

NATURAL GAS (CANNING BASIN JOINT VENTURE) AGREEMENT BILL 2013

Receipt and First Reading

Bill received from the Assembly; and, on motion by **Hon Peter Collier (Leader of the House)**, read a first time.

Second Reading

HON PETER COLLIER (North Metropolitan — Leader of the House) [7.31 pm]: I move —

That the bill be now read a second time.

The purpose of this bill is to ratify and authorise the implementation of an agreement, scheduled to the bill, between the state and Buru Energy Limited, Diamond Resources (Fitzroy) Pty Ltd and Diamond Resources (Canning) Pty Ltd—collectively the joint venturers under the agreement—and Mitsubishi Corporation to promote the natural gas exploration and development of the area of certain petroleum exploration permits in the Canning Basin region of Western Australia.

The state is interested in the potential of the onshore Canning Basin to meet future domestic gas requirements and make a significant long-term contribution to Western Australia's economy and economic growth.

The agreement concerns the establishment by the joint venturers of a domgas project, subject to them proving up sufficient natural gas from the agreement's title areas, initially comprising five key petroleum permits, and the joint venturers being satisfied such a project is technically and economically viable. The agreement also envisages that the joint venturers may undertake a further liquefied natural gas pipeline project to deliver natural gas to an LNG production facility within an LNG precinct.

In order to encourage accelerated expenditure by the joint venturers, some provisions of the Petroleum and Geothermal Energy Resources Act 1967 will be modified by the agreement, including to allow the five key permits to be renewed twice—within a limited suspension period—without the normal 50 per cent relinquishment obligation. The limited suspension of relinquishment obligations recognises that proving the technical and economic feasibility of gas production will require years of expenditure and technical development. The agreement in return obliges the joint venturers to continue to explore and evaluate the title areas to prove up sufficient natural gas for the establishment and sustained operation of a domgas project.

The agreement recognises the current uncertainty as to the extent of natural gas reserves within the title areas and its ability to be produced economically. Accordingly, the state has agreed that the agreement can be determined upon notice from the joint venturers during the first quarter of 2016, under clause 35 of schedule 1, for one or more of the following reasons: the joint venturers have been unable to prove up sufficient reserves of natural gas within the title areas; or their preparatory work leads them to conclude that the production of natural gas for a domgas project is not technically or economically viable.

The agreement does not include oil discoveries and their commercialisation. The focus of the agreement is on exploring and proving up natural gas resources.

Petroleum titles: The agreement allows for further petroleum exploration permits or petroleum drilling reservations held solely by one or more of the joint venturers within the Canning Basin to also be included in the agreement after 31 March 2016 subject to the state agreement minister's approval and satisfaction that the title is prospective for natural gas and such approval would facilitate the objects of the agreement.

The domgas project: In summary, the domgas project will involve the production of domgas in a treatment plant from natural gas obtained from within the title areas, and other areas with the consent of the state agreement minister, and the construction and operation of a pipeline commencing from a treatment plant within the title areas and extending to and connecting to the domestic gas pipeline network in the north west of Western Australia.

The agreement provides in clause 10 for the joint venturers and the state agreement minister to agree on a corridor within which the joint venturers may construct their domgas pipeline. The agreement provides in clause 34 for the joint venturers, after the domgas project operation date and with the state agreement minister's consent, to sell or otherwise dispose of such pipeline out of the agreement.

LNG project: The liquefied natural gas project will in summary involve the construction and operation of a pipeline commencing from within the title areas and extending to and connecting to an LNG production facility within an LNG precinct, or to a third party pipeline to the LNG production facility for the production of LNG for export. The relevant LNG precinct will be agreed between the joint venturers and the state agreement minister. The LNG pipeline must be a separate pipeline to the domgas pipeline. The joint venturers may not submit

proposals for the LNG pipeline project until after all their proposals for the domgas project have been submitted. Furthermore, their proposals for the LNG pipeline project may not be approved until all proposals for the domgas project have been approved.

In relation to the LNG pipeline project, the agreement may be determined by agreement to allow that project to continue outside the agreement.

I would also mention the following important provisions of the agreement.

Community and social benefits: The joint venturers acknowledge in clause 6 of the agreement the need for community and social benefits to flow from the agreement. The joint venturers must prepare plans that describe their strategies for achieving such benefits in connection with the projects.

Local industry participation benefits: The joint venturers acknowledge in clause 7 of the agreement the need for local industry participation benefits to flow from the agreement. The joint venturers must prepare plans to maximise local industry uses and procurement.

Domgas commitment: Under clause 8 of the agreement the parties acknowledge their common aspiration that, subject to the joint venturers proving up sufficient reserves of natural gas within the title areas, they will progressively and continuously make available for sale into the Western Australian domestic gas market a certain quantity of domgas, produced as part of the domgas project from natural gas obtained from within the title areas, over a certain period as set out in that clause. Clause 8 of the agreement sets out the joint venturers' obligations with respect to the marketing and making available of domgas for sale, including petrochemical feed stocks.

In the event that liquefied natural gas for export is being produced, or is to be produced, from natural gas obtained from within the title areas, the joint venturers shall be obliged to market domgas consistent with the state's domestic gas reservation policy that applies at the time.

Access obligations in respect of project pipelines: Clause 8 of the agreement requires the joint venturers to comply with and observe the laws in force in Western Australia governing access by other parties to the project pipelines.

Commercialisation of natural gas from the title areas: Clause 19 imposes restrictions on the joint venturers' ability to sell, dispose or otherwise commercialise or permit the commercialisation of natural gas obtained from within the title areas other than by means of infrastructure and activities comprising the domgas project or the LNG project.

Local content obligations: The agreement imposes standard state agreement local content obligations upon the joint venturers in respect of both the domgas project and the LNG project.

Term of the agreement: The agreement provides for an initial term of 25 years with the ability for the state agreement minister to extend it for a further period of up to 25 years.

By entering into this agreement, the government is encouraging accelerated large-scale investment in the exploration and evaluation of natural gas resources in the highly prospective Canning Basin region, with a view to the establishment and sustained operation of a domgas project and, if the joint venturers so wish, of an LNG pipeline project. The state desires to facilitate such developments for the purposes of promoting industrial development in Western Australia generally and energy security in particular.

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 by 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 I table the explanatory memorandum.

[See paper 278.]

Debate adjourned, pursuant to standing orders.