

BARROW ISLAND AMENDMENT BILL 2015

SECOND READING SPEECH

I move that the Bill now be read a second time.

The purpose of the Bill is to amend the *Barrow Island Act 2003* to enable the State to indemnify the Gorgon Joint Venturers for post-closure common law liability claims by independent third parties arising from the CO₂ injection project.

In order to abate greenhouse gas emissions from its gas processing development on Barrow Island, the Gorgon Joint Venturers are required to inject reservoir CO₂ recovered from gas sourced in Commonwealth waters beneath Barrow Island.

In late 2008, the Commonwealth Government amended its offshore Petroleum Act to allow for CO₂ injection for the purpose of indefinite storage. The amended Act (*Offshore Petroleum and Greenhouse Gas Storage Act 2006*) has provision for the Commonwealth to provide, at its discretion, a post-closure indemnity for injection projects.

The *Barrow Island Act 2003* (Section 13) conditions of approval, as granted in 2009, require the Gorgon Joint Venturers to manage and monitor the injected CO₂ during injection and for a period of at least 15 years after the cessation of the injection project. After this time the Gorgon Joint Venturers may request a CO₂ Disposal Site Closure Notice from the Barrow Island Act Minister.

The current *Barrow Island Act 2003*, which regulates the Gorgon CO₂ injection project, does not require the provision of an indemnity to the Gorgon Joint Venturers. Rather, it only contemplates the State being provided with an indemnity by the Gorgon Joint Venturers during the course of the injection project.

Nonetheless, the State in 2009 agreed to provide a post-closure indemnity for these purposes to the Gorgon Joint Venturers, equivalent to that contained in Commonwealth legislation. This agreement was arrived at during the negotiations leading up the Gorgon Joint Venturers' FID (final investment decision) for the Gorgon LNG project.

In order for the State to provide a post-closure indemnity to the Gorgon Joint Venturers, an amendment to the *Barrow Island Act 2003* is required.

Given the substantial royalty revenues the Commonwealth is expected to obtain from the Gorgon project and the Commonwealth's 2008 legislation that enabled the provision of indemnities for projects that fall within its jurisdiction, I wrote to the then Prime Minister on 13 March 2009 stating that a post-closure indemnity would be more appropriately provided by the Commonwealth Government, notwithstanding that the injection site is within State boundaries.

The Commonwealth Government subsequently proposed to provide the State Government with a 'back to back' indemnity for 80% of any liability the State incurs as a result of third party common law claims associated with the CO₂ injection project.

The Prime Minister, the Hon. Tony Abbott MP, has recently signed an Agreement giving effect to the back to back indemnity to the State.

I would remind Members of the importance of the Gorgon Project to our State.

The Foundation Project on Barrow Island is a three train LNG development with a nameplate capacity of 15.6 million tonnes per annum (Mtpa) and includes a domestic gas plant capable of delivering 300 tera joules (Tj) of gas per day to the mainland.

Project construction costs are estimated to be \$55 billion, following a cost and schedule review conducted by Chevron in December 2013.

Significant benefits flowing from the Gorgon construction phase are being realised by the Western Australian economy, companies and households. Cumulative commitments in Western Australia, up until December 2014, totalled approximately \$31 billion.

These benefits will be accentuated when plant start-up and first gas is achieved in mid to late 2015, with the provision of domestic gas from the project to the mainland planned by 31 December 2015.

The Gorgon project is significant in scale, vision and the application of technical prowess, and has assisted in making Western Australia a world leader in the LNG supply sector. With the CO₂ injection project, the Gorgon project is also providing a world class example of what government and industry can achieve to reduce our carbon footprint.

This Bill is further evidence of the cooperation between the State and Federal Governments and industry partners that has so assisted in the delivery of such a large and complex project.

Pursuant to Standing Order 126(1), I advise that this Bill is not a uniform legislation Bill. It does not ratify or give effect to an intergovernmental or multilateral agreement to which the Government of the State is a party. Nor does this Bill, by reason of its subject matter, introduce a uniform scheme or uniform laws throughout the Commonwealth.

I commend the Bill to the House and table the Explanatory Memorandum and also the following documents that are relevant to the operation of the State indemnity:

- The Commonwealth-State 'back to back' Indemnity Agreement;
- The Barrow Island Act 2003 (WA) Section 13 Approval (Section 13 Approval) to dispose of carbon dioxide by injection into subsurface formation;
- The CO2 Disposal by Injection Collateral Deed, required by and forming part of the Section 13 Approval; and
- The CO2 Disposal Management Plan, the management plan required by and forming part of the Section 13 Approval.