

PETROLEUM LEGISLATION AMENDMENT BILL 2023

Third Reading

DR A.D. BUTI (Armadale — Minister for Education) [12.22 pm]: On behalf of the Minister for Mines and Petroleum, I move —

That the bill be now read a third time.

MS M.J. DAVIES (Central Wheatbelt) [12.23 pm]: I will keep my remarks brief. We had a reasonable go yesterday afternoon as we went through the Petroleum Legislation Amendment Bill 2023. Of course, this legislation had a fairly long and winding beginning, harking back to when the Liberal and National Parties were in government in 2013. I do not want to go over the issues that we raised, other than to say that there is some significant work to do to enact this legislation. That will include the regulations—we learned that the drafting of them has not yet started—and the framework for the acreage releases and information collection point or database that has been spoken about. There is quite a considerable amount of work to do. Going back to the consultation phase early last year, industry was crying out for urgency and really wanted to see this framework in place. I urge the government to make sure that the department has the resources it needs to put towards developing these regulations and any of the guidelines and notes spoken about during the debate, so that industry can have a really clear understanding of its responsibilities.

This is not an insignificant piece of legislation. It is quite complex; there are a fair number of moving parts. I accept that, for large parts of it, we will simply add greenhouse gas exploration and the like to areas in which arrangements for petroleum and exploration are already in place. It is not an unknown area for many operators within the sector; nonetheless, we will be starting a potentially significant new industry or capturing an opportunity for the state, in the words of the Premier and minister, and we need to make sure that we have that regulatory framework right. I reflect on the comments of the member for Cottesloe yesterday about the strong framework that we have for mining oil and gas here in Western Australia. Indeed, we are looked upon as a jurisdiction of best practice when it comes to setting up those projects. International visitors come here and interrogate how we do that. Given that this government has a strong focus, at least on making announcements, on the impact of climate change and the effort required to mitigate it and assist our major emitters to do the same, I think it would bode well if we attached those resources to the department. We know that the department is already under pressure. We regularly hear from industry about the challenges that it faces in getting approvals through the department or with other elements on which it is required to interact with the department on a day-to-day basis for business. This will add another element, so that is something we will watch fairly closely.

Other than that, I think industry will welcome a speedy passage of this legislation through our house and the Legislative Council. I look forward to seeing the outcome of these discussions being put through in consultation with industry so that we get the framework and regulatory regime absolutely right from the get-go.

One thing I mentioned yesterday was the science out there that says that over the next 10 years, we will need to build at least 10 carbon capture and storage facilities to start to meet some of the targets that we have signed up to.

Dr D.J. Honey: A year.

Ms M.J. DAVIES: A year, sorry. I thank the member for Cottesloe; I was out by 10 a year.

It is with some urgency that industry is pushing for this to be a very clear process for them to participate in. With that, I will conclude my comments. I say again that the Liberal–National alliance is supportive of the legislation.

DR D.J. HONEY (Cottesloe) [12.27 pm]: First of all, I would like to thank the minister and his advisers for the way in which they conducted the consideration in detail stage of the Petroleum Legislation Amendment Bill 2023. It was a great opportunity to go through the bill in detail, and the minister used his best endeavours to provide all the answers that we needed. I also thank the member for Central Wheatbelt for being the lead speaker for the opposition on this bill and for the excellent job she has done in presenting the debate on it.

There are a couple of areas that I want to cover. I think there is one major flaw in the bill. As I indicated yesterday, I think the bill is otherwise a good bill and that it is sensible regulation. I will be very specific; I am referring to clause 33(3) and the insertion of proposed section 67(4). Proposed subsection (4) will specifically ban the injection of a regulated substance into a reservoir. Helium and hydrogen are regulated substances. As I discussed a bit yesterday—I will not go on for too long today—hydrogen gas is a potential replacement for natural gas to provide long-term firming energy storage for renewable energy. The way that would work is that in off-peak times, we would use the ample excess renewable energy capacity to generate hydrogen. We would then store that hydrogen and, when there is inadequate sun and wind, we could use that hydrogen in fuel cells or burn it in gas turbines. With some slight modifications, even existing gas turbines can be used. Hydrogen can be burnt to provide the backup firming for the energy network whilst it gets through that period of low sun and wind. The fact is, if that is going to

be done, very large quantities of hydrogen will be needed, and storing those in above-ground storage in pressurised tanks and vessels can be expensive.

One of the technologies that was proposed, and has been used a little bit, is to store the hydrogen produced from excess renewable energy in underground storage, be that salt caverns or, for example, a depleted natural gas well. Not all deposits are suitable for storing hydrogen, but many are. I know that the minister is very busy, but I forwarded him a reference to a CSIRO study that was done across Australia that looked at adequate reservoirs to store hydrogen. If we are going to transition to 100 per cent renewables and not continue to rely on natural gas to firm our power networks, we are going to have to have large-scale hydrogen storage, unless we go nuclear, and I know not everyone is enamoured of that solution. If we are going down a purely renewable energy path, the logical place to store the large quantities of hydrogen that will be needed is in those suitable depleted natural gas reservoirs and the like.

I am certain that this has somehow slipped into the bill. This is a very complex bill. As we all know, the previous minister was an eminent intellectual, and maybe he was aware of this detail, but I suspect that the former and current ministers were probably unaware of this. I am not critical of them being unaware of it. It is one line in however many hundred pages. It is a 500-page bill and it is just one little paragraph within that. I think it is actually a mistake within this bill. I think the government should use the opportunity in the time that it takes for this bill to go to the other place to relook at that. I cannot conceive why that would be done.

I might say that the other regulated substance it bans from being injected into the ground is helium. As I pointed out yesterday, I know that helium might not excite many people, but helium is a critical industrial gas. It is the only gas that can be used in cryogenic systems to achieve near absolute zero. For many scientific and even industrial purposes, the ability to cool things down to very low temperatures is absolutely critical. Helium pretty well only comes from natural gas deposits. It is the stable breakdown of the radioactive decay of the material in the ground and it accumulates in gas reservoirs. There are elevated concentrations of helium in many gas reservoirs, which is the only economic way to get helium to use for those purposes that I described.

Given that we are depleting these natural gas reserves and hence that source of helium, it may make sense for someone to reinject helium as well. I quite sincerely ask that the minister have a look at that and talk with his department. I am always prepared to be educated, but I cannot for the life of me see why those things have been effectively banned and that there is a penalty for doing them under this bill. I cannot understand why that has been done. If I am misreading it, I am very happy to be educated. I think I am correct in reading it. It is a pretty straightforward clause, but nevertheless, I am always happy to be educated. If it is the case, I earnestly believe that the government should reverse that and take it out. I think it slipped in somehow. I cannot imagine that anyone sitting back and looking at where we are trying to go with the renewable energy transition would agree with that. This is not a novel concept. In many parts of the world, people are either doing or are actively considering the use of underground storage for hydrogen simply because of the massive volumes that are required to firm renewable energy systems for when the wind is not blowing and the sun is not shining.

There is another area I want to re-highlight. The minister has indicated that the Department of Energy, Mines, Industry Regulation and Safety is looking at this, and, as I indicated, it has been a standout department for a very long time. It has had some excellent employees historically, but we will not dwell on that. However, there is seriously an issue with closure costs. Western Australia is the great mining province of the world. We are pre-eminent in the world as a mining province, but as a consequence, we are pre-eminent in mine site and processing plant closures, including oil and gas wells and the like. This could catch up to us and we need to make sure that the taxpayer and the ordinary public are not left carrying the can and that we do not end up with the government having multibillion-dollar closure costs across a whole range of industries.

I worked in mining for 24 years. Historically, closure costs have been effectively covered on a “good fellow” principle, if you like; that is, companies have made provision for it and therefore the money is sort of there. I am not necessarily sure that the money will be there. Very large and responsible companies may well have a cash provision set aside, but I think that for a lot of companies, the closure costs would ultimately come out of their future operating profits. Of course, if those companies go into decline, are not making money and shutdown, there is a real risk of the government having to pick up the cost of closures. I think this is an issue for all of us to look at. I know it is not a popular theme with companies. Accountants like to keep closure costs in the never-never so that it is not realised in today’s cash flow. I think there is genuine risk.

I recognise that there are many thousands of mines in Western Australia and a very large number of gas and oil wells. The minister has indicated that the department is looking at that and I am really encouraged by that. I strongly urge the minister to look at that to make sure that we do not burden future governments and communities with massive closure costs.

Otherwise, I highlight those two points. As discussed by the member for Central Wheatbelt, we obviously support the bill. Overwhelmingly, all the other parts of the bill are important for the proper regulation of geothermal

sequestration and petroleum and to continue the great work that the state has done in having a first-rate world's best regulatory framework. Thank you.

Question put and passed.

Bill read a third time and transmitted to the Council.