America but is in its infancy in Australia. Gas resources in the South West currently viewed as tight gas could potentially hold enough gas to

satisfy much of the state's needs far into the future. To encourage the development of these resources, amendments defining "tight gas" will result in a possible range of between five per cent and 12.5 per cent for royalties on projects that meet this definition. Although these additional amendments are relatively straightforward, they are likely to be equally as important as the proposed alignments to the common petroleum mining code.

I commend the bill to the house.

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