

DESALINATION OPTIONS

**587. Hon MURRAY CRIDDLE to the Minister for Government Enterprises:**

I refer to the State Government's decision to establish a seawater desalination plant at Kwinana.

- (1) What ongoing budgetary provisions have been put in place to provide for the desalination plant?
- (2) If the Government is willing to consider seawater desalination at Kwinana, why did it not support a proposal from private enterprise to pipe desalinated sea water from Esperance to Kalgoorlie?
- (3) Why has the Government refused to consider large-scale desalination of ground water in regional Western Australia?
- (4) Has the minister calculated the cost of water supply alternatives such as catchment thinning; and, if so, why was the most expensive option to boost our water supplies chosen?

**Hon NICK GRIFFITHS replied:**

I thank the member for some notice of this question, which covers a number of issues. They are all important. Notwithstanding the length of the answer, I propose to read it.

- (1) The budgetary provisions put in place to provide for the desalination plant include the deferral of some capital works and the approval to increase borrowings to fund the construction of the plant. The Economic Regulation Authority will consider and recommend the most appropriate structure of cost recovery for a desalination plant as part of its current water pricing review. The Government will make a final decision on water pricing following the outcome of the ERA's report on the most appropriate structure of cost recovery for a desalination plant as part of the 2006-07 budget process.
- (2) The decision-making context for the two proposals is completely different. The proposal initiated by United Utilities Ltd with an estimated \$400 million price tag was to build a desalination plant in Esperance and pipe as much as 70 megalitres a day of fresh water across 440 kilometres to the goldfields. As part of the state water strategy, the Government reviewed the feasibility of an alternative freshwater supply to the goldfields industry. A group comprising representatives from the Office of Water Regulation, the Water Corporation and United Utilities was established to furnish the Government with advice on the viability of the scheme. The group addressed the key issue of future demand with 25 key stakeholders, including major mining companies and service providers to the resources industry. After ascertaining future demand and assessing the price users would pay for the water, the proposed project was rendered impracticable until increased demand or advances in technology reduced the per-kilolitre cost of providing alternative supplies. The group agreed that even under the most optimistic of scenarios, the project would prove viable only if taxpayers subsidised the scheme by between \$155 million and \$226 million over a 25-year period. The Government gave United Utilities extra time to present additional information, and the proposal was further appraised by Treasury for financial implications to the State. Potential customers identified as possible major users agreed that there is insufficient industry demand for a new freshwater supply. Further, no clear business benefits were identified in substituting hypersaline water with fresh water. This project can reach its potential when industry demand permits fresh water to be delivered at a price competitive with existing sources.
- (3) The use of regional ground water could not provide a 45-gigalitre benefit within the time frame required to secure the integrated water supply scheme.
- (4) The time required to gain regulatory approval and implement large-scale catchment management is not a feasible option in the immediate future and, therefore, is not a realistic alternative to the seawater desalination plant.