

COLLIE COAL (GRIFFIN) AGREEMENT AMENDMENT BILL 2023

Second Reading

Resumed from an earlier stage of the sitting.

MS J.L. HANNS (Collie–Preston — Parliamentary Secretary) [3.26 pm]: I will try to keep the rest of my contribution on the Collie Coal (Griffin) Agreement Amendment Bill 2023 to time, but there is some very, very important information I want to contribute to this debate today. I am very pleased to say that the initial stages of the Collie transition investment by this government are really gaining some momentum. As I mentioned at the beginning of my contribution, the new Premier is very keen to get cracking on all things Collie, which is fabulous. That really highlights some of the opportunities that are already emerging from the \$200 million Collie industry transition fund announced in June last year. I would like to mention some major projects in that fund today, but firstly, I will say that the fund targets industries to attract to Collie to make use of the highly skilled workforce already there doing work, particularly in manufacturing. The key components of the industry we are attracting through the Collie industry transition fund are green manufacturing and minerals processing, energy-intensive industry and future clean energy. As I said, I am very pleased to report that we have really got on with this work. Through the ongoing industry attraction efforts, this government has secured some potentially game-changing new industries, and I want to talk through some of those today.

One example is the outstanding announcement earlier this year about the upcoming pilot plant for Magnium Australia. It proposes to build a net zero magnesium refinery in Collie. The pilot project is supported by \$5 million from the WA government through that industry transition fund. This is an incredible opportunity for both emerging industries and workers in Collie. Once operational, the Magnium plant will allow commercial-scale testing of CSIRO-developed technology, so it is proven technology, and, very importantly, offers transitioning workers a rare opportunity to gain exposure in next-generation technologies and skills, because, as I said, the government is committed to futureproofing the community of Collie.

Another very good example of that work is International Graphite's journey to establish a project in Collie. It has been a staged development. The initial stages were under the small grants program that I spoke about earlier during question time. International Graphite has achieved significant milestones in developing its project, including the commissioning of a pilot-scale micronising plant in Collie. It is the largest and most advanced facility of its kind known to be operating in Australia. It is working with raw material from the Springdale mine near Ravensthorpe, I believe, in the south west. The project was supported by \$2 million from the WA government.

Green steel is another incredible manufacturing opportunity in Western Australia, which the Premier alluded to during question time. In fact, he went through it extensively during question time. I am wholly committed to making things in Western Australia again. The Premier's outline of that opportunity during question time was very succinct and he was incredibly well spoken. Opportunities for manufacturing, particularly net zero manufacturing, not only achieve the outcome of looking after the environment, but also create opportunities for Western Australian workers.

Not long before the previous Premier's retirement, he was in Collie to announce, as part of the Collie transition industry fund, the Magnium Australia project and Green Steel WA's proposed steel mill to be based in Collie. Green Steel will be working in conjunction with Danieli Group, which already operates a number of steel mills. The industry attraction fund has supported the project for a feasibility study for a green steel recycling mill in Collie. It is working to establish a sustainably operated steel mill that will process local scrap steel to produce green steel reinforcing bars for local consumption and export. This is an incredible opportunity. The company is looking to build the mill right there in Collie. Green Steel WA, as I said, partnered with Danieli Group, which is a world leader in advanced electric arc furnace-based green steel technology and has delivered more than 36 similar projects worldwide. This government is pursuing these opportunities with the Collie industry transition fund. Importantly, at commercial scale the Magnium and Green Steel proposals will together deliver around 600 permanent jobs in Collie and more than 1 000 jobs during the construction phase. They are incredible numbers and incredible opportunities. As I said, we are here to increase the number of jobs, whether that is small businesses expanding and putting on one or two extra workers or industries looking to employ 600 or 700 people. We will take every single job that people create in Collie and this government is here to support that work.

In saying all these things today, I want to highlight that the work this government has done is already delivering outcomes for my community. In addition to providing very important ongoing jobs for families who have lived in Collie for generations, our aim is to make sure that continues. We want to create the jobs of the future so that we futureproof our community and build on next generation skills and jobs. We have a really skilled workforce. In conjunction with the jobs and skills centre and the work of the Just Transition working group and in consultation with industry, we have the opportunity to pivot those skills, improving people's skills, retraining them and giving them the opportunity to refine their skills so they can move into those industries. Our community is willing and absolutely accepting of industry, and that is one of the great benefits of all these opportunities in Collie.

I want to highlight that the former Minister for Regional Development, Hon Alannah MacTiernan, and the former Premier were very keen—it is on record—and committed to securing the future of Collie because the number one asset of a lot of people just like me and families just like mine is their home. There are examples across the world of industries closing overnight to the huge detriment of communities. Part of the commitment to Collie is ensuring that we attract industries so that people do not lose hundreds of thousands of dollars overnight on the value of their family home, their asset. I am really pleased to say—the Premier may not know this information yet—property capital growth in Collie has improved by 55 per cent over the last three years. The value of a home in Collie has grown by 55 per cent in the last three years. That is no coincidence. It is because this government has been working incredibly hard to deliver that result. I thank the government for its contribution. Interestingly, and not so surprisingly, we have had a 73 per cent increase in the number of tourists visiting the town compared with the number prior to this work commencing. We are already starting to see the fruits of our labour—no pun intended—and we are very grateful as a community for the government’s support.

I am very pleased to be able to contribute to this debate today. Again, I thank the Premier and the government for supporting the Collie community broadly, and with this bill, in this particular instance, for making sure that Griffin Coal can remain viable into the future. I commend the bill to the house.

MR R.H. COOK (Kwinana — Minister for State and Industry Development, Jobs and Trade) [3.36 pm] — in reply: I would like to thank members for their contributions. In particular, the member for Collie–Preston, who reminded us just how important the work that we do in the Collie area is to maintaining a vibrant, sustainable community. The increase in housing prices is by an extraordinary number. That is fantastic news. It is a sign that people are confident that the government is doing the right thing standing by the community.

I know that there is a bunch of people who drive up to Collie from Bunbury and Preston Beach each day. I reckon if I were a worker in Bunbury, I would be doing the opposite. I would love to live in Collie and take that short commute each day. I would perhaps want a not-so-old cottage because the older ones are a little bit cold in some of that Collie weather. I thank the member for her contribution and her acknowledgement. I thank the member for Cottesloe for his contribution and the opposition for its support of the passage of this bill.

This is a complex situation. The bill is fairly straightforward and simple in effect but it addresses a complex situation. We are working with Griffin Coal and its customers to find a sustainable solution, but we need to make sure that we have energy security and keep the lights on. The government has been clear that it cannot and will not put the state’s energy system at risk. The variation of the agreement will help to ensure the continuity of coal supply for energy security during the extension period and allow more time for the government to identify a longer term solution for the operation of the Griffin mine that ensures the orderly transition out of coal-fired power generation. The state agreement is also for the mining and development of certain coal reserves in the Collie basin and their rehabilitation.

Let us be clear on our objectives with this legislation. We are trying to make sure that workers are looked after and receive their entitlements, we keep the lights on, other customers associated with the Griffin coal mine continue to receive supplies coal, and we see a situation in which ultimately the mine closes and rehabilitation takes place. That will obviously be a difficult and complex process. The bill provides for continued mining of coal from the Ewington mine until 30 June 2024 through a 12-month extension of the state agreement, with a further option of a 12-month extension at the discretion of the Minister for State and Industry Development, Jobs and Trade. Without this extension, the state agreement, the coal mining leases and Griffin’s primary statutory approvals will expire, with the likely outcome that mining at the Ewington mine will cease. That will immediately impact the coal supply. Continued coal production from Griffin’s operations will ensure the continuity of supply to Bluewaters power station—obviously, Bluewaters has a range of customers that need to be considered—which feeds electricity into the south west interconnected system. Ratification of this bill by Parliament will allow Griffin to continue operating beyond 30 June 2023. This amendment is consistent with the government’s commitments under the Collie coal transition policy to manage the transition away from coal but in a way that secures the future of the community, making sure that this great skilled workforce that we have depended on for many years can transition to other great jobs in the area. Regardless of what happens, Collie will remain the beating heart of the south west interconnected system. From that perspective, it has a huge opportunity to continue to play a role in energy transition through its strategic place in energy transmission.

The member for Cottesloe raised a range of issues in his contribution to the second reading debate, and I would like to take some time to go through some of his questions to see whether I can meet his need for information for his continued support of the bill. One of the questions was: what other work has been done by the government prior to this extension? I think the member is saying, “How did we get here?” As the member knows, the history of the Collie basin in the mining industry is a long and, in some respects, quite a colourful one.

The member asked whether the company will see this extension as an opportunity to kick the can down the road or whether the government will come up with other plans. The government explored a variety of options, which are

commercial-in-confidence, prior to deciding to progress a short extension. The government is actively engaging Griffin's receivers, managers, lenders and customers in identifying a longer term solution. Ad Astra Corporate Advisory has been engaged to assist the government with these negotiations. Our fervent hope and belief is that we can come to a commercial arrangement that will see the continuation of both Bluewaters and Griffin and its customers through the renegotiation of those commercial arrangements. I think that is the light-touch approach that people would expect from the government in this situation. Ad Astra is exploring all the options that might be available to the government in the context of those commercial negotiations.

The member asked how long it will keep the mine going. The government is committed to ensuring energy security and supporting the 2 000-plus jobs associated with the operation of the coalmine. But, as the member noted, we will not always need that coal. The problem is that we need all that coal until we do not need it. That is why we are placed in this particularly unnatural situation; we expect the coalminers and other operators in the area to go full tilt to make sure that we have the energy supplies we need until we are ready to pivot. That is why I think the full engagement of the government is appropriate in this circumstance.

The member spoke briefly about the aspirations of the new owners of the Griffin mine to export coal. I think he is right. I remember that Prime Minister Modi basically put out the call, "We need coal; go out and get it" and Lanco heeded that call. I do not know this for a fact, but I believe that that was part of its ambitions. Certainly, under clause 25(1) of the state agreement, Griffin could be allowed to export coal with the consent of the Minister for State and Industry Development, Jobs and Trade. I can confirm that the government currently has no intention of allowing Griffin to export coal. Under the current circumstances, in which we are worried about domestic coal supplies, that obviously would not be appropriate.

The member also asked why the government did not use clause 35 to extend the life of the agreement. It is a good question and goes to the particularly tricky nature of state agreements. The state interprets clause 35 as not allowing the minister to extend periods or vary dates referred to in the state agreement that would have the effect of extending substantive rights—for example, the term of the state agreement itself or the term of titles under the state agreement. Rather, clause 35 is interpreted as allowing the minister to extend periods and vary dates in relation to more procedural processes under the state agreement—for example, the time frame to submit a document or report or to give notice under provisions of the state agreement. The advice we had was that we were coming up to a hard stop and that the only way we could extend the agreement was by coming back to Parliament to seek further permission to do so.

The member also asked why the company is not seeking a longer extension. Griffin would obviously benefit from a longer extension. However, due to its poor financial position, Griffin does not meet the government's requirements for a suitable counterparty to a longer term state agreement. Due to the impending expiry of the state agreement, the government and Griffin's receivers and managers have agreed to a short-term extension of the state agreement to allow further time for a longer term solution to be developed that meets the government's requirements. As I said, we are seeking a commercial outcome so that the government can have as light a touch as possible in its involvement in what essentially are, as I think the member observed, private sector contracts.

The member also asked what the government's expectations are for the next few years. The proposed variation of the Collie Coal (Griffin) Agreement Act 1979 requires Griffin to submit new proposals detailing the activity to be undertaken during the extension period. The member asked about some of the more mine-worthy elements of the Ewington reserve and he asked whether the company had veered away from its current mine plan. It last submitted a mine plan in 2020 and we have had no notifications to suggest that it has undertaken activity outside that mine plan.

The member also asked whether the government had issued any notices to Griffin demanding it meets its obligations. The response is that if this is in terms of the state agreement, the matter is obviously commercial-in-confidence. As I have explained to members of the public and the media, when we undertake these things and make comments in this place, I will try to provide as much information to Parliament and the community as possible about those conversations, but they are obviously subject to commercial-in-confidence arrangements, which is the reason we are restricted to a certain extent in relation to this. I note that Hon Dr Steve Thomas has asked at least four questions today on this matter, so I understand that the opposition is activated on this issue and wants as much information as possible, as it would rightly do and we appreciate that. We will provide as much information as we can as we move forward.

The short extension of the state agreement is an important next step to make sure that we have time to properly negotiate a commercial way forward so that Griffin can meet the needs of its customers and particularly so that one of those customers, Bluewaters power station, can meet the needs of its customers and we can ensure that we do not compromise Western Australia's energy security. These are unusual circumstances in an unusual theatre of activity. That is why we are putting in a lot of effort at the moment to work with all the parties to make sure that we can find a way through. I am confident that we can. I think there is a lot of goodwill out there and people are keen to make sure that we find a way forward that meets the needs of all parties, but in particular the needs of the

workers in that area, the requirements of mine rehabilitation and the needs of the Western Australian community and industry in terms of energy security.

I would like to thank members for their contributions today. Once again, I thank the opposition for its support of this bill and, of course, the member for Collie–Preston for her contribution. With that, I close the debate and commend the bill to the house.

Question put and passed.

Bill read a second time.

[Leave denied to proceed forthwith to third reading.]

Consideration in Detail

Clause 1: Short title —

Dr D.J. HONEY: I indicate at the outset that I am not seeking to drag this out at all. I have a few questions to ask. I thank the minister's advisers for coming in to answer the questions. I have a couple of general questions relating to the short title. For how long will the state government need access to energy from Bluewaters power station, hence the coal from Griffin Mining to keep that going?

Mr R.H. COOK: It is a tricky question because it is obviously subject to a range of variables, including contractual and our expectations of how the energy market will evolve over the coming years. Two years is the period that we have been working with, both in terms of the evolution of the energy market and also direct contracts with Bluewaters.

Dr D.J. HONEY: The government has reportedly spent \$23.2 million to date in monetary support for the mine. Does the government anticipate that it will require ongoing subsidy, if you like, of that operation if this extension continues?

Mr R.H. COOK: We certainly expect that some form of subsidy will be required in the very short term. As I said in my response to the second reading debate, it is our clear objective to ensure that we can reach an adjustment to the current situation, which provides things on a more commercial basis. If we achieve that, we will not necessarily be required to intervene by way of grant or financial assistance payments. In the short term, I suspect we will be required to assist to keep the mine operational.

Dr D.J. HONEY: I have one more question on this, and then I will go straight to clause 7 and ask a couple of questions about the amendment.

There is probably a fairly straightforward answer to this question. The existing state agreement goes to the end of this month. Once we get past that point, effectively that agreement will cease and it will trigger other clauses in relation to closure of the mine, resumption by the government or some other thing. I do not expect the minister to answer that last bit; it is more about clarifying that 30 June is the final day.

Mr R.H. COOK: As I said in my earlier response, it is a hard stop. If only things were that straightforward, it would trigger a range of things in terms of obligations to mineworkers and potential mine rehabilitation, but even that is a bit complicated. A lot of the tenements that are used in this context come under the state agreement, though some do not. It would be a very complex situation. I think the member would appreciate more than anyone that we have to move forward in a way that is much more predictable and much better managed.

As I said, if we could extend the agreement by way of variation, obviously we would seriously contemplate that. We have very clear advice from our friends in the legal fraternity that we need to seek a legislative response to ensure that we extend the state agreement in the appropriate way.

Clause put and passed.

Clauses 2 to 6 put and passed.

Clause 7: Schedule 2 inserted —

Dr D.J. HONEY: I refer to proposed subclause (3) of the variation agreement at the top of page 6 that states —

The State must introduce in the Parliament of Western Australia on or before 22 June 2023 ...

Is there a date by which this has to go through the parliament? I am thinking about the capacity to go to the other place and then come back, or is it simply enough that the government has introduced the bill? Does that satisfy that proposed subclause so we do not risk this all falling over before negotiations occur?

Mr R.H. COOK: That subclause was satisfied when we introduced this bill in the upper house. As the member knows, bills usually come to this place in the first instance. In this case, we took it through the other place first. Now it is here, hopefully for speedy and efficient legislating.

Dr D.J. HONEY: For everyone's education, I refer to clause 1(6) of the proposed agreement, which states —

The State acknowledges and agrees that, notwithstanding any other provision of this Agreement ...

It refers to the receivers. Is there a risk in naming the individual receivers in the legislation? Could it be more general given that one of them could change job or some such thing? Is there a risk or will the government be covered if the identity of the receivers changed?

Mr R.H. COOK: I am advised that essentially the receivers are appointed in their personal capacity. They have obligations under their own pieces of legislation to discharge their duties in that way. They are comfortable being mentioned in the legislation. I guess in the event that something happened to them, we may have to seek an amendment but, unfortunately, there is no way around that because they are named in their personal capacity.

Dr D.J. HONEY: Clause 1(6)(b) of the agreement reads —

the Receivers are not liable in their personal capacity in any way in connection with this Agreement ...

What are the potential liabilities for the receivers? I was genuinely intrigued by this paragraph in terms of the kinds of liabilities that could be triggered for the receivers for which we are indemnifying them or saying they cannot be held liable.

Mr R.H. COOK: The advice I have received is that, as I mentioned with the previous clause, they are there in their personal capacity, so, technically speaking, they could be liable for debts that the company incurs as a result of their activities. It is not unusual in these circumstances to provide them with some indemnity for that. Obviously, if they misbehave—the agreement contemplates those sorts of things—it will fall outside that, but otherwise it is to protect them in their personal capacity.

Dr D.J. HONEY: I refer to clause 2(2) of the agreement on page 7 of the bill. This is just a question around the time frame that was set. I appreciate that the minister wants answers quickly, but what was the logic that drove the time line? As the Premier indicated, this is a complex matter; there is nothing trivial about this. Was consideration given to other time lines or is this to really focus the mind of the receivers in terms of delivering a clear plan to government?

Mr R.H. COOK: This is basically to keep the ball rolling. We need time to be able to consider any proposals that come forward. Three months is generally accepted as the time in which we would expect them to come back to us. The moment we pass this legislation, they might come in on day one with a proposal, but we wanted to make sure that we at least put a time limit on it so that we can get on with the project. As the member can see, there is some capacity for the minister to allow a small extension, but it is really to put the company on notice that we need their proposals and to keep moving forward.

Dr D.J. HONEY: I refer to the heading “Additional proposals for financial year ending 30 June 2025” on page 8. We all understand that this is complex. If it looks promising and everything is going well, could it be extended past that additional extension to 30 June 2025, or is that absolutely a hard stop and it would require a further bill to come before this place?

Mr R.H. COOK: This legislation contemplates activity only up until June 2025. That should allow us an opportunity to reach other arrangements. If we need to seek an extension beyond 30 June 2025, we will be back in here seeking further permission to move forward. However, by then, we will have seen significant development of our proposals and the proposals from the company, and hopefully be on a much better footing. It will certainly be a very different footing.

Clause put and passed.

Title put and passed.

[Leave granted to proceed forthwith to third reading.]

Third Reading

MR R.H. COOK (Kwinana — Minister for State and Industry Development, Jobs and Trade) [4.05 pm]:
I move —

That the bill be now read a third time.

DR D.J. HONEY (Cottesloe) [4.05 pm]: I will make a very brief contribution to the third reading of the Collie Coal (Griffin) Agreement Amendment Bill 2023. I thank the minister and his advisers for providing responses on the bill. This is critical for the state, as I have indicated. Although we all have a vision for the future of the state in terms of having our energy supplied from renewables, we are a long way away from being able to achieve that goal. The Bluewaters coal-fired power station is critical. As pointed out by the member for Collie–Preston and the minister, it is also critical for South32. I sometimes think that the opinions of members in this place depends on their backgrounds. Certain members have a strong industrial background, while others might not. Both the power station and South32 provide a diverse array of outstanding-quality jobs; they are the sorts of jobs we would want our children to have. It is critically important that we maintain that. I appreciate the government’s sense of urgency in getting this resolved. I wish the government the best of luck in getting a satisfactory outcome.

I want to make a brief comment about a couple of the projects outlined by the member for Collie–Preston. I am very interested in the magnesium smelter project. I had a teleconference with the CSIRO folk who were responsible for developing that project. In all likelihood, I will go and have a look at the pilot plant that is operating in Melbourne. I am very keen to see that. I was initially sceptical about that project, but I am not now after having spoken with the CSIRO people. There is a bit of optimism about how fast that could get going, but it could make sense from an economic perspective. I do not think I have a conflict of interest concerning the Green Steel WA project, but I personally know one of the directors. I have had a formal briefing from that company on that project. Again, I was sceptical when I first heard about it, because in my previous life, lots of people presented different ideas to me in that role.

I think that is an outstanding project. In terms of time, I think that is the major project to get going. The profitability of it will be quite remarkable, mainly because the cost of shipping scrap steel offshore and then shipping it back here as steel products has about a \$200 differential compared with using that to make steel products here. In this case, I think the company is very sensible in its ambition to make the rebar. I am very impressed by that as well. I will happily hand out brickbats to the government and its ministers, but I think some good work is going on in that transition to other industries in Collie and I congratulate the government for that. It is a good, genuine effort. Even the rejuvenation of the town and its streetscape is first rate. That is very good. I certainly hope that this bill is successful and that we can see the continuation of not only a reliable power supply but also jobs at South32, which I think are critical for that region.

Question put and passed.

Bill read a third time and passed.