

Mr Eric Ripper; Mr Colin Barnett; Mr John Kobelke; Mr John Bradshaw; Mr Kevin Minson; Mr Bernie Masters;
Mrs Cheryl Edwardes; Deputy Speaker

KIMBERLEY TIDAL POWER PROJECT

Motion

MR RIPPER (Belmont - Deputy Leader of the Opposition) [4.02 pm]: I move -

That this House supports the Kimberley tidal power project provided that -

- (a) the required federal funding for the project is available; and
- (b) the Federal Government's feasibility study finds in favour of the project.

This motion is a test for the National Party. It is also a test for those members of the Liberal Party who have said privately, and hinted publicly, that they support the tidal power option for the provision of power to the west Kimberley. Last Thursday, I asked the leader of the National Party for his view of the National Party policy on the Kimberley tidal power project. I got an interesting answer in which the leader of the National Party said -

The National Party supports any renewable energy project. It supports the Derby tidal power project on the condition that, if it is to be utilised as an energy provider for Western Australia, it must meet the criteria set by the Minister for Energy.

He then referred to the requirement for federal funding. He stated -

If funding is approved, the risk issues associated with the delivery . . . from the power-generating site . . . through the Kimberley on a grid system also need to be resolved. Those issues have not yet been resolved, but I am sure the federal feasibility study will help to do that.

I regard that as an ambiguous statement. I think that the Leader of the National Party was saying that he supports the Kimberley tidal power project provided that the federal feasibility study resolves the issues of risk surrounding the project and provided that federal funding is made available. If that is his position, it is the same as that of the state Parliamentary Labor Party. However, he went on to say that it must meet the criteria set by the Minister for Energy. It is that part of his answer that introduces the element of ambiguity. Because of this element of ambiguity, I put out a statement on the morning of the state National Party conference, which was held in Mt Barker last weekend, to ask the National Party to use its conference to clarify its attitude to the Kimberley tidal power project.

In a series of stories on ABC radio last Saturday, the leader of the National Party appeared to firm his position on the Kimberley tidal power project. I still regard his position as ambiguous, but the National Party says that his position is clear. If the National Party's position on tidal power is clear, its members should support this motion today. They should answer the charge that they say one thing in Mt Barker, another in the Parliament and yet another in the cabinet room. They should come out clearly, publicly and strongly with their attitude. The same test should be applied to those Liberal members of Parliament who have said privately that they support the tidal power project. I believe that the Minister for Lands is a supporter of the tidal power project and that the deputy leadership rival for the Minister for Energy, the Minister for Planning, is a supporter of the tidal power project.

Mr Bill Thomas interjected.

Mr RIPPER: I hope that his support for the tidal power project is more credibly founded than that; however, I note that he is inclined to take opposite positions to that of the Minister for Energy at most opportune moments. The motion before the House today is a test for the National Party and a test for the Liberals who support the tidal power project - particularly those two ministers.

The Minister for Energy has sought to lay down the law. He has said in this House to his colleagues who support tidal power, "If Cabinet decides for the tidal power option, I will not as the Minister for Energy issue the direction to Western Power to sign the contract. The process will have to start over again." The Minister for Energy has called the bluff of those members of the coalition who support tidal power. He is saying to them, "Think what you want, vote how you want, but you will not get me to issue a direction to my agency pursuant to a cabinet decision to adopt the tidal power project." He is telling them that if they want tidal power, they will have to accept his resignation, find a new Minister for Energy and go through the political pain of a public split in Cabinet. That is the gauntlet that has been thrown down to coalition supporters of the tidal power project.

If those coalition supporters of the tidal power project want it to go ahead, they need to stand up clearly, publicly and strongly and support the project. The time for nods and winks and off-the-record briefings to journalists and private hints and corridor discussions is over. If they want to support this project, they must do so clearly and publicly. This motion today gives them an opportunity to do what they and we on side of this side of the House regard as the right thing to do.

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I know the Minister for Energy is concerned about the maintenance of the tender process. He has argued publicly that there has been a tender process for the selection of the provider of power to the west Kimberley. A recommendation has been made out of that tender process for the Energy Equity Corporation-Woodside Energy Ltd proposal for liquefied natural gas-fired electricity generation in the west Kimberley.

That argument must be taken into account. However, there are counterarguments that outweigh it: First, the minister himself overturned the tender process by agreeing to establish the ministerial advisory committee to reassess the so-called best deal that Tidal Energy Australia Pty Ltd can put forward; and second, Cabinet sits at the apex of the tender process. The minister has outlined the tender process: A recommendation is made to the Western Power board, which makes a decision and recommends it to the Minister for Energy, who takes the recommendation to Cabinet. By the Minister for Energy's own account, Cabinet sits at the apex of the process. It is entitled to make the final decision on this tender on proper grounds. It is not entitled to make a decision based on any improper ground, but it is entitled to make political judgments about the policy values that should be given priority in this debate. Cabinet is entitled to examine all the tender documentation and to make the final choice. Numerous debates in this House on tendering matters have shown that there is no automatic requirement for any person making a decision on a tender to accept only the lowest-price bid. Other factors related to the quality and risk must also be taken into account.

I do not agree with much of what the ministerial advisory committee on the tidal power project has said. However, I quote a segment of its report that supports my argument that, ultimately, Cabinet has the right and the responsibility to make a decision -

When balancing the amount of risk to bear with the cost, Western Power may have a different view than the State as to the appropriate balance because Western Power may perceive that its losses will eventually be funded by the State through a community service obligation.

It is for this reason that MAC suggests it may be more appropriate for the State Government to balance the amount of risk that Western Power or the State bears with the cost of purchasing the electricity.

Even the minister's advisory committee clearly says that the State Government, and not Western Power, must make this aspect of the decision. That backs up my argument that it is appropriate for Cabinet to make a decision - on proper grounds - because it sits at the apex of the tender process and, therefore, has not only the right but also the responsibility to make this type of decision.

Other considerations reflect on the minister's reliance on the tender process and his insistence that the Government upholds the outcome of the process thus far; that is, the gas option. The minister has not always adhered to the tender process in previous decisions on energy-related matters. For example, one of his first big decisions was to build the Collie power station. The construction of that power station was not put out to tender.

Mr Barnett: It is a disgrace for the Labor Party to raise this issue.

Mr RIPPER: Instead, the minister negotiated with the preferred proponent from an earlier tender process for a larger power station. He reached an agreement with that proponent and decided to award it the contract to build the station. The result is a very expensive coal-fired power station. Although the ongoing operations of the station might be efficient, its capital costs and cost per unit of installed capacity are very expensive when compared with other coal-fired power stations in Australia.

Mr Barnett: The Labor Government would have spent \$2.2b on the station.

Mr RIPPER: I am advised that the Collie power station is the most expensive coal-fired power station in the country on the basis of costs per unit of installed capacity. The minister protests and delves into the history of the matter, but that demonstrates my point that there are occasions on which he has decided that a tender process is not appropriate for certain energy-related decisions. He may well have right on his side; I do not believe so. However, the fact that he is prepared to raise those arguments demonstrates my point that there are occasions when a minister must make a decision beyond the usual tendering process. The Minister for Energy has done that.

Another occasion when the minister dumped the tender process for power procurement was the contract for the construction of the Ord River power station, which was awarded to Pacific Hydro Limited. The minister did not call for expressions of interest or seek tenders before giving Pacific Hydro approval to run the \$70m project. Pacific Hydro was given access to an expensive public resource - the Ord River dam - and the right to construct power transmission lines. It signed a power purchase agreement with Western Power without reference to an expression of interest or tender process.

The Minister for Energy is relying on the sanctity of this tender process to sink the tidal power project; yet he has not applied a tender process in two large power-procurement decisions - the Collie power station and the Pacific

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Hydro Ord River power station. The minister's actions undermine the power of his argument. In any case, I do not think his argument holds water because it is consistent with the tender process for Cabinet to exercise its responsibility on proper grounds to make the final decision.

I now deal with the minister's overturning of the power-procurement process for the west Kimberley and his establishment of the ministerial advisory committee to examine the best deal Tidal Energy Australia can put forward. It must be understood from the outset that the ministerial advisory committee process was not a full review of all the proposals for the supply of power to the west Kimberley. Page 3 of the executive summary of the ministerial advisory committee states -

MAC used the financial model and evaluation methodology provided by the Regional Power Procurement Steering Committee (RPPSC).

That indicates the review was not a process that started from scratch and re-examined all the factors, and that is backed up by the terms of reference for the committee, which are also published as an appendix to the report. It states -

All of the RPPSC analyses and information provided are to be treated as accurate and is to be relied upon.

That indicates the limited scope the ministerial advisory committee had to manoeuvre. Page 3 of the summary states -

It was outside the scope of MAC's brief to re-evaluate the EEC/WEL proposal so it was necessary to use the same evaluation methodology to enable a like for like comparison with the TEA "best deal".

The proposal by Tidal Energy Australia was re-examined, but there was a prohibition on looking again at the rival gas option. This review had plenty of analyses of risks associated with the Tidal Energy Australia proposal but no analysis of risks associated with the EEC/WEL proposal. It was not a full review.

We should examine what the MAC found. It found that the present value cost on an 18-year contract of the gas option was \$303m and of the Tidal Energy Australia option was \$322m. In other words, the Tidal Energy Australia option on an 18-year contract was marginally more expensive than the gas option. On a 27-year contract the review found that the present value cost of the gas option was \$350m and of the tidal option was \$340m. It is clear there is not a huge difference in costs. The conclusion of the MAC is -

MAC therefore concludes that from a cost perspective and subject to subsidy assumptions, the TEA "best deal" is marginally more favourable over a 27-year contract period and marginally less favourable over an 18-year contract period. Furthermore, these cost differentials are of a low magnitude (within 6%) which, given the assumptions made, result in cost not being a discriminating factor when comparing the two proposals.

I am aware that there is an argument about federal public funds being incorporated in the Tidal Energy Australia best deal. I will consider that argument later. Assuming that the funds are available - which the motion incorporates - there is no basis, on the question of cost, on which to choose between the gas option and the tidal option.

The MAC examined the community benefits and the environmental impacts of the two options as well as the risks. It then made a judgment about the weighting that should be given to benefits versus risk. It concluded that the TEA best deal did not provide the best overall outcome for the community and the State. An interesting argument from the MAC report concerned the stability of the transmission network. I quote from page 9 of the report -

The configuration of a tidal power station supporting a radial transmission network covering long distances with small, distributed loads and interconnected with diesel or LPG power stations provides the potential for significant electrical system stability problems that have not been addressed in the TEA "best deal" proposal.

This is a new argument. I had always regarded the inclusion of a transmission system in the Tidal Energy proposal as a positive advantage. I regard the construction of an electricity transmission grid in the West Kimberley as a very big advantage for the region. I regard it as an important piece of regional infrastructure. An analysis from the ministerial advisory committee appears to state that the transmission system is a risk that leads it to reject the Tidal Energy proposal. I am concerned about the direction of this argument. If it is to be taken into account in the future, then when will there ever be an electricity transmission grid in the West Kimberley; and when will there ever be an electricity transmission grid in the West Kimberley which is powered by renewable energy?

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Mr Barnett: There may never be one.

Mr RIPPER: The minister confirms my fears. He says there may never be one. In other words, the argument is that people cannot have what they want in the West Kimberley; that is, renewable energy and a transmission grid. It seems that those two matters may have to be sacrificed because of some views on the potential stability of the electricity transmission system. I have some scepticism about the arguments. It is difficult for a politician to challenge an electrical engineering argument. There are many examples in this State and in other places of small loads being delivered at the end of long transmission lines. There are many examples of hydro power throughout the world. I would be surprised if these circumstances had not been encountered before in the history of electrical engineering. I have asked Tidal Energy Australia for its response to this argument. It sent me a copy of its letter to the President of the Shire of Derby-West Kimberley. It states -

However, we have advised the Government that the MAC report is essentially flawed in its analysis of risk. An area of concern to us and also of concern to the Broome community is the repeated assertions of unreliability of the proposed power system.

We refute these comments completely based on the following facts:

a power system study commissioned from Hydro Electricity Corporation Tasmania recommended certain system design and generator controls which we will comply with. The report concluded that “the system will be stable for all foreseeable operating conditions”.

the “small load long transmission line with/without hydro plants” concept is a common issue throughout Australia and Asia.

The Minister for Energy and I are not equipped to go into the details of electrical engineering issues. Nevertheless, we are entitled to give some credibility to the report from Hydro Electricity Corporation Tasmania. It is my understanding that it has a great deal of experience in these matters.

The minister may have received alternative advice. However, there is another way in which this issue can be resolved. The Federal Government is undertaking a feasibility study into technical, financial and environmental aspects of the Tidal Energy project. I understand that study is chaired by someone from the Australian Greenhouse Office and comprises five people from the Snowy Mountains Engineering Corporation and three people from KPMG. If five people from the Snowy Mountains Engineering Corporation cannot deliver a credible judgment on the risk associated with hydro power and the stability of transmission systems, I will be very surprised. Although we already have some refutation of the ministerial advisory committee analysis of risk, a more credible body will be reporting to us in due course.

Mr Barnett: Will that group be reporting on gas, too?

Mr RIPPER: It is investigating the risk associated with tidal power. I have not seen its terms of reference.

Mr Barnett: I have no idea what it is doing.

Mr RIPPER: In the light of his position, does the Minister for Energy not regard that as amazing? A state coalition Government and a federal coalition Government are undertaking a feasibility study of a project that the minister is supposed to be managing without consulting the minister.

Mr Barnett: That is exactly what has happened.

Mr RIPPER: Does the minister not regard that as a failure of state and federal relations?

Mr Barnett: It is one of the most arrogant acts of the Federal Government I have ever seen.

Mr RIPPER: It may not surprise the minister to know that some people on the other side of the argument charge him with arrogance in these matters.

Mr Barnett: If they are your friends in politics, good luck to you.

Mr RIPPER: I had intended to bring in a number of press releases from the federal Minister for Conservation and Forestry. I do not have them with me, but I urge members to examine the web site of that gentleman, on which they will find some hugely entertaining press releases.

The House should note carefully that my motion expresses support for the Kimberley tidal power project provided that the Federal Government's feasibility study finds in favour of it. Credible experts will examine these technical issues. If they report in favour of the project, I am comfortable that it should be supported.

The ministerial advisory committee report concentrates on the Tidal Energy Australia proposal. That is appropriate, except for the question of risk. The report contains a fair amount of comment on possible risks associated with the Tidal Energy Australia proposal. It even highlights the risk that suitable funding might not

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be available from the State or the Commonwealth. I do not think that is a risk that politicians should take into account. They can make their decision when that risk has been resolved, when they know what funding is available. That should not influence the ministerial advisory committee's analysis. The committee is advising politicians, who can assess risks concerning funding for themselves or make a decision when the risk is resolved.

The point I am trying to make is that people have put forward arguments about risk associated with the gas option, but those arguments were not canvassed or responded to in the ministerial advisory committee's report.

Mr Barnett: What are the risks for the gas option?

Mr RIPPER: I would like to see some analysis, for example, of the risk of accidents during road transport of liquid natural gas. I would also like to see some analysis of the risk associated with the requirement for road transport of the fuel to these power stations in the light of weather conditions in the Kimberley and the possibility that towns will be cut off because roads are impassable. Those arguments may be able to be dealt with.

Is it not surprising that an analysis has been undertaken of the TEA best deal compared with the gas option, which highlights the risks associated with the TEA deal, including risks about which politicians do not really need to be advised, but no analysis has occurred on the other side of the equation, even to indicate that these risks are illusory? That is a weakness in the process the minister has established. The key point in the ministerial advisory committee's analysis is the balance between the community benefits and the environmental impacts on the one hand and the risk associated with the two options on the other hand. One of the main arguments for the Tidal Energy Australia project is that it is a renewable energy project that will save on greenhouse gas emissions.

Mr Barnett: Significantly?

Mr RIPPER: I believe it will provide a significant saving. I understand that, compared to diesel, it will provide an estimated saving of 200 000 tonnes of CO² emissions a year. If the minister has a different estimate, he can advise the House.

Mr Barnett: Do you think that is a significant figure in terms of the total greenhouse emissions?

Mr RIPPER: We have a serious problem with greenhouse emissions in this State and we must take every opportunity to deal with it, otherwise there will be significant economic dislocation in this State.

Mr Barnett: Do you not think that if public funds are to be used for greenhouse abatement it is sound policy to allocate them to where the greenhouse emissions are greatest?

Mr RIPPER: That would be sound policy. It is also sound policy to seek to allocate funds in accordance with the program guidelines that govern the funding. I will come to the program guidelines that govern the available federal government funding and see whether that funding can be used for realistic options other than the Tidal Energy project. Surely both sides of the House are on common ground concerning the importance of greenhouse gas emissions when making a choice between tidal energy and gas. This has been one of the major issues of debate on these two options.

Mr Barnett: I could not agree more.

Mr RIPPER: It is interesting that the Minister for Energy says that. I have here the table from the ministerial advisory committee headed "The RPPSC Criteria and Weighting", which lists all the criteria that the Regional Power Procurement Steering Committee took into account and their weighting in the committee's final decision. The factor of greenhouse emissions accounts for 1.6 per cent of the total weighting of all factors in the decision made by the steering committee. All the factors add up to 100 per cent, and greenhouse emissions are allocated 1.6 per cent. Is that not a surprising figure? A factor for renewable content is included - it is fair to include that - which is also allocated 1.6 per cent. Given that greenhouse gas emissions are a major public policy issue in this State and have been a major feature of the debate on these projects, it is astounding that a total of 3.2 per cent of the total weighting has been accorded to it.

The second aspect of the analysis to which I draw attention is that the ministerial advisory committee has essentially made a judgment. It is not a science; it seems to be more like an art. It has made a decision that the appropriate balance between risk factors and environmental impacts-community benefit factors is 80 per cent to risk and 20 per cent to environmental-community benefits. I demonstrate that important point by quoting the report -

The RPPSC weighted the importance of community benefits/environmental impacts at 20% and risk at 80%. MAC, using the method of allocation of weighting against a range of measurable criteria, concluded that for the TEA proposal to be an overall better option than the EEC/WEL proposal then the

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community benefits/environmental impacts would need to be rated at greater than 55% weighting and risk at less than 45% weighting.

Here we reach the key of the analysis. This is the basis of the decision that the ministerial advisory committee made in recommending that the Tidal Energy deal was not the best option. It agreed that cost was not a factor that essentially enabled one to discriminate between the two options. It agreed that the community benefits and environmental impacts of the Tidal Energy option made it the preferred option. It also said that Tidal Energy had greater risk than the gas option. It had to choose between community benefits and environmental impacts on one hand and risk on the other. The committee made a straight-out judgment that the correct weighting for benefits was 20 per cent and for risk was 80 per cent. The committee stated that had it decided that the correct weighting was 55 per cent for community benefits and environmental impacts and 45 per cent for risk, Tidal Energy would have been the better option. The committee made an essentially political judgment. It decided which policy value was to be given the highest propriety. That is not a technical, but a political, judgment. Cabinet is capable of making that judgment. Any Cabinet makes that sort of judgment every time it meets: Which conflicting policy value will be given most weight? It would be appropriate for Cabinet, or others assessing this project, to decide that community benefits and environmental impacts should be weighted at 55 per cent and risk at 45 per cent. What is so unjustifiable about that judgment? If the MAC had made that judgment, it would have recommended the Tidal Energy option.

Mr Barnett: It did a sensitivity analysis.

Mr RIPPER: Yes. We come down essentially to a political judgment. The Minister for Energy argues that this judgment should be made by public servants, not by politicians who are responsible to Parliament and ultimately to the electorate. It is for elected people to decide whether more weight should be given to risk or environmental benefits. They will answer to the people for that value judgment. Members should not be under any illusions that some sort of technical judgment was made which members are not equipped to dispute. Members are equipped to dispute the value judgment made. It is appropriate for Cabinet and this House to make an alternative value judgment. That is our role and what we are paid to do. We do not merely rubber stamp what public servants tell us. We could have bureaucratic government and save all the trouble of campaigning, elections, pre-selections, internal party battles and such matters. We would not need to listen to the Minister for Fair Trading struggle day after day with his portfolio. There is a reason for preferring government by elected people; that is, the public needs to have an input into judgments made when public policy is determined.

I turn now to the question of public funds. The Minister for Energy appears to be horrified at the possibility that public funds may be put into a private project. I know that he is, resolutely he says, opposed to the use of public funds in private projects.

Mr Barnett: No. You're very careless.

Mr RIPPER: Am I misquoting?

Mr Barnett: I do not support the handing over of public funds to private companies.

Mr Kobelke: What about the convention centre?

Mr Barnett: It is not - you don't understand it.

Mr RIPPER: I thank the member for Nollamara; we can form a double act here! The convention centre will receive \$185m when one takes the land into account.

Mr Barnett: For which the State will hold an equity.

Mr RIPPER: The State is in business now, is it?

Mr Barnett: It will hold an equity in the convention centre.

Mr RIPPER: That is a new justification.

Mr Barnett: It has been there all the time - you are just not smart enough to understand it.

Mr RIPPER: Does the State have equivalent equity and return for the subsidy on the gas pipeline the Government assisted? Do we have equivalent equity for the subsidy?

Mr Barnett: Yes we do, through Western Power.

Mr RIPPER: We bought equity, did we? So would it be okay to support the tidal power project if the State or the Commonwealth took some equity?

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Mr Barnett: I do not draw that conclusion. The reason for putting in equity is the subject for another speech. It is a multi-user and the user pays full cost with a lot of criteria. I have never given a dollar to a private company - and I won't.

Mr RIPPER: That is interesting.

Mr Barnett: It's true.

Mr RIPPER: The MAC puts forward an argument, which I think the minister supports, that the funds could be better used for other renewable energy projects. Presumably they are to be privately sponsored and owned. Is the minister saying that he will not touch the \$80m for Western Australia from the commonwealth remote renewable power program? If the minister were to make any use of that \$80m, he would need to put it into some privately owned renewable energy projects. The only alternative is to say that we will do the renewable energy ourselves; that is, we will take it into Western Power and not recommend that any of the federal money go to private sector projects.

Mr Barnett: Small, remote power schemes are quite different from a project of some \$330m with a \$600m contract hanging off it.

Mr RIPPER: I have noted the minister's argument and the argument of the ministerial advisory committee that funds available from the Federal Government could be put to better and more efficient uses in the renewable energy sector. The House should note the requirements of the federal funding program; that is, that the projects be in remote areas, be off-grid and involve renewable energy. The minister has other renewable energy projects, such as the Albany wind farm; however, that project is not off-grid. Federal money is not available for the Albany wind farm because it does not meet the requirements of the federal funding program. I can understand the minister's irritation: This \$80m is in essence a federal excise which is collected from Western Power. The Federal Government has taken those funds and is giving back to the States on federal conditions. I can see why the minister would be angered by what has happened. Prior to the GST deal between the Democrats and Peter Costello, the \$80m would have been available in Western Power's accounts as it would no longer be paying the excise; therefore, the minister would have had some discretion about what he could do with the \$80m.

The minister's federal colleagues have grabbed \$80m, courtesy of a deal with the Democrats, and now they are giving the money back to us on certain conditions. We must start from where we are right now. The Federal Government has the money available for Western Australia only for remote area projects, renewable projects and off-grid projects. That is \$80m over approximately four years. What projects other than the Tidal Energy Australia project at Derby will be eligible for this funding? If we cannot find other projects, we will lose the money.

Mr Barnett: Does the tidal project meet the guidelines?

Mr RIPPER: I believe it does, but that is for the Federal Government to determine. My motion before the House says that if federal funding is available and if the federal feasibility study ticks off on the project, this House supports it. If it turns out that the Federal Government says that the Tidal Energy project does not meet its requirements or the federal feasibility study says that there is too much risk with the project, the House will not support it and we will not support it.

Mr Barnett: You are committed.

Mr RIPPER: We support the project in the terms of the motion before the House. We support it provided federal funding is available and provided the federal feasibility study says the project is okay. We must put aside the minister's two concerns. We must put aside his concerns about the tender process in view of the value judgments that the tender process involves and in view of the proper role of Cabinet at the apex of the tender process and in view of the minister's record on tenders for other power procurement projects since he has been the Minister for Energy. We must also put aside the minister's anger about the way in which the Commonwealth has handled the question of excise on diesel used in Western Power's power generation and about the return of that money on certain conditions.

Unless the minister can put an argument before the House that he will be able to change that commonwealth government policy, we will get this money only if we adhere to the program guidelines. If we do not adhere to the program guidelines, Western Australia will lose that money. It will either go back into federal government coffers or it will go to another State. Those are the choices we face. We must be rational about them. It is all very well for the minister and the ministerial advisory committee to say that there might be more cost-effective renewable energy projects than tidal energy, and that we might get more reduction in greenhouse gas emissions per dollar spent than we might get with tidal energy, but where are those projects? Will those projects be eligible

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for federal funding? What if we cannot find eligible projects? If we want the money spent in Western Australia and want the community benefits in Derby in particular, we must grab the federal money.

The position of the state Parliamentary Labor Party is responsible. We support the project provided that a high-powered federal feasibility study says that it is satisfactory. We support it provided that the required federal funding is made available. If those two requirements are met, the cost of the tidal option is not a determinant. Even the ministerial advisory committee says that, and the risk to which the MAC draws attention is a matter that has also been resolved.

The tidal power project is a very important piece of regional infrastructure for the west Kimberley. It will be a world first. If it goes ahead, we will have an electricity transmission grid largely powered by renewable energy. There would not be another region in the world with such a situation. As well as the benefits of reduced greenhouse gas emissions there are very important developmental benefits for the West Kimberley region. Derby would get a massive construction project and a significant asset for tourism purposes. People would go a long way to see one of three tidal power plants in the world. People visit La Rance in Brittany because it has a tidal power project. It would become a significant tourist attraction.

Mr MacLean: Doesn't that tell you something? There would be only three in the world if this project got up. Doesn't it tell you that nobody wants them?

Mr RIPPER: What it tells me is that we have one of the best resources in the world for tidal power in the Kimberley. We have, if not the first, the second best location for tidal power in the world.

As well as its being a tourism asset, there would virtually be a permanent lake close to the boundaries of Derby. That would be a recreational facility for the people of that town. It will also provide an opportunity for aquaculture. One would not put up a power station merely because of those benefits - one would need to analyse all the other factors - but all the other factors, given that the federal funding is available only on restricted conditions and cannot be used for many other projects, stack up. The West Kimberley would get an important piece of infrastructure. The electricity transmission grid might be used to support communities other than those that were the original focus of the power proposal. It would get the construction project, a tourism asset and an aquaculture facility.

Mr Barnett: It would be very expensive.

Mr RIPPER: All this would take place at a time when the control of greenhouse gas emissions is emerging as a major public policy issue in this State. Very little public debate has taken place about this issue but, like native title, it will emerge as a major strategic issue for Western Australia. It will be not only an environmental issue but also a major economic issue. It will also be a diplomatic and international trade issue. We must come to grips with control of greenhouse gas emissions in this State for our environmental, trading and economic future. We must give greenhouse gas emissions control a much higher weighting in our assessments of public policy than we have given it to date. That is one of the major reasons that the Government should be taking the tidal power proposal much more seriously than it has been.

The minister commented that it would be very expensive. Yes, it would be expensive. The historic difficulty with tidal power has been the initial high capital cost which in the view of accountants does not off-set the cheap recurrent power over a long period. There is a problem with our forms of economic analysis. Any benefit we receive after 30, 40 or 50 years counts for very little when the economists do a net present value analysis. That is a problem with the way in which we assess projects with long economic lives. This project has a potential economic life of 120 years. Our tools of economic analysis are not equipped to properly analyse the benefits that will accrue over those 120 years. That is one reason it is seen to be expensive. Currently, there is no form of renewable energy that is less expensive than the use of fossil fuel.

Mr Barnett: In many circumstances wind is cheaper than the alternative.

Mr RIPPER: Generally speaking, renewable energy is more expensive than the use of fossil fuel. However, if we are to move to renewable energy as a bigger source of our power in the future, and we must do so for all sorts of environmental, trading and diplomatic reasons, we will need to bite the bullet about the cost of renewable energy. In any case, on the matter of cost, federal funding is available. The motion of support is conditional on that federal funding being available. If it is available, even the minister's own ministerial advisory committee has said that the cost is not a determinant.

I return to my opening remarks: I know that some people on the other side of the House support tidal power. I know that some people in the National Party support tidal power. Now they face a test. This is a moderate, responsible motion, which sets out the attitude put forward by the leader of the National Party in Mt Barker and which sets out the private attitudes of many people on the coalition side of this House. The questions for those

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people are: Will they stand up for what they believe in; will they clearly, strongly and publicly support the tidal power option for the West Kimberley; or will they let the Minister for Energy sink the project? They should speak up publicly now or the minister opposite will sink this project.

MR BARNETT (Cottesloe - Minister for Energy) [5.03 pm]: It may not surprise members that the Government does not support this motion, and I foreshadow that we will move an amendment in a while. The process of providing a new, reliable power supply to the Kimberley has been going on for in excess of 18 months. It is a complex, high-profile and contentious issue. Without putting too fine a point on it, those who comment on it tend to be embroiled in an issue that has degenerated into a matter of politics and money. This is all about politics and cold, hard cash. Members in this House should be conscious of that, and I will explain as I go on.

I will, to the best of my ability, outline some of the background to this issue, the facts as they have been presented to me and some of the issues that must be dealt with in the sense of a public policy. I will start from the beginning. Western Power Corporation - a state-owned utility - operates 29 power stations throughout Western Australia that are isolated and not connected to the grid system. Those power stations cover very significant communities such as Broome, Carnarvon, Exmouth, Derby and Esperance; yet they operate on isolated, non-grid connected power systems. The cost of providing electricity in those remote areas is very high. Western Power incurs annual losses of some \$41m a year in providing power supplies to those communities. The loss in the West Kimberley region alone is \$18m out of a total of \$41m. Those losses occur for a very simple reason: The cost of generating and distributing electricity is well in excess of the price for which that electricity is sold. Under a longstanding policy in this State, electricity is sold to households and small to medium businesses at uniform Perth prices; that is, 12¢ to households and 16¢ to businesses. There is no magic solution to that. It is a simple economic, technical fact; it costs more to produce electricity than it is sold for. Every time someone switches on a light or, more relevantly, an airconditioner, a loss is incurred. That loss is cross-subsidised by other electricity consumers in Perth and the south west connected area and by the taxpayer in the form of reduced dividends from Western Power. That is the reality of the geography of Western Australia.

The situation, serious as it was and expensive as it is, was exacerbated by the decision of a Federal Government to impose a federal excise on light fuel used for power generation. That policy was first developed by the Keating Government, but was put into effect by the Howard Government, much to my regret as a Liberal member of Parliament. The effect of that policy was to raise excise - a tax on fuel used in power generation - from 6.5¢ to 33¢ per litre, and this increased the cost of power generation by 8¢ per kilowatt hour. For example, the cost of generating power in Broome is about 22¢ per kilowatt hour. It is sold to households for 12¢, and 8¢ of that is due to the federal excise. It is little wonder I am annoyed at the Federal Government. It is all very well for some of the federal members of Parliament - some in the House of Representatives and a number of senators - to wander around this State and criticise Western Power, the State Government and me. As Liberal members of Parliament, they failed to fight to keep that excise tax off regional Western Australia. The tax imposed by the Howard Government was the most direct attack on and taxation of regional Australia I have seen in my time in public life and prior to that. I am ashamed that a Liberal Government put that into place.

Members of Parliament, who are so wanton and happy to criticise me - I will cop that; I am in politics and I can wear it - have been negligent in their responsibility to their electorates and their constituencies in regional and remote Western Australia. They have failed their constituents. The irony and the contradiction is that the excise tax imposed under the deal between the Federal Government and the Australian Democrats was under the guise that it was an environmentally friendly tax. There was an argument that diesel is environmentally dirty and, therefore, it would be taxed. Members should look at the cynicism of the policy. The excise tax was imposed on power generation by Western Power, which subsidises households and consumers, but it was not imposed on a power station right next door which produces diesel for mining operations. The tax was imposed in an almost pernicious way on Western Australia and Western Power for what we do in providing low-cost, subsidised power into regional Western Australia. It is a disgraceful policy and is to the eternal shame of the federal members of Parliament who represent those areas.

Mr Thomas: Get rid of them!

Mr BARNETT: Perhaps that is not a bad idea. The uniform tariff policy has been fundamental in providing both economic and social support to regional Western Australia. As I have said, we have maintained the policy of 12¢ per kilowatt hour for households and 16¢ for businesses. Two groups, however, have been affected. The State Government and Western Power have not absorbed every dollar of that excise tax. The customers in those regional areas, who are large consumers of over 300 000 kilowatt hours per year, have been asked to pay a premium. We have passed on some of the federal excise tax. They will pay up to 20¢ per kilowatt hour on consumption over 300 000 kilowatt hours. I regret that, but we have phased it in. However, we have passed on less than 25 per cent of the increase in cost attributed to that federal government policy.

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The other group of affected customers are those who are charged under the N2 tariff. The N2 tariff has been in place since the early 1980s. It is all right for members of Parliament on both sides to complain about the N2 tariff, but it was put in place in the early 1980s. It was in place throughout the Opposition's period in government and has been there throughout ours. For the first time a Minister for Energy is trying to do something about the fundamental problem.

The N2 tariff means that Western Power does not subsidise government customers. The full cost of the increase in the federal excise was passed on to schools, hospitals, port authorities and other government agencies. This Government is working to get rid of that in an effective way that addresses real costs. Eventually the increase in the excise falls back on the State, because it is forced to fund the schools and the hospitals through consolidated fund allocations; that is a reality, and has caused some anxiety. I find it somewhat bemusing that members on both sides of the House choose to attack me over the problem when it has been a problem since 1980 - 10 years before I was even in this place. At least the issue is now being addressed.

The policy solution is not all that sensational; it is pretty damn obvious. There is no magic pudding. We have high generation costs, old equipment in regional centres and unreliable power supplies in many of those areas. They do not have the capacity to grow as communities or to attract new industry; many other types of complications arise. The Government set about a solution in 1998 to encourage new private sector investment in power generation into those regional and remote areas. The key is to build new power plants with expanded capacities and clean technologies that can provide a reliable power supply. It is the single most important thing the Government can do for those regional and remote communities. I am frustrated that so many people have set out to frustrate that process - most of them on my side of politics - instead of having the courage, intellect and imagination to realise that this is a real problem for regional Australia which needs to be addressed directly rather than simply playing short term politics. It is ironic - I am a politician, but I did not come into this place 10 years ago to play politics.

The policy has been applied in all types of ways. There is no single solution for any area. I will give members some examples of what has happened. The Ord hydro project has been developed in Kununurra. For Kununurra, the agricultural area, the township and for Wyndham, a loss-making position has been turned into a break-even or perhaps even a marginal profit position. In other words, the loss has disappeared and there is a reliable power supply from the hydro dam, expanded capacity and new power generation. The situation in Kununurra has been solved. Onslow is a small community in which not a lot happened until this Government succeeded in attracting and bringing to fruition the Onslow solar salt project. The Government piggybacked on that project by making funds available through Western Power. A small gas pipeline was run to Onslow and a new power plant was put in place that provides power for the salt works and provides the community of Onslow with a new, reliable power supply. The effect of that was to reduce the losses to Western Power in Onslow by over 50 per cent.

In the mid west of the State, the Government again piggybacked on the Precious Metals Australia vanadium project which I opened earlier this year. As part of that development in a highly prospective area, the State Government provided funds for Western Power which entered into a joint venture with AGL to build a 400-kilometre pipeline. StateWest has now won the tender process to provide new power generation for the towns of Mt Magnet, Meekatharra and a couple of others. It will include mining operations which will convert from diesel to natural gas generated power. That will be an enormous boost for that mid west region at very little cost to the taxpayer. I suggest that the taxpayer will get the money back in full, if not with a surplus.

Mr Ripper: What was the public subsidy then?

Mr BARNETT: I do not have that information for the member, but I could probably find it by the end of the day.

Mr Ripper: About \$20m was it not?

Mr BARNETT: Potentially over the life, yes. The member should look at the benefits though; it is the best thing that has happened to Mt Magnet and Meekatharra in a long time. A subsidy was provided from the consolidated fund to Western Power; not a single dollar was given to Precious Metals Australia. I will now deal with Carnarvon. Approximately \$7m has been spent on new power generation for Carnarvon. The Government is currently in the process of negotiating a contract which will mean high transport charges for gas down the Carnarvon lateral, which will hopefully put Carnarvon into a break-even, if not a profitable position with new power generation and an abundant gas supply for industry expansion. Exmouth, again is an area on which the Government is about to start an expression of interest process. A complex process is occurring at Esperance, though under different circumstances. A wind farm is already operational, but tender documents are now being distributed to the short list of proponents. These processes are all different but they are, for the first time, addressing the issue of power supply in remote areas. It is all very well for members in this House to grizzle and

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complain, but what has happened previously under either Government? Zip, nothing. For the first time, the issue is being directly addressed.

I will give members a few facts and figures about the west Kimberley, the subject of this motion. The cost of generation - not the distribution through the wires - by Western Power in the west Kimberley region is: Broome, 22.6¢; Derby, 24.3¢; Fitzroy Crossing, 25.1¢; Halls Creek, 25.4¢; Camballin, 34.6¢; with the weighted average across the area being 23.4¢. On average, 23.4¢ is spent to generate electricity which is being sold for 12¢ to households and 16¢ to businesses. Broome has an acute power supply problem. Broome has blackouts, brownouts, lack of power for expansion of the tourism industry and a host of other problems. Members must remember that Broome is the real issue, as 80 per cent of all demand for electricity in the west Kimberley comes from Broome. Broome is the market; it is not Derby, Fitzroy Crossing and Camballin. This issue is primarily about a power supply for the city of Broome. The current capacity of the Western Power system in Broome is 16.7 megawatts. The highest peak that has been recorded so far is 16.3 megawatts; there is no margin left because it is operating at its limit. Broome operates old and sometimes unreliable plant, hence the blackouts and brownouts. The supply shortage will be acute. Currently, Broome will not have enough electricity for the summer of 2001-02. That demonstrates the urgency of the situation to supply power to the people, the hospitals, the schools, the elderly, the community and businesses of Broome.

The overall loss to Western Power in the major towns is as follows: Broome \$10.6m every year - does the Opposition think that the Government should do nothing about that - Derby, \$3.9m; Fitzroy Crossing, \$1.4m; Halls Creek, \$1.4m; and Camballin, \$0.4m. Losses in the west Kimberley total \$17.7m a year, every year. That is enough to build three or four primary schools each year. It is irresponsible that that situation has been allowed to continue for this length of time. Sixty per cent of the loss in the west Kimberley is due to the increase in the federal excise. It is a disgrace and to the eternal shame of federal members of Parliament who allowed that to happen and who imposed that cost directly on the residents of that area, on Western Power and on electricity consumers and taxpayers in this State.

Mr Ripper: Can the minister give us a total figure for the west Kimberley again?

Mr BARNETT: The total losses for the west Kimberley were \$17.7m. To deal with this situation in the west Kimberley, the Government started in October 1998 with an expression of interest process to supply power to attract investment into private power generation for the west Kimberley. A regional power procurement steering committee was set up and I appointed Dr Des Kelly as the chairman. Members know Dr Kelly; he has recently retired from the Public Service. I put it to members - I do not think anyone would disagree - that he is one of the most esteemed engineers and one of the most highly respected public servants in the post-war history of this State. He built the port of Broome and reconstructed much of the port of Wyndham. He has worked throughout his professional engineering days in those tidal conditions. He is absolutely committed to the development of the north of this State. It is hard to think of a more impeccable person or of a person with higher integrity with the necessary engineering and professional experience to head the tendering process for the construction of a power supply in an area such as the west Kimberley.

The panel received 10 expressions of interest and six applicants were invited to present bids. The tenders were assessed on a wide criteria which included price, reliability of the power supply, technical issues, environmental impact, community benefits and the like. The number of applicants was reduced to four through a process of elimination. I remind members that the Tidal Energy Australia Pty Ltd project was fourth on the list. It was not second or third, but fourth and, based on the objective criteria, it was probably lucky to be fourth. The tenderers were then narrowed down to a shortlist of two: The consortia of Energy Equity Corporation and Woodside Energy Ltd and Wesfarmers-StateWest Power. In November 1999, Energy Equity Woodside was selected as the preferred bidder by a long and exhaustive tender process. Energy Equity Woodside is the preferred bidder; there is no other bidder. It was a long, exhaustive process in which experienced, professional consultants were employed from a range of areas. The process was absolutely impeccable, although it was complex because the projects, particularly tidal energy, had very different characteristics. The entire process was subject to the scrutiny of a probity auditor. It was done to the letter and I happily stand in this House and defend the process, the way it was conducted and the people involved.

Mr Ripper: I have no criticism of the personalities involved and share your respect for Dr Kelly. However, is it possible that structural features of the process worked to Tidal Energy Australia's disadvantage?

Mr BARNETT: I will come back to that. I recognise the high degree of interest in renewable energy and the tidal project from the public, media and political interests. It captures people's imagination. Therefore, I stepped back. Despite the Government having a preferred bidder and the tidal energy project coming fourth in the tender process, I set up a review that was independent of the original process. I appointed Dr Frank Reid, the managing director of the Australian Cooperative Research Centre for Renewable Energy, to chair the ministerial advisory

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committee. If I were to give the tidal energy project a free kick, I would put the head of a CRC into renewable energy in charge of the review. I am doing all I can to give the tidal project every opportunity. The committee compared the Energy Equity-Woodside offer with the "best deal" Tidal Energy Australia could put forward. I gave the tidal energy project another chance by letting it redo its sums and come up with a better deal. I did not give any of the other bidders that opportunity. Members should spare a thought for Wesfarmers-StateWest Power, which came second. The people responsible for its bid could have sat back and thought, "Hang on, where are we? We were second in this process, yet Tidal Energy Australia, which came fourth, gets another roll of the dice". To their credit, they did not object, although they were not too happy. They behaved like professional businesspeople and did the right thing by sitting back, unlike a few other people involved in the process.

I do not intend to go through the entire report of the ministerial advisory committee, but I refer to its conclusion that "MAC therefore concludes that the TEA "best deal" does not provide the best overall outcome for the community and the State". The committee looked at all the issues and reassessed Tidal Energy Australia's best deal and concluded that the tidal energy bid was not the best outcome for the community or the State. That finding was made totally independent of me. The committee comprised people of impeccable standing who used consultants, financial and technical advisers and electrical engineers and it concluded exactly the same. The power procurement steering committee chaired by Dr Des Kelly did not select the tidal option and a ministerial advisory committee that gave the tidal energy project another roll of the dice, chaired by Dr Frank Reid, came to the same conclusion. It is pointless blaming me for that. People should blame the economic and financial facts and the power supply and technical issues. The tenders have been assessed twice and the same conclusion was reached on both occasions.

Many people have suggested that there is not much difference between the price of the Tidal Energy Australia bid and the Energy Equity-Woodside gas option. However, the tidal energy project comes close in price only if it receives \$61m of taxpayers' money from the Federal Government, \$15m of taxpayers' money from the State Government and the use, without any cost, of the existing Western Power stations in the Kimberley as a backup. The tidal energy project gets close in price only if it receives a taxpayer subsidy of between \$90m to \$100m.

Mr Ripper: What value do you attribute to the power stations?

Mr BARNETT: We attribute between \$10 to \$20m.

Mr Ripper: You would not get \$10 to \$20m from the gas option.

Mr BARNETT: Those assets are valued at about \$10m or \$20m. The tidal energy project would need about \$90m of subsidies to come even close on price. People grin and say, "Well, it's Federal Government money". I am sorry, but it is not. It is my money, it is the members' money, it is the money of the Aussie battlers and the small businesses paying taxes. Those people expect Governments to spend their money with propriety. It is a fundamental principle of public policy and responsibility. Members can sit back with their Cheshire cat grins; however, they were a disgrace in government. I will not sit by and do nothing if I find a Federal or State Government, of whatever political persuasion, doing things that lack propriety and have a lack of regard for its responsibility to look after the money of the people who work and pay taxes. There are many areas in which \$100m would be more effectively spent, such as welfare, education or health. Members should not discount that subsidy as simply commonwealth money, because as long as I am a member of this place, I will not treat the taxpayer with such scant regard.

Energy Equity Woodside is the preferred bidder. It is in negotiations with the management and board of Western Power, which is a corporatised government trading enterprise. The directors of Western Power are subject to all the rights, responsibilities and liabilities of company directors prescribed by the Companies (Western Australia) Code. They are not at liberty to make decisions on a whim. They must act as responsible company directors. If they fail to do so, they can go to jail. Company directors in this country have gone to jail and no doubt more will go to jail in the future. The directors of Western Power are negotiating a contract, which is a serious responsibility. People talk about the so-called \$60m or \$80m of federal government money. That is significant. However, the contract Western Power will sign to buy electricity over an 18-year period will have a value of \$320m in today's terms and will be worth \$600m over its life. This is not something with which to play political games. The issue is Western Power signing a contract worth \$600m with a private company. It is little wonder that I get uptight about this issue. It is a lot of money and a serious contract. Some people will make a lot of money out of it. Members should make no mistake that it is about politics and money. If Western Power reaches a power-purchase agreement, it will show it to me, the Minister for Energy. I, no doubt, will question it, as would any responsible minister. If Western Power satisfies me that it has reached the agreement properly, as I am sure it will, I will take to Cabinet the recommendation to sign a \$600m agreement with Energy Equity

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Woodside for the supply of electricity to the west Kimberley. It is a big decision and Cabinet has a choice: It can accept or reject that recommendation.

I am in the hands of the Cabinet. I can live with either decision. Cabinet should not decide to award a contract to the fourth place getter. A fourth place getter does not get a gold medal.

I appear to be the beacon for attacks over this project. Some people suggest that I am standing in the way of this project: In the words of the Deputy Leader of the Opposition I am going to "sink the tidal project". For the record, I would like to relate some of the history of the development of the tidal project. The State Government and its agencies have assisted the tidal energy project in all sorts of ways. Assistance was provided to it and not the other proponents. At the time of the previous Labor Administration \$30 000 was given by the Minerals and Energy Research Institute of Western Australia and from the then State Energy Commission for feasibility work. In 1995, under this Government, a memorandum of understanding was signed with Western Power to provide a further \$30 000 of in-kind support to develop the proposal. The Department of Resources Development, an agency that reports to me, has assisted the tidal project in its environmental process, particularly with the issue concerning the destruction of mangroves. The tidal project has been assisted with native title issues and the greenhouse system of credits. The project has been assisted with the approval process and in identifying the spin-off benefits to third party industries. The department has helped cost and measure the possible benefits. The project has been assisted with geo-heritage issues and other land issues through the Department of Land Administration. An enormous amount of work has been contributed from Western Power and the Department of Resources Development to assist the tidal energy project.

Furthermore, when we were to start the expression of interest process the tidal energy project was not ready. I then delayed the tender process by two months to allow extra time for it to be in a position to submit an expression of interest. The delay was only for the proponents of the tidal project. It was probably to the annoyance of the other potential bidders. I deliberately adopted a wide set of criteria. I did not just look at the cost of producing electricity and the reliability of supply.

Mr Thomas: It was arbitrary though!

Mr BARNETT: I will come back to that comment later. I deliberately widened the criteria to allow emphasis on environmental, regional development, community and social benefits. It was set wide to accommodate the tidal project and not for any other reason. Built into the tender process was a preference premium for renewable energy. It was set at 1¢ a kilowatt hour. The proponents of the tidal project decided not to take up that option because they preferred to keep any greenhouse credits for themselves, presumably to trade in the market, if one were to develop. I do not mind that. The built-in preference was to help them. Having done all that, when the project failed and came fourth, I then appointed a ministerial advisory committee to give it another chance. I do not think that the State or I could have done any more. The hard, cruel fact of the matter is that the tidal project came fourth. When given another chance, the project still did not get up. It was not my decision, although I accept responsibility for it as minister. The recommendation was made independently under the chairman, Dr Des Kelly, and independently assessed under the chairmanship of Dr Frank Reid. Why did the tidal project fail? It had media, public and political support. It failed to get up twice.

One of the biggest issues was the capital cost of building it. When the project started costs were estimated to be \$80m plus the cost of a transmission line. If it could have been built for \$80m the project would have won. Its capital cost of construction rose until it peaked at \$360m. It went from \$80m to \$360m. Through some changes it is now estimated to cost \$330m. It has had a fourfold increase in capital cost over the period. That is not my fault. How competent is a project proposal that goes from \$80m to \$360m and back to \$330m? That sort of management and analysis of a proposal does not fill me with confidence.

Mr Ripper: Was it exactly the same project?

Mr BARNETT: It was their project. That is what happened to it. There is a real risk as to whether the cost of \$360m could be met. There are serious issues about the geo-technology. There is about 17 metres of mud and slush where the proposed dam wall is to be constructed. The wall would have to withstand enormous tidal flows. Seventeen metres of slush with friable material underneath is not a good foundation. Engineering consultants have told me that they seriously doubt whether the project could be built for \$360m. I am interested to see what the Snowy Mountains Hydro-electric Authority says about construction costs. I do not know whether the authority has done any drilling or looked at any costs. It is a serious issue. People advise me that it cannot be built for even \$360m. That is an issue that cannot be walked away from.

The report of the ministerial advisory committee contains figures on the price of electricity. Over an 18-year contract period the tidal project would produce electricity at average cost of 20.3¢ a kilowatt hour and the Energy Equity Corporation-Woodside Energy Ltd project would produce it at 19¢. There is not much between

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those costs. Over 27 years the tidal project would have an average cost of 16.7¢ and the Energy Equity-Woodside project would cost 17.3¢. Over 18 years the gas option is better; over 27 years the tidal option is best.

Mr Thomas: What about over 100 years?

Mr BARNETT: The tidal project becomes competitive only if it receives huge taxpayer subsidies. In reality it is not close on price at all. It is an illusion and it does not reflect the actual prices being negotiated under contract. The final contract price with Energy Equity-Woodside has not been determined. For Broome, it is less than 16¢. The gap is wide. The actual contract price on an equivalent basis will be less than 16¢ for Broome.

Mr Ripper: Is the minister saying that the figures in the report are wrong?

Mr BARNETT: No. I am saying that they are quite valid in interpreting the submissions made in the two proposals. That was when the tender process was reviewed. Since then, Energy Equity-Woodside has been negotiating commercially on a real contract with Western Power. The nuts and bolts of that involve getting power to Broome, which is the major source of demand for the area - at 80 per cent - for less than 16¢. To me, that is significant. I do not have the final figure and I am yet to see the final price. The actual price for Broome is likely to be negotiated at less than 16¢. Over an 18-year contract, Tidal Energy Australia is offering 19.9¢. That is a difference of 4¢. The current cost with Western Power is 22.6¢ - a difference of 6¢. Enormous savings can be made by going for the most economic option.

Mr Ripper: Is the minister saying that the ministerial advisory committee did its analysis on the contract negotiations, rather than on the tender negotiations?

Mr BARNETT: I am running out of time. If I finish in time the member can ask me that question again. The Energy Equity-Woodside proposal requires no subsidy. It does not require taxpayers' dollars. Taxpayers will have the money available to pay off debt, build schools and hospitals, provide health care and care for seniors. Not one dollar of taxpayers' money has to go into the Energy Equity-Woodside gas option. If there were not a taxpayer subsidy for the tidal project, what would the cost be in Broome? Over 18 years the cost of power generation in Broome would be about 28¢ - more expensive than it is now with the old crumbling Western Power plant. We would be going backwards. In real terms, more expensive power generation would be put in place than we have now. Over 27 years the cost of power generation under tidal power would equate to a real cost in Broome of 25¢ a kilowatt hour. That is more expensive than the current high cost being incurred by Western Power. Even if tidal power is chosen and the excise is removed, it will still result in a more expensive power system for the total community. The facts on this issue cannot be dodged.

There was an interjection earlier about the length of contract. What about the costs over 100 years? Decisions involving contracts of \$600m or more must be made on commercial grounds. There is no room for fuzzy, woolly thinking on this matter. Western Power is considering negotiating an 18-year contract, although it is reluctant to do so because it regards the term as too long. It would prefer a 10 or 15-year contract. Most power purchase agreements in the energy industry, whether they be for gas, coal or renewable energy, are for between 15 and 20 years, which is the industry norm. Being subject to the Companies Code, people do not sign contracts for 27 years. The contract length, therefore, is somewhat academic; we can deal only within the bounds of commercial reality.

The North West Shelf gas project is considering spending \$2b to \$3b on a new liquid natural gas train. The maximum contract it will get is 20 years if it is lucky. The mining industry makes major investments based on contracts of around 10 years. That is the commercial reality.

It is easy to say we should not worry about that; but it is not up to only me. Banks must play a role. One of the problems with the tidal project was that it could not demonstrate at any stage that it could "bank the project". So far it has not been able to provide assurances from the banking sector that it would fund the capital expenditure for this project. It does not matter how generous or soft and cuddly we want to be about the project, TEA has not demonstrated its bankability. That is a fundamental failing of the tidal energy project.

The tidal energy proposal involves a host of financial risks. I referred earlier to construction risks. Can it be built for \$340m or \$360m? Doubt has arisen about cost blow-outs and time delays during construction. Inevitably in a contract negotiation, attempts will be made to shift the construction risks on to the customer, Western Power, and the State Government. A range of technical and reliability-of-power-supply issues highlight the risk to anyone signing a contract. They cannot be ignored by directors subject to the Companies Code.

Inflation is a risk. The tidal project contract proposal would be 100 per cent CPI indexed. It is tied to the inflation rate. The Energy Equity-Woodside project proposes a charge broken into two components: The demand component of about half is 50 per cent CPI and the energy component is 90 per cent CPI. It works out to about 70 per cent CPI indexed.

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Mr Kobelke: What about the international price of oil and gas?

Mr BARNETT: The tidal project is tied totally to inflation while the gas project is less tied to inflation. The inflation risk with gas is less.

The tidal project is nothing more or less than a dam across a creek that requires a complete backup system due to the flows of the tide and neap tides. It must have a complete backup system over the 18-year contract. On Tidal Energy Australia's figures 34 per cent – one-third - of the power will come from a diesel-powered plant. This is a tidal dam-diesel project. People do not like to hear that, but that is a cold, hard fact by TEA's own admission.

To answer the interjection by the member for Nollamara, the tidal project is exposed to movements in the oil price.

Mr Kobelke: Come off it.

Mr BARNETT: The tidal project requires that 34 per cent of power be generated by either diesel or liquefied petroleum gas, which are tied to international oil prices. The gas project would have a contract not linked in any way to international oil or LPG projects. The project exposed to the international oil price is tidal energy, not gas.

Mr Kobelke: Are you saying the gas proposal would bear no inflation?

Mr BARNETT: No; if the member for Nollamara was listening he would have heard me say that it has an inflation component, which is not as severe as that of the tidal component. It has no tie into international prices except, members opposite could argue, for its reserve of diesel or LPG, which is minimal.

This is about reducing some losses; more importantly it is about providing a reliable power supply to the west Kimberley for the people and industries in that area. There is a huge issue about whether the tidal system can provide a reliable power supply. I am not an electrical engineer, but I will summarise: Tidal power provides a variable power supply from 48 megawatts of production of energy to between six to 10 megawatts when neap tides operate, which operate two to three days a fortnight. The power supply fluctuates. The power supply must travel down 500 kilometres of transmission lines to Fitzroy and Broome. When it reaches the main market in Broome, which is 80 per cent of the market, more than 230 kilometres away, the power consumption is that of a city, not a mining project which operates seven days a week, 24 hours a day. The power demand is cyclical over 24 hours. It will amount to a cyclical, variable power supply travelling down 230 kilometres of transmission line to a variable demand.

All the electrical engineers who have examined this project say that reliability of supply, constant voltage and quality power supply cannot be maintained under those conditions, unless a great deal more money is spent. We do not know how much. The tidal project was not able to satisfy the technical specifications for reliability. That is the most fundamental point. What is the point of taxpayers investing up to \$100m into a project and Western Power signing a \$600m contract if, at the end of the day, 80 per cent of demand in Broome does not receive a reliable power supply? The tidal energy project has had years to demonstrate that, but it has failed to satisfy the ministerial advisory committee, the consultants or the power procurement committee. The proponents have failed to meet the technical specifications. That is an engineering fact.

Obviously a tidal project has the potential to be a romantic, expansive and exciting project. I understand that; that is why I have done so much to help it. Many people have said we should examine its environmental credentials. Currently diesel is used in the west Kimberley region, although it is not good environmentally; we would rather see cleaner fuels. Gas produces about one-third to one-half of the emissions of diesel, depending on the quality of diesel. Tidal power is renewable, but the problem with this project is that we are trying to make tidal power the base of a transmission system. We cannot have hospitals clicking in and out of power supplies, nor can we allow air conditioning to the homes of elderly people to be turning on and off. Therefore, 34 per cent of power over the 18-year period would be diesel generated.

When we calculate the cleaner option - 100 per cent gas or tidal power with 34 per cent diesel - the matter becomes somewhat equivocal. The ministerial advisory committee came down in favour of tidal power being cleaner. It probably is. Some of the gas companies have had research done at, I think, the University of New South Wales, which argues that gas is cleaner than tidal power. It is an interesting analysis. It is not clear cut because 34 per cent of tidal power is backed up by diesel.

A closer-to-home comparison is Western Power's recent commitment to build a wind farm at Albany, which is a renewable energy project. It will also avoid greenhouse gas emissions, as would the tidal project. However, the greenhouse gas abatement return per dollar spent from the wind project at Albany compared with the tidal project in Derby is 5 to 1 in favour of wind.

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Surely, with energy schemes, we need to put the money into where the greenhouse gas abatement return is greatest rather than playing politics and money games. Members opposite do not have to take my word for it. If the environmental credentials of this project are so good, why do the Greens (WA) and the Australian Democrats oppose it? In a letter to me of 5 July the Conservation Council says that -

In the case of the wind farm -

It is referring to Albany.

- the outcome is acceptable while in the case of the proposed tidal power station it is environmentally unacceptable.

Member should think about their environmental credentials. The Conservation Council, the Greens (WA), the Australian Democrats and most of the scientific community of this nation say that the tidal project is environmentally unacceptable. I will be interested to hear what the Australian Greenhouse Office will say about how it relates to the science of greenhouse abatement. Members cannot hide from the facts.

A lot was said about transport as an issue. Yes, the gas project will use triple road trains. However, it will start with two trucks and build up to three and will involve five deliveries a week to Broome, one delivery a week to Derby, and less than a delivery a week to Fitzroy Crossing. I was curious that the Derby community complained about the effect on roads from this gas project. Members will recall that Derby campaigned hard to have Western Metals take produce from the Pillara mine through the Derby port. Each day 10 Western Metals triple and quadruple road trains go through Derby, and this gas project will involve one gas truck a week. Main Roads (WA) has analysed the matter and concluded that the effect on road transport will be minimal. It was a red herring from day one.

People suggested that the gas option is a danger. Liquefied natural gas has been transferred successfully by Energy Equity-Woodside in the Northern Territory for over 10 years. LNG is transported in 10 000 trips a year in the United States without an accident occurring. If an accident were to occur with the double-lined containers, LNG is light and would go straight up in the air. LNG is safer to transport than is LPG, diesel or gasoline, so that is not an issue.

Let us talk about some of the community benefits. Proponents of the tidal project say that 500 jobs will be created from this project. Interestingly, the Tidal Energy submission refers to 270 to 290 jobs. I do not know from where the 500 jobs came, but it was certainly not from the Tidal Energy submission. People talk about industry benefits with aquaculture farms, hotels and tourism, which I recognise. Some of the most outspoken supporters of the tidal project are the proponents of the aquaculture farm and hotel operators in town, who potentially could make a lot of money through business opportunities. Good luck to them. However, one does not sign a \$600m contract to have an aquaculture farm or a tourist attraction; it is to provide a reliable, low-cost power supply to the communities of the west Kimberley.

It is suggested that Aboriginal communities would benefit from the tidal project. The cost of transformers to bring power down from the high voltage to Aboriginal communities is at least \$3m a community, depending upon the size of the community. It probably would not be economic to provide that facility for smaller communities. That inclusion was not costed in the tidal project.

Also, debate has ignored some of the community benefits of gas through delivery to mine sites. In the greater scheme of things, with its wider distribution potential, greenhouse gas emissions in the Kimberley would probably be reduced more under gas than would be the case with the tidal project. All sorts of things can happen. Gas probably will stimulate economic development more quickly and strongly than would the tidal project.

I turn now to the Federal Government's role. I recognise the proponents are out in the community supporting their project. However, they failed in the tender process, and failed in a reassessment under the ministerial advisory committee, and they have used politics, media and even school children to try to promote their cause. Good luck to them, but they are not the sort of tactics that I regard as credible for business organisations. The local community supports them, and I recognise that there is great public interest in renewable energy.

The media has given this matter a lot of attention, but, boy, the media need to be brought to account. The media in this State have treated the tidal energy project as a political story covered by a political journalist. One would have thought the media would have had the credibility, integrity or professionalism to at least also treat it as a business story; if not that, at least to treat it as a scientific story, and write serious scientific material about the greenhouse comparisons of various projects. No. The issue was simply treated as a political story. Little wonder that the media in this State missed WA Inc - it does not surprise me at all.

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The comments of my colleagues in the federal Parliament, in my judgment, have lacked substance and dignity. They have made all sorts of claims about federal government grants. To my way of thinking, some of the members are far too close to a project in a competitive tender process than they should be as members of Parliament. Throughout this process, members of Federal Parliament have effectively attacked the tender process and, whether by intent or indirectly, have sought to undermine it. Never in my time in public office, or prior to that when at the Chamber of Commerce and Industry of Western Australia, have I seen one level of government set about to compromise the formal tender process of another level of government. It is one of the lowest acts I have seen in government affairs and public policy. It is an example of sovereign risk. Some federal members of Parliament have not acted with integrity or propriety. That is up to them; I will not get down in the gutter and roll around in that sort of debate.

Much has been said about federal funds, with \$60m to \$80m cited as being available for the project. How real is that claim? I quote a letter from the Prime Minister to the Premier of 24 October 1999 as follows -

I am pleased to confirm that the Commonwealth has already offered to provide the Derby project with \$1 million from the Renewable Energy Assistance Programme.

The Commonwealth would also be willing to consider further modest funding for the project under the 'measures for a better environment' initiatives . . .

The Federal Government has not provided any of that \$1m to the project - not a zack. The only Government to contribute has been this State Government.

Mr Kobelke: Are you willing to table the letter?

Mr BARNETT: I am running out of time; let me finish. A lot has been said about Senator Robert Hill offering money to me.

Point of Order

Mr KOBELKE: I do not want to interrupt the minister, but I ask whether he can table the document quoted.

Mr BARNETT: I sure can.

[See paper No 127A.]

Debate Resumed

Mr BARNETT: Senator Robert Hill wrote to me on 13 June 2000. One Wilson Tuckey has been out in the media claiming that this letter had Derby tidal written all over it, and that it was an offer of money. I will table this letter also. Senator Hill did not mention Derby tidal once. It cannot be found in the letter, which is now a public document.

[See paper No 127B.]

Mr BARNETT: The Prime Minister talked about modest funding - \$1m, maybe - and Senator Hill did not offer anything for the project. The only offer indirectly was by Senator Minchin who in Kalgoorlie about this time last year said to me, "We might put in \$30m; would you think about matching it?" That was as close and as sophisticated as it got; it was a comment made when walking together down Hannan Street after a meeting.

The Federal Government has a remote power generation program. The Deputy Leader of the Opposition was right - this money is taxed off Western Australian regional communities through Western Power, which the Federal Government will give back, it is said. However, a criterion is that the recipient projects be off-grid. Some of the best greenhouse abatement measures are on-grid. The wind farm is an example. The Pilbara has a grid; therefore, the scheme cannot apply there. If the Derby tidal project built a transmission line, would that be a grid? All sorts of shortcomings are in Senator Hill's proposal. We have not in any sense accepted that this scheme related to the tidal project. If it were to be a state-federal scheme - members opposite should support me in this regard - all renewable energy projects should have an equal opportunity to put in proposals, rather than saying that all the money will be allocated to one proponent in a political decision. That would not be good government or proper conduct by government.

At any time in the past 18 months the Commonwealth could have given money to Tidal Energy Australia. I have not stopped it, but why did it not do so? How could the Commonwealth give money to a private company? The federal Auditor-General and the taxpayer would have had a bit to say about that if it had done so.

Mr Kobelke: What about Syntroleum?

Mr BARNETT: That is another topic. The member should read my speech on that matter - he will probably agree with me. The Commonwealth could have given money to the tidal project, but it has not done so. That

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was none of my doing. It could provide money tomorrow, and we would take it into account. However, the reality is a lot of hoo-ha and bold claims have been heard, but at the end of the day not a zack has been provided.

Extension of Time

Mr BARNETT: May I ask for a 10 minute extension although I will not need all of it? I want to refer to the position of the Labor Party.

Mr BRADSHAW: I move -

That the Minister for Energy be granted an extension of time of 10 minutes.

Mr KOBELKE: Given that the Leader of the House has indicated that he will use the time to have a go at us, we may not wish to countenance that but oppose it. However, this is a very important debate. The minister's contribution has been wide ranging and of some substance. On that basis we will support the motion, so that we can hear what he has to say and have an opportunity to make a judgment on it.

Question put and passed.

Debate Resumed

Mr BARNETT: I thank members opposite for that. I will have a bit of a go but it will be okay.

The opening paragraph of a media statement of the Leader of the Opposition reads -

State Labor leader Dr Geoff Gallop has today committed a future Labor Government to the development of the 48 megawatt tidal power project in the West Kimberley.

I am not trying to score a political point but I want to make a serious observation about the 1980s. From the Opposition's motion today, they seem to support a Government making a political decision to award a contract for \$600m to Tidal Energy Australia. A situation during the 1980s is analogous. It is important that we recall what happened. I will quote from the Royal Commission into Commercial Activities of Government and Other Matters. Page 25 of volume 5 of the commission's report relates to a proposal for the purchase of coal by the then State Energy Commission from Western Collieries Ltd, which was a subsidiary of Rothwells Ltd. A point of principle needs to come out here, which is why I will quote from the royal commission report. The first quote reads -

A proposal was put to him that SECWA should prepay for approximately 300,000 tonnes of coal for which SECWA would receive a discount . . . Mr Heron estimated the value would be in the order of \$12m to \$15m.

Mr White was the Chief Executive Officer of SECWA. It continues -

Mr White said Mr Grill spoke to him at the suggestion of Mr Heron. Mr Grill told Mr White that he realised it was a difficult matter, but requested that Mr White make the payment. Mr White said he refused and advised Mr Grill of problems concerning lack of security and absence of authority to approve such a deal without board approval. Mr Grill responded that he understood he could give a direction and Mr White confirmed he could do so under the Act.

It continues -

Mr Grill then returned to the telephone and said, "I'm sorry but I have to direct you to do so."

It continues -

Mr Grill acknowledged that the whole purpose of the transaction was to solve the immediate liquidity crisis in Rothwells.

The royal commissioners state on page 20-31 -

. . . we are satisfied that, in reality, Mr Dowding and Mr Grill were not concerned to ensure that the arrangements were in the best interests of the public. Their one concern was to prevent a collapse of Rothwells.

The conclusion of the royal commissioners states that the actions of Mr Dowding and Mr Grill were highly improper.

I am not trying to rake up WA Inc.

Mr Kobelke: Not at all!

Mr BARNETT: No. That was about a political plan being hatched in government that SECWA, as a government-trading enterprise, would help rescue Rothwells by prepaying for a coal delivery the money for

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which would go to Western Collieries, a subsidiary of Rothwells, which would help the liquidity position of Rothwells.

Mr Ripper: The key is whether it was in the public interest.

Mr BARNETT: Let me explain. Mr Grill, as, I think, the acting minister, was hesitant about that. Perhaps that is to his credit. Mr Dowding, as the Premier of the day, told him to give the instruction to SECWA. To his failing, Mr Grill took that advice and did it. He gave an instruction to SECWA to make a commercial transaction for a political objective. The royal commission found that to be highly improper.

Mr Ripper: Because it was not in the public interest.

Mr BARNETT: I want to explain my position. As I said in Parliament the other day, if I take a recommendation to Cabinet and Cabinet says that I am wrong and that we should have tidal power, to which the Labor Party in its press release has committed itself, as a minister of the Crown, I will not take that direction based on a political decision to Western Power for it to implement. I for one think that would be improper and immoral. The royal commission confirmed in the 1980s that it is highly improper. It should not happen. The only way I would ever support a tidal project is if it were proved to be viable and in the State's interest. All of the analyses I have received and all the advice to me indicate it is not.

As I said at the beginning of my speech, tidal energy is an exciting concept. There is no doubt that there is an enormous potential energy source in the Kimberley. However, it does not make sense to develop the base of a power system in which the market - Broome's 80 per cent of demand - is a long way away and the power supply and demand is variable. If there were a grid there, maybe energy from a tidal project could feed into it and the project would work.

As I also said at the beginning of my speech, this is all about politics on both sides of the House. A few games have been played over here. A few federal members whose egos exceed their abilities have been running around causing trouble. In the Labor Party it is all about trying to win the seat of Kimberley and win popular support. It is about crass politics. The Western Australian community, the Western Australian taxpayer, the energy customers and the people who live in the Kimberley deserve a bit better from us than crass politics. It is also about money; it is about a \$600m contract and government grants to private companies. It is about politics and money. Most members of Parliament, if they have taken the time to study this matter carefully, will recognise that that is all it is about. They should do what they swore to do when they came into this place; that is, to act in the best interests of the State of Western Australia and serve their office with some honour and integrity.

Is there a future for tidal projects? For this one as it is presently configured, I must say on the information given to me that the answer is no. It does not get there despite all the assistance it has received and the two additional studies. Its only chance will be through a political decision being made in its favour, hence the media campaign, the media lobbying and the gullible politicians on both sides who have fallen for it. It is about the 1980s and WA Inc. I do not want to belt up on the Labor Party but, for goodness sake, has this Parliament in Western Australia not learnt anything from the 1980s and the Royal Commission into Commercial Activities of Government and Other Matters? We are barely 10 years on and it appears that we have learnt nothing. That is to the shame of this Parliament and the people who sit in it.

This would be a dam and not an ebb and flow tidal project. The tide comes in and the tide goes out and is a great feature of nature; it is spectacular and it is a huge energy resource. This project is about a dam that operates a hydro scheme. Members should read what Hon Giz Watson has to say about it. She has taken the time to read and study it and make sensible comments. She points out, quite rightly, that a true tidal project is one that captures the flow of the tide and spins turbine blades as the tide comes in and goes out.

Mr Ripper: What a ridiculous position.

Mr BARNETT: That is a true tidal project.

Mr Ripper: That is a ridiculous position.

Mr BARNETT: The Deputy Leader of the Opposition should talk to the renewable energy scientists because that is a true tidal project. This dam operates like a hydro scheme. I make that distinction. A true tidal project would not form a base load but arguably could feed into a supply in a town such as Derby. . It would probably cost in the order of \$70m to \$80m and would not be economic in its own right. If fuel-cell technology could be included, and it is developing, maybe it could have a greater impact. A project like that "might" be deserving of public support if it could be demonstrated that it had a genuine research and development role and that the potential to be applied elsewhere, either in Australia or, in particular, in developing nations around the equatorial zones or where tides are high.

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Australia could take a lead in tidal energy, the application of renewable energy, research and development and assistance to developing nations. However, we should do that for the right reasons. That would be valid, and the State Government would look at that on its merit. The State Government does not do things for the wrong reasons. It will not give \$100m of taxpayers' money and award a \$600m-contract for an aquaculture farm or to help the tourism industry. It does things for the right reasons. The Government will not compromise cabinet processes or put ministers in the position of giving political directives to trading enterprises. The Government will not put company directors in that position. That is why the Government does not support this motion. The Government supports the application of tidal energy, and a reliable and improved power supply for the Kimberley region.

MR MINSON (Greenough) [6.10 pm]: The difficulty I have with the Derby tidal power station project is that it has the potential to bring the whole of the technology into disrepute. We have been promised something that I do not believe the project can deliver. I am a supporter of renewable energy. Currently a parliamentary intern from Murdoch University is working on such a project for me. I hope that will be ready before the Parliament rises, so I can table it. It will deal with the realities of renewable energy based on sensible economics.

This project has the potential to damage the science and industry of tidal power stations and renewable energy. We must consider the economics. I do not have any problem with a Parliament, a Government or a society that says it will give a certain amount of money to the development of an experimental project, to see how it works. However, the Derby tidal power proposal is not the way to go about that. The Government was trying to solve the problem of power supply to the west Kimberley. That has been explained to us. Nobody was looking for an experimental station of any sort. I understand that tidal power has been around for a while, but it is still experimental - particularly the economics of tidal power. If the Government intends to spend money on these sorts of projects for the development of renewable energy it must specifically call for expressions of interest in Western Australia - hopefully with the backing of the Federal Government. The tender should be for an integrated project that will provide not only power but also something that makes sense and will allow all of the benefits of renewable energy to manifest. In other words, it must be built in such a place and harness such technologies - it may be more than one renewable technology in the same place - that will enable it to generate a continuous supply of power. Attempts have been made to do that. For example, the use of excess electricity from hydro power and tidal power to pump water to a higher level, to provide a continuous supply, raises a raft of possibilities. For example, in the generation of solar power, a highly developed system can generate super-heated steam. That can be stored in a couple of ways. One way is in a heat sink - an old mine pit filled with granite. It sounds crude, but it works well. The beauty of it is that the heat can be harvested when the sun goes behind a cloud or during the evening hours. The other way is to generate the power and to electrolytically split water into its components of hydrogen and oxygen. Those two separate gases can be stored and burnt when required in the same boilers that are used now to burn natural gas and so on to supply generators to produce power. A raft of factors was not considered in the Kimberley proposal, and I know that was never the intention. If taxpayers are to put \$100m up front and about \$600m over the life of the project I want to make sure it is done properly. I am an Australian taxpayer as well as a Western Australian. I am not convinced that what has been put forward for Derby is by any means the best way to go about it.

Industries that draw power from such a project will have trouble competing if they pay a realistic price. I will give an example of how customers, no matter what they say, insist on the lowest price. Members who have been to the south island of New Zealand will have found a magnificent hydro-electric scheme that was specifically built to power an aluminium smelter at Tewai Point. The electricity is delivered at 2.5¢ a unit. However, when I visited there two months ago, there was an air of despondency over that aluminium smelter because they believe that for economic reasons they will have to close. They probably have the cheapest power in the world, but because of the transport costs the cost of their product is marginally more by the time it hits Europe or Asia. The customers are not in the slightest bit interested in whether the product came from a renewable power source. Let us not kid ourselves that by pouring \$600m into this project over the next however many years we will capture the hearts and minds of the people of the world, because we will not. Until we have some sort of formalised agreement between nations to penalise those industries which use fossil fuels - they are the problem - and to properly support industries that are based on renewable energy, I would not commit the Australian taxpayers to the expenditure of the sort of moneys that are being put forward. I want to go on record as saying that I absolutely support alternative renewable energy resources. If someone came forward with a renewable energy project in the Kimberley that would produce thousands of megawatts of power and use some of the bauxite on the Mitchell Plateau to produce aluminium at world-competitive prices, I would be the first to support it. Frankly, I would be prepared to pay a premium. The world will eventually have to go that way. However, at the moment, what we are being asked to consider is not a tidal power plant, it is not even a hydro electric plant; it is a part-tidal or part-hydro plant, whichever way one looks at it. It is based as much on fossil fuels as it is on renewable energy. I cannot support that unless somebody can convince me that it will be good for the

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environment. I have had a fairly good look at the project. I have not been noisy and I have listened to the debate - the intellectual level of which has exasperated me. Nevertheless, I would like to hear a cogent argument for why we should do this.

People may think that we will make many millions of dollars in tourism from this. A few people will look at it but, frankly, I do not believe that many people will cross the world to look at a fairly low-level dam. It will not happen. While people happen to be in Las Vegas, they might take a trip to the Hoover Dam, but it is spectacular to look at; this will not be particularly spectacular. That project is visited as much because of the vision, the time in which it was built and the circumstances under which it was built as it is for the fact that it uses hydro-electricity. Let us not kid ourselves that we are dealing with something completely clean or that we will produce cheap power. We will not.

There is considerable unemployment in my electorate of Greenough. People in the region are trying to get industries off the ground. If we must subsidise this project in the Kimberley - probably for as long as most of us will live - members should consider that it would be subsidised out of the pockets of the industries that we are trying to start in our electorates. An additional 0.1¢ a kilowatt or 1¢ a kilowatt in a very competitive world perhaps would make our industries uncompetitive. A number of industries will not be established and some will not survive, simply because the Government has made a politically expedient decision. I have no argument with the politics. The media is dying to say that the Government will build a tidal power station. It sounds good, but it is nonsense. Despite the fact that my heart tells me that I want to build this power station, my head tells me that it is nonsense. If we are to spend money like this, let us call for expressions of interest from everybody to develop a renewable energy source and to demonstrate clearly the benefits and the cost. Then the Federal Government can make an informed decision about whether we pour taxpayers' money into it.

I do not trust the Federal Government, whether it be the coalition or the Australian Labor Party. I can tell members what will happen. It will make all the promises, but in the end the State Government will be left holding the baby. I can tell members how it will do it. It will pay, but it will do it by way of the specific purpose grants, and that will come out of the State's general revenue grants. Members should make no mistake, Western Australia will pay the entire bill for what they want to establish in the West Kimberley. I have heard a lot of huffing and puffing from federal members of Parliament and from some state members, who should know better because they know what the Federal Government is like. I do not trust the process. I fully support the speech made by the Leader of the House.

Mr Kobelke: Particularly when he spoke of your federal colleagues, I assume.

Mr MINSON: Unfortunately, that is the truth. He was referring to a bloke I have regarded for a long time as my friend, but I will not go into names and personalities. Unless someone can move an amendment that makes this motion look sensible, I urge members to vote against it.

MR MASTERS (Vasse) [6.23 pm]: I understand there is an ancient Chinese curse that says: May we live in interesting times. I believe that the Australian Labor Party and the taxpayers of Western Australia have been cursed by this issue of the Derby tidal power scheme. Even at my level, it is interesting that the Environmental Protection Authority should strongly oppose the environmental aspects of the Derby tidal power scheme. It is interesting that the Conservation Council of Western Australia should oppose it as well; in other words, it supports the EPA. However, as a former employee of the Department of Conservation and Environment - a precursor to the Department of Environmental Protection - I do not agree with the EPA's assessment. Its objections to the Derby tidal power scheme were not well-founded on science. Also, as a former, regularly attending delegate to the Conservation Council of Western Australia for about 10 years, I cannot agree with what the Conservation Council has said. In spite of that, I have a concern about the motion and about the Derby tidal power scheme, for the simple reason that I believe there are far better ways of spending federal taxpayers' money, bearing in mind that most of that money comes from state taxpayers.

In the few minutes allocated to me, initially I will make some comments in response to the Deputy Leader of the Opposition's speech. He made a comment about the 27-year cost estimate carried out by the ministerial advisory committee, which showed that tidal power was favoured. In economics, 27 years is an awfully long time. In my experience in the mining industry, it is very unusual for anyone to lend money for a project for that length of time. I was involved with a project with Westralian Sands Ltd - now called Iluka Resources Ltd - which was a \$68m synthetic rutile production plant at Capel. Using the world's best technology, that plant had a total life of no more than 20 years. My understanding is that for most development projects around the world, with just a few exceptions, a 20-year life of operation is considered the norm. Therefore, the ministerial advisory committee's advice that the Derby tidal power scheme would be beneficial, both environmentally and economically, after 27 years is largely irrelevant. Twenty years is the maximum. In that 20-year period, as the member for Greenough has said, an enormous number of changes will occur on the world energy scene. If we

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believe some people, we will run out of most fossil fuels well in advance of that time, but that is not my view. More likely, new varieties of energy generation will be created; for example, the fuel cell. There is a serious risk that 27, 20 or even 10 years from now, we will have one of the world's greatest white elephants sitting in Derby.

The real thrust of what I wish to say is that there are far better alternatives to spending \$80m, \$95m or \$120m on the Derby tidal power scheme. For example, before us now are a number of proposals that relate to the salinity strategy. I note with interest that the Deputy Premier is in charge of the salinity strategy. It is interesting that in the salinity action summary, the cost estimate for the first five years of the implementation of the salinity strategy is about \$105m. Should that \$105m be spent effectively and in the way the salinity action group believes it should be, the improvements to the State of Western Australia will create such environmental, economic and social benefits that every Western Australian will benefit enormously, and not just the people of Derby.

There are other ways in which that money can be spent, and I will give a few examples. I am a convert to solar hot water systems. The typical solar hot water system produces 1.1 tonnes of greenhouse gas less a year than a reasonably efficient, 2-star gas powered hot water system. For example, the Federal Government could offer 200 000 households a 25 per cent subsidy on the capital cost of purchasing a solar hot water system, for the amount suggested as the taxpayer contribution towards the Derby tidal power project - \$120m.

If one multiplies 200 000 solar hot water systems by 1.1 tonnes of greenhouse gas savings a year, one arrives at a figure of 220 000 tonnes fewer greenhouse gases being produced, which is 10 per cent more savings than that proposed by the Derby tidal power scheme. We could be a little more lateral in our thinking and encourage people to drive small cars rather than the larger, less fuel-efficient Holdens, Falcons, Mitsubishi Magnas and so on. A typical small car produces some 1.8 tonnes fewer greenhouse gases a year than larger, family cars. If, for example, the State Government were to give a 50 per cent reduction in the annual cost of registration of, say, \$200 a year and that was applied for the 10 years of the life of the vehicle, \$120m spent in that way would provide an incentive to Western Australians to buy 60 000 small cars resulting in a reduction of 108 000 tonnes a year in greenhouse gas production. However, many other benefits would flow; for example, cleaner urban air, less congestion on our roads, fewer fuel imports to Australia and so on.

In conclusion I shall make two quick comments. Contrary to the information provided by the Deputy Leader of the Opposition, the weighting in the MAC report given to environmental-related benefits was not 1.6 per cent plus 1.6 per cent to give a total of 3.2 per cent; instead, the total environmental benefit weighting was 8 per cent.

Mr Ripper: That is right. However, the greenhouse weighting was 1.6 per cent plus 1.6.

Mr MASTERS: It is nice of the Deputy Leader of the Opposition to focus on such a narrow aspect as greenhouse gases. I applaud the minister and the MAC report for focusing on the broader environmental issues. I also understand that the ministerial advisory committee undertook sensitivity analyses that effectively did not make a great deal of difference to the choice of the preferred project.

In closing, as we live in exciting times, I will quote from an article by Anne Burns and Mark Mallabone in *The West Australian* of Thursday 20 July 2000. The headline states "Gallop backs tidal power" and the first paragraph reads -

A Gallop Labor government will go ahead with the \$335 million Derby tidal power project, virtually guaranteeing that the ALP will regain the seat of Kimberley at the next election.

This motion is nothing more than an attempt by the Australian Labor Party to try to bolster its support in the Kimberley.

Amendment to Motion

Mr MASTERS: I move -

To delete all words after "supports" in the first line of the motion and substitute the following -

- (i) new power generation in the Kimberley region;
- (ii) the integrity of the formal tender process; and
- (iii) the application of renewable energy including hydro/tidal power when it is found to be viable.

MRS EDWARDES (Kingsley - Minister for the Environment) [6.33 pm]: I support the amendment and bring to the House's attention the current state of the environmental assessment process. As the member for Vasse highlighted, back in June 1999, the Environmental Protection Authority in its bulletin concluded that some environmental impacts were of such a significant nature that the proposal should not be implemented. The

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Mrs Cheryl Edwardes; Deputy Speaker

environmental factors considered included mangroves, geoheritage, greenhouse gas benefits, water quality and environmental management. The EPA also considered that the site was one of scientific value as a monitoring and reference point of scientific significance.

However, the EPA said if the proposal were to proceed that I may wish to seek advice from it about conditions to be placed on it. A decision was made after I received appeals on the EPA bulletin that the proposal may proceed given certain conditions. I requested the EPA to set the conditions and procedures to apply to the proposal including clear objectives of mangrove rehabilitation; information on present soil condition and future ripeness for rehabilitation in areas after barrage construction; strategies for protecting juvenile plants; and an environmental management plan.

On the geoheritage issue, the proponent is required to identify the site or sites in King Sound of similar geoheritage values able to be used for continued research; further detailed modelling work on sedimentation must be undertaken through the conditions of environmental approval to assess the long-term implications of sedimentation; and an assessment of the transmission system must be undertaken through a route transmission plan. Those EPA conditions were released for public consultation some three weeks ago. The date for submissions closed on Friday, 11 August and I am presently awaiting a report on those submissions.

Point of Order

Mr KOBELKE: The amendment moved by the member for Vasse is a negation of the motion and, on that basis, should not be allowable. As you can see, Mr Deputy Speaker, the motion clearly states support for the Kimberley tidal power project; the Deputy Leader of the Opposition spoke in support of that. All the Government speakers have spoken against support for tidal power. The member then moved an amendment which now expresses support for the new power generation, the integrity of the formal tender process and the application of renewable energy. It throws in the word "hydro" but it does not refer to the Kimberley tidal power project. On that basis it is a total negation of the motion before the House and is not an allowable amendment to the motion.

The DEPUTY SPEAKER (Mr Bloffwitch): I do not believe it is a direct negation. Therefore, I direct that the member continue with his discussion on the amendment.

Debate (on amendment to motion) Resumed

MR RIPPER (Belmont - Deputy Leader of the Opposition) [6.36 pm]: I reject the amendment and the arguments put by the Minister for Energy in opposing the tidal power project. He went to great lengths to highlight all the risks that he sees in the Derby tidal power project. In fact, in his argument he went beyond the risks identified by the ministerial advisory committee. The ministerial advisory committee concentrated almost entirely on the risks of the Derby tidal power project without referring to the risks of the gas project. The question of risks is catered for in the motion which I put before the House. This House should support Derby tidal power provided the federal feasibility study finds the project satisfactory. If the risks are as the Leader of the House says they are, surely a committee comprising five people from the Snowy Mountains Engineering Corporation Ltd will back him up. If those people from the Snowy Mountains Engineering Corporation say that the project is too risky, I will withdraw my support for it as the Australian Labor Party's support for the project is conditional on the federal feasibility study finding the project satisfactory.

Mr Barnett: You seem to miss one fundamental point. No matter what the Snowy Mountains Engineering Corporation consultants say - and I do not know what they say - neither they nor the Federal Government have to sign a \$600m contract; that is the issue for the directors of Western Power.

Mr RIPPER: That is true. However, the directors of Western Power would surely be entitled to rely on the assessment of people with those professional credentials.

The second issue is the question of economics. The member for Greenough referred to an ongoing subsidy to this project. I remind the member for Greenough that the ministerial advisory committee assessed the costs of the gas option and the tidal power option and found no reason to discriminate between the costs of the projects on the basis of the proposed federal funding.

There is a public subsidy for this project, but it is a once-off public subsidy. On the basis of that once-off subsidy, the ministerial advisory committee has found that there is no reason to discriminate between the costs.

Mr Barnett: I am sorry, there is an ongoing subsidy. As I said, the negotiated price is less than 16¢ in Broome; it will be an ongoing subsidy if one does not go for the lowest price and it will go on year in year out.

Mr RIPPER: The Minister for Energy has produced an argument based on information which is totally new and is not available to any other member of the House and was apparently not available to the ministerial advisory

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committee. The minister is saying, "Don't worry about the ministerial advisory committee, there is new information to which only I am privy". The ministerial advisory committee and the tender process both examined this issue and both believed that the costs were comparable provided there was a federal subsidy. The feasibility risks are taken care of in my motion by making it conditional on the outcome of the federal feasibility study. The economics is taken care of by making it conditional on the federal funding. There is no reason for supporters of tidal power on the coalition side of the Parliament not to support my motion and not to oppose the amendment which has been moved by the member for Vasse.

I conclude my remarks by referring to the conclusion made by the Minister for Energy when he referred to this issue as being all about money and politics. Of course the proponents on both sides of this issue are after the contract. Of course the gas people and the tidal people want the \$600m contract. The minister cannot hurl the money accusation at the tidal option and not also at the gas option. This is a commercial competition, and the politicians who will make a judgment about this issue must bear that in mind. I pointed to the fact that public policy judgments must be made as well. The ministerial advisory committee mentioned that a public policy judgment about the risk would have to be made by the State Government, not Western Power. Judgments must also be made about the right weighting given to community benefits and environmental impacts compared to the weighting that should be given to risk. In my view, it is proper for public policy judgments to be made by politicians. A comparison has been made with judgments made by the Royal Commission into Commercial Activities of Government and Other Matters. The key question is that of public interest. The royal commission criticised decisions that it said were not made in the public interest. I say it is proper for politicians and for the Cabinet to make decisions on this matter provided they make decisions for proper reasons; that is, they are in the public interest.

It must be recognised that we are moving into a new world in which greenhouse gas issues will be important. We must realise that the market and market considerations have not satisfactorily dealt with those issues to date. If we relied only on the market to make our decisions, we would not be making the right decisions about greenhouse gas. Sometimes matters must be taken out of the hands of the market if we are to achieve the right decision from a public policy point of view. There is no reason for supporters of tidal power not to vote for the motion which I put before the House. I therefore oppose the amendment moved by the member for Vasse. I call upon those coalition supporters of tidal power to publicly and clearly demonstrate their stand on the issue. Now is the time for them to make their positions clear.

Mr Barnett: I think we have.

Mr RIPPER: The minister for Energy thinks that they have. We will see whether the National Party is as good as its word.

Amendment put and a division taken with the following result -

Extract from *Hansard*
[ASSEMBLY - Wednesday, 16 August 2000]
p422b-444a

Mr Eric Ripper; Mr Colin Barnett; Mr John Kobelke; Mr John Bradshaw; Mr Kevin Minson; Mr Bernie Masters;
Mrs Cheryl Edwardes; Deputy Speaker

Ayes (25)

Mr Ainsworth	Mrs Edwardes	Mr McNee	Mr Shave
Mr Barnett	Mrs Hodson-Thomas	Mr Minson	Dr Turnbull
Mr Barron-Sullivan	Mr Johnson	Mr Nicholls	Mr Wiese
Mr Board	Mr Kierath	Mr Omodei	Mr Tubby (<i>Teller</i>)
Mr Bradshaw	Mr MacLean	Mr Osborne	
Mr Court	Mr Marshall	Mrs Parker	
Mr Day	Mr Masters	Mr Prince	

Noes (16)

Mr Brown	Mr Grill	Mr McGinty	Mrs Roberts
Mr Carpenter	Mr Kobelke	Mr McGowan	Mr Thomas
Dr Edwards	Ms MacTiernan	Ms McHale	Ms Warnock
Dr Gallop	Mr Marlborough	Mr Ripper	Mr Cunningham (<i>Teller</i>)

Pairs

Mr Cowan	Mr Riebeling
Mr House	Ms Anwyl
Mrs van de Klashorst	Mr Bridge

Amendment thus passed.

Motion, as Amended

Motion, as amended, put and passed.