

**ALBANY WAVE ENERGY PROJECT — CARNEGIE CLEAN ENERGY —
FINANCIAL ASSISTANCE**

Standing Orders Suspension — Motion

MR D.T. REDMAN (Warren–Blackwood) [3.00 pm]: — without notice: I move —

That so much of standing orders be suspended as is necessary to enable the following motion to be moved forthwith —

That this house condemns the McGowan government for the failed Albany wave energy project and for wasting \$2.6 million of taxpayer funds that could have been better used to create jobs for the Albany community.

It is my understanding that there has been agreement with the Leader of the House that a suspension will take place with 15 minutes on either side.

Several members interjected.

The SPEAKER: Members!

Mr D.T. REDMAN: I think we can move forward once the Leader of the House supports that.

Standing Orders Suspension — Amendment to Motion

MR D.A. TEMPLEMAN (Mandurah — Leader of the House) [3.01 pm]: I move —

To insert after “forthwith” the following —

, subject to the debate being limited to 15 minutes for government members and 15 minutes for non-government members

Amendment put and passed.

Standing Orders Suspension — Motion, as Amended

The SPEAKER: Members, as this is a motion without notice to suspend standing orders, it will need the support of an absolute majority for it to proceed. If I hear a dissentient voice, I will be required to divide the Assembly.

Question put and passed with an absolute majority.

Motion

MR D.T. REDMAN (Warren–Blackwood) [3.02 pm]: I move the motion.

It is very appropriate to debate this on the day that Minister MacTiernan, whose progress with the Carnegie Albany wave energy project we have been following, has made the decision on behalf of the McGowan government to shut the project down.

Before I get into this debate, I am absolutely appalled at the way the Premier responded to questions today. He effectively linked the failure of the Albany project to a new radiation machine in Albany. I am absolutely appalled at him making that link. He made the point that a project needs to fail before the government can deliver what we see as an essential item for health in Western Australia. It is absolutely appalling.

I will get back to the debate. This government came to power on the back of a jobs plan—jobs for Western Australia. I am assuming that it meant jobs for regional Western Australia. The government had a jobs plan for regional Western Australia and a plan for Albany. Of course, the lead project in the plan for Albany was the Albany wave energy project, which was going to deliver hundreds of jobs. Those are the words that came from the Premier’s own mouth in the lead-up to the last election. We know when that announcement was made. It was made prior to the election. Who was in front of Carnegie signs when the announcement was made? It was the now Premier, who was then the Leader of the Opposition; the then shadow Minister for Energy, who is now the Minister for Energy; and Alannah MacTiernan. It was not Minister Alannah MacTiernan—just Alannah MacTiernan. It is unknown why she was there, but she was there. The debates that we have had in this place have demonstrated that Minister MacTiernan has followed through on a passion and lost \$2.6 million of taxpayers funds. This government needs to stand condemned for that.

This government has presided over the most significant unemployment rates in the nation on the back of its jobs plan. It needs to be held accountable for that. A sum of \$15.57 million was allocated to a wave energy project. I do not have any problem with an opposition making a commitment and then trying to deliver on a project, but it must be accountable for what happens. The government must be accountable for the commitment that it made to the people of Albany and for the process that it ran to deliver that jobs outcome and that project to regional Western Australia and the good people of Albany.

This project had no business case. The Premier has espoused financial accountability ever since he got to that side of the house and waved the Langoulant report in our faces. That report's first recommendation was that royalties for regions projects have a business case. This project did not have a business case and there was no opportunity for there to be scrutiny of what project risks may come up to give the government a full understanding of what it was getting into in spending \$15.75 million of taxpayers' funds. We know that the minister had a close historical link to the company. We also know that she had a shareholding in a company that was linked to it, which raised concerns on this side of the house.

There was a level of manipulation to ensure that Carnegie was able to get into the tender process. The numbers were changed because it wanted them changed. Otherwise, it would not have worked. Again, there was input from the minister to get that. Her passion once again overrode her objectivity. We know that Carnegie was the only company that had an offshore licence in order to have a wave farm and the only company in proximity to the wind farm, which was articulated as the location for this project. All along in the media's financial reporting and to the ASX reporting we saw a bunch of signals in public about the company's capacity to deliver. Even the audit findings mentioned a material uncertainty. There were leadership changes within the company, such as the CEO, the chief financial officer and the chief operations officer resigning. Was that enough for the minister to say that there were risks? No, it was not! It kept going and the minister made the decision to give the company \$2.6 million. I think the biggest issue we will focus on in condemning this government is the minister's decision to give \$2.6 million of funds to this company knowing that a financial audit report stated that there was material uncertainty about the company and its capacity to be a going concern. The minister also shut down that decision for a short time based on the chief executive officer resigning. That was good enough to be of concern, but material uncertainty in an audit report was not. This minister gave out money knowing that there were issues. At the exact same time, she also said that Carnegie had nine weeks to prove its capacity. A sum of \$2.6 million of taxpayers' funds was handed to a company when the minister—and therefore cabinet, the Premier and government—knew of some significant financial risks that were posed as to whether the company could deliver.

The project stumbled along over the last few months to get to this point. Presumably advice has come in that said, "This ain't gonna work, guys." Despite what was said before to the media and in response to questions that have been asked, it is not going to work and the government is going to bail from the project. The minister made a decision knowing that there were significant issues. That needs to be at the forefront of today's debate and be hung on this government. The government made a commitment to the people of Albany to create hundreds of jobs. A few other questions need answering and I think the government should answer them today. What about the Wave Energy Research Centre? A sum of \$3.75 million went to UWA. Public reporting about that stated that the University of Western Australia would work in collaboration. A University of Western Australia Wave Energy Research Centre document states —

More than 30 researchers from UWA work within the centre, collaborating with Carnegie Clean Energy to deploy a new type of wave energy convertor at a site 20 kilometres west of Albany.

The link between the Carnegie project and the Wave Energy Research Centre is clear. What will happen with that \$3.75 million? Will the terms of that change? Today the Premier said that as far as he was concerned, the terms would not change. As far as the public is concerned, is that \$3.75 million safe or not? Another question is whether the \$2.6 million is lost. Can any of that be recovered? The minister spoke about there being some data or intellectual property. I would like to know what that is and what the people of the state will have access to for the \$2.6 million that the government spent. Today the member for Bateman asked whether the project is dead or alive and whether the government is going to stick to its commitment. We know that it has gone to another project—a very worthy project—but that does not take away from the accountability that this government needs to face on this particular project.

The minister concerned said that we are politicians, not gods, but we do expect to have fiscally responsible politicians—a position that the Labor Party took to the last election and a position that it has reminded us of ever since it came to government. Government members cannot sit on that side of the chamber and throw it back over here when it stuffs up on a project. The Labor Party came in on a platform and it is accountable to it. It did not carry out a business case. This project has not delivered for Albany. The government is the loser.

DR M.D. NAHAN (Riverton — Leader of the Opposition) [3.10 pm]: This is a classic case of failed decision-making. This government has been lecturing us about due process after the Langoulant report was handed down. The Labor Party started this during the election campaign. There was a long history of researching wave power in Albany. In 2009, Carnegie Clean Energy Ltd received a grant to explore wave power. It decided to pull the plug and leave because it was not appropriate renewable energy for Albany. That was well known. The government ignored that. It did not do any due diligence before identifying this project right before the election. It was just interested in one thing—trying to get votes in Albany. It knew that the people of Albany wanted renewable energy. The government had done a lot of work on it and identified the priorities but it ignored the people of Albany and went ahead with a wave project. This was not just any wave project; the now minister had

a commercial interest in it. Let us be clear that the minister had a commercial interest in the project that the government was promoting.

Withdrawal of Remark

Mr W.J. JOHNSTON: The member has just said that Hon Alannah MacTiernan had a financial interest in this project, and that is simply not true. He is making a specific allegation against the member and he knows it is not even true.

The SPEAKER: Will you withdraw?

Dr M.D. NAHAN: No. I said “the company”—she had shares in it.

Several members interjected.

Dr M.D. NAHAN: I withdraw.

Debate Resumed

Dr M.D. NAHAN: The minister knew this very well. Energy Made Clean was taken over by Carnegie. She was not only a shareholder, but she was also a former director and direct employee of that firm. It was announced before the election that Carnegie was going to carry out the project. There was no business plan. Carnegie announced it to the stock exchange. The Labor Party won the election, put out a tender, it “dumbed” it down a bit and shock, horror and surprise—Carnegie got the tender! The government went out and specified the project. Carnegie took over Energy Made Clean. During that year, the firm was haemorrhaging money dealing with one problem after another. A requirement of the contract that was subsequently signed was that Carnegie had to come up with \$25.6 million. The funding for Perth Arena was \$11.7 million. The state funded \$15.75 million. The government had to look at this project. Could this business come up with \$25.6 million? Carnegie did its accounts and from the annual report issued in July 2018, it was clear that it was haemorrhaging. It finished 2017–18 with half its cash gone and \$8 million in the bank. It had \$8 million in the bank and somehow it had to cough up \$25.6 million. It was clear before the government gave it any money that this party could not fulfil the contract. The contract allowed the government, when assessing it, to walk away and demand the money back. It had not given anything. The audited accounts came out in September 2018. In early September, the government had the unaudited accounts for 2017–18. If it had looked at them, it would have known that this firm could not meet the contract. What did the government do? Apparently, it did not have the powers to ask Carnegie for its 2017–18 reports to see whether it had the fiscal capacity to fund its requirements, even on a cash flow basis, but it gave it \$2.65 million. As a condition of that, Carnegie had to provide quarterly and annual reports in the future. The government should have known—I suggest it probably did know—that Carnegie had no financial capacity to meet the contract. The government wasted \$2.65 million; it went down the drain. If the government had acted earlier, under this contract, it had the power to demand the money back from Carnegie but instead it wasted time and allowed months to pass. Since then, Carnegie has haemorrhaged and spent all the money given to it. This is a classic case of policy failure. In the heat of an election, the Labor Party announced a project. If it had done any due diligence, it would have realised that it made no sense. It announced the winner of the contract before the details of that contract were specified, put forward a sham contract so that Carnegie would win, signed a contract without due diligence about the financial capacity of the firm, and obfuscated for a year. When the firm asked for money, the government did not ask for an assessment of its accounts. Then it gave that firm \$2.65 million when its accounts, which were available to the government, showed that it could not meet the contract. Is that not a classic case of policy failure?

The government’s excuse is that we wasted more money on other projects. Indeed, \$2.65 million is a lot of money. The government was told that this project was a failure, yet it signed the contract and gave Carnegie \$2.65 million in October last year. Every step along the way, the government failed basic due diligence. It was only because of us on this side that this has come about. The government would have run into a brick wall anyway. I remember when the Treasurer was first asked what he knew about it, he said he knew nothing. It was run by another minister in the other place who obviously thought she was the parallel energy minister. In other words, this did not even go through the diligence of the Public Utilities Office and Treasury. Treasury would have looked at the contract and said, “No way. Let’s look at the accounts.” The government kept this away from the whole process of government. I put it to the government that that was done on purpose. It did not want the due scrutiny to identify whether Carnegie would win the contract for the project, which the government identified during the election it would get. The government bent over backwards to help Carnegie.

MR B.S. WYATT (Victoria Park — Treasurer) [3.17 pm]: I rise to make some comments on the motion moved by the member for Warren–Blackwood, who has pursued this issue most diligently over the years. I want to respond to some of his comments. We have previously had debate around the Carnegie project over the last couple of years, again on motions moved by the member for Warren–Blackwood. I do not intend to deal much with the Leader of the Opposition’s incomprehensible speech because ultimately he continues to come here and say things

that are simply not true. It is very difficult to have a reasoned debate against a person who says random things. On the other hand, the member for Warren–Blackwood raised a number of pertinent points that need to be addressed, and I want to address them.

The first point I want to make is that on a broader level, there is no question that when we are dealing with an R&D-style project, there is always inherent in that some form of financial risk. Across government, there will be some form of R&D. For example, there is quite a lot going on in the agricultural space. All of these carry with them some level of financial risk. That is why the terms of the contract we entered into with Carnegie had staged payments. As a government, we wanted to see performance over time. For example, we did not commit to the entire contribution from the public purse up-front at once because we wanted to see performance over time. I remind all members—this is something that the member for Warren–Blackwood somewhat exaggerated in his contribution—that he talked about the financial chaos within Carnegie. It did become financially chaotic; I think anybody would accept that. At the time the tender was released and the contract was signed, that was not the case. What drove that was, yes, poor performance within Carnegie, but also changes by the commonwealth government to R&D taxation laws. Make no mistake: that effectively changed the entire business plan upon which Carnegie had been operating.

The commonwealth government has actually not finalised that decision; it has referred it to a Senate committee. I suspect, in light of a looming commonwealth election, we are not going to get certainty around that until well after the federal election, which is probably the reason Carnegie had to be suspended from the ASX and why it was posting the sorts of financial results we saw last week or maybe the week before. Clearly, Carnegie has come to a sorry financial position, but, as the Premier outlined during question time, that has not been without a large amount of research success in the broader renewable energy space over a long time. When a government puts public money into an R&D project, it wants to see progress over time, but it also wants to ensure that it captures a broader benefit. That is why we also had the arrangement with the UWA research centre. That was to ensure that data research was captured, not just from the work being done by Carnegie but also more broadly, and that is why we included that as part of the arrangement. As the minister indicated in her media statement, that will continue. I hope it will deliver value for the people of Albany, but also more broadly in respect of research into this particular form of technology.

There were some other questions. The member for Warren–Blackwood asked whether the project is dead. Certainly at this point, no public money will be available for that project. Is the project dead? Hopefully, from the work that has been done already, there might be some private sector investment. There is actually reasonable global private sector interest in wave energy. As we have all said—not just me, but I think most people involved in this debate in this chamber—Albany is a particularly good place for the development of wave energy technology. However, no public money will be going into that project, and certainly not in the near future. Hopefully, that answers the member's question. I want to make the point that if the private sector feels as though there is an investment opportunity, in some form or another, through the work being done by UWA from the information already captured by Carnegie, the government will of course be very pleased to see that happen.

The issue of the licence was raised, certainly by the member for Warren–Blackwood, but also incorrectly by the Leader of the Opposition, unsurprisingly. The Leader of the Opposition alleged that everybody knew and everyone had a view that Carnegie was financially crippled at the time the contract was signed. That is simply incorrect. If we go back and look at what happened at the time, it will highlight that that is incorrect. Carnegie was not the only organisation to tender for the contract. Carnegie was chosen in the end. Again, the Leader of the Opposition said that the contract was given prior to the election. I want to clarify for the Leader of the Opposition that oppositions cannot give out government contracts. It is very difficult to do that. We did not do that. It happened after a process. I think the reason the Leader of the Opposition's discourse is so bad, so mediocre and so inaccurate is that, ultimately, he is influenced by his dislike of the Minister for Regional Development. He needs to take a step back for a minute, analyse the project and analyse where we are, and he will then come to a fairer position, certainly around the shareholding in Energy Made Clean that the minister formerly held and how that was dealt with transparently. The member for Warren–Blackwood and I had debates around this and he came to accept it in due course. I am not saying that he thought it was great, but he came to accept the way in which the minister dealt with and finalised that issue.

Before I sit down and allow another member to make some comments, I want to talk about another comment made by the Leader of the Opposition. I wrote it down. This was most prescient of the Leader of the Opposition. He asked why we would give a contract to a company that had no financial capacity to deliver on the contract. If only the Leader of the Opposition, when he was Minister for Energy—I do not think he was Treasurer at that time—had asked that question of whether the organisation had the capacity to deliver a contract when he gave a spiffy outfit called Inalco a contract to refurbish Muja, WA taxpayers would not have lost \$300 million. That was because the Leader of the Opposition, as energy minister, did not ask that question. That is the simple reality.

I think I have gone through the key issues that were raised. I will conclude with a comment that I started with. Clearly, there are risks with R&D projects. State and commonwealth governments are involved in R&D. At the state level, it is usually by way of a grant process of some form or another, but at the commonwealth level—the more significant level, to be honest—it is always the tax incentives that justify an investment decision by a company. Carnegie's business model was based on the taxation arrangements at the commonwealth level—how it treated spend in R&D. That changed, sadly, after the contract with the state government was signed. That had a dramatic impact on the capacity of Carnegie to deliver. When the government wants to terminate a contract, it needs to make sure that, under the terms of the contract, it is legally entitled to do so, so that it does not expose taxpayers to future claims against some form of inadequate or invalid termination. Although it might be easy to say that all we saw from the outside was the chaos around the chief operating officer and the chief executive officer within Carnegie, that, in itself, did not give the government the justification to terminate the contract; it had to actually analyse the company's financial circumstances and capacity to deliver. That has been done. The Minister for Regional Development made that announcement today. Of course, nobody likes seeing taxpayers' money going to waste. We will see in due course whether the \$2.6 million is gone and will not be recovered. I certainly hope that data information has been created that might be of benefit to the UWA research centre. No doubt the people of Albany are disappointed, but no doubt they are also delighted about the Minister for Health's announcement today. The government has been as transparent as possible around this issue. Unfortunately, the project has been defeated by the circumstances surrounding taxation laws at the commonwealth level. No doubt that will impact on other companies well beyond Carnegie.

MR W.J. JOHNSTON (Cannington — Minister for Energy) [3.27 pm]: I do not want to spend too long talking on this issue, but I want to make a point straightaway about the Leader of the Opposition. The Leader of the Opposition made a whole series of allegations, but he cannot provide any evidence to support any of those allegations. For example, he said that the tender was done in an improper manner and that there was no process to make that decision. That is simply false; that is wrong. The Leader of the Opposition needs to understand that when Labor Party members used to come into this chamber and make points about the previous government's bad decisions, like the Pelago decision in Karratha, the Pilbara underground power project decision in Karratha or the Muja AB decision, opposition members all had documents, we had all spoken to people or we had had people leak information to us—we did not just come in here and randomly say things. Every single allegation we made against the former government was based on evidence, because we had done the research. For the Leader of the Opposition to stand on his feet for seven minutes and rant about what he says happened, but without any evidence to support any of the allegations, is an embarrassment. It is no wonder that his tenure as Leader of the Opposition is so limited, and that once the federal election is out of the way, somebody else will take that job. He is an embarrassment to the Parliament of Western Australia and he is embarrassing the Liberal Party. A party cannot have a leader who comes in here and makes absolutely unsubstantiated comments; parties need leaders who come in here and explain where the attack is from, what the issue is and why they know something is the way they say it is. The Leader of the Opposition cannot just come in here and randomly yell things across the chamber. They are the simple facts of this matter.

I want to make a couple of other points in the brief time I have left. There seems to be some confusion about the two separate election commitments that were made. One was about the common-user infrastructure to support a wave energy park, and the other was about a research facility for a university. That was funded out of the cancellation of the gas pipeline to Albany, which had been allocated \$19 million. Remember, that project had been around for eight and a half years—the entire time the Liberal Party was in government. It had made the promise at the 2008 election, and never delivered on it. The reason the project was never delivered was that it was going to cost \$320 million. It had been allocated \$19 million, but it was a \$320 million project. We did not know that when in opposition; we did not get the freedom of information document on that until after we came into government. I have tabled that FOI document here already. Let us understand that that is where the \$19 million came from. There were two separate promises. One was for the common-user infrastructure, and that went through an open tender process, and the company that was selected through that bureaucratically operated tender process was Carnegie. Let me make that clear. The idea that somehow that public tender, handled by public servants, was preordained because somehow or other something else happened, is dishonest and wrong. I invite the Leader of the Opposition to give me one single document showing that the proper tender process was not followed. He should give me the name of one person within the bureaucracy who has told him that is what occurred. What was his source of information for his false allegation that somehow an improper process was used to select that tenderer? That is offensive to the public servants who ran the process. That process to select EMC had nothing to do with any minister. It was run by the bureaucracy.

There is then the separate question of the funding to the University of Western Australia. That was a restricted tender, because only Western Australian research institutions—the public universities—were invited to tender. Why would we give money to a university, and not give it to a Western Australian university? That is a bizarre

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Mr Terry Redman; Mr David Templeman; Dr Mike Nahan; Mr Bill Johnston; Mr Ben Wyatt

position for the opposition to support—that we should have given funding to a United States university to do that research. That is ridiculous—mixed loyalties, perhaps.

Division

Question put and a division taken with the following result —

Ayes (16)

Mr I.C. Blayney	Mr P.A. Katsambanis	Mr R.S. Love	Mr D.C. Nalder
Ms M.J. Davies	Mr Z.R.F. Kirkup	Mr W.R. Marmion	Mr D.T. Redman
Mrs A.K. Hayden	Mr A. Krsticevic	Mr J.E. McGrath	Mr P.J. Rundle
Dr D.J. Honey	Mr S.K. L'Estrange	Dr M.D. Nahan	Ms L. Mettam (<i>Teller</i>)

Noes (33)

Ms L.L. Baker	Mr W.J. Johnston	Mr P. Papalia	Mr D.A. Templeman
Dr A.D. Buti	Mr D.J. Kelly	Mr S.J. Price	Mr P.C. Tinley
Mr J.N. Carey	Mr F.M. Logan	Mr J.R. Quigley	Mr R.R. Whitby
Mrs R.M.J. Clarke	Mr M. McGowan	Mrs M.H. Roberts	Ms S.E. Winton
Mr R.H. Cook	Ms S.F. McGurk	Ms C.M. Rowe	Mr B.S. Wyatt
Mr M.J. Folkard	Mr S.A. Millman	Ms R. Saffioti	Mr D.R. Michael (<i>Teller</i>)
Ms J.M. Freeman	Mr Y. Mubarakai	Ms A. Sanderson	
Mr T.J. Healy	Mr M.P. Murray	Mrs J.M.C. Stojkovski	
Mr M. Hughes	Mrs L.M. O'Malley	Mr C.J. Tallentire	

Pairs

Mr V.A. Catania	Ms M.M. Quirk
Mrs L.M. Harvey	Ms J. Farrer

Question thus negatived.