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Hon Peter Tinley, MLA
Chair
Economics and Industry Standing Committee
Level 1, 11 Harvest Street
WEST PERTH WA 6005

Dear Sir

RE: COMMITTEE INQUIRY INTO CHALLENGES AND OPPORTUNITIES FOR THE WA ECONOMY

1. Introduction

Woodside appreciates the opportunity to provide comment on the terms of reference for the Parliament of Western Australia's inquiry into challenges and opportunities for the Western Australian economy (the Inquiry), conducted by the Economics and Industry Standing Committee (the Committee).

2. About Woodside

Woodside is Australia's leading natural gas producer. In Western Australia (WA), we operate the landmark North West Shelf (NWS) Project, which launched the liquefied natural gas (LNG) industry in Australia, as well as Pluto LNG, one of the world's most technologically advanced LNG production facilities. Our oil producing assets include the Okha Floating Production Storage and Offloading facility (FPSO) and the Ngujima-Yin FPSO and we hold a participating interest in Wheatstone LNG.

Woodside is on track for our targeted final investment decision (FID) on the Scarborough and Pluto Train 2 developments before the end of this year. The Scarborough development (during construction and over its productive life) is expected to result in a significant direct contribution to the Australian economy including more than US\$15 billion in capital expenditure in WA between 2019-2051 and the creation of more than 3,000 jobs at peak construction.

In addition, we are active in developing new energy and lower-carbon solutions. Woodside has established a business specialising in the development and trading of carbon offsets, including carbon capture and storage, which will be an important contributor to global emission reductions, while generating co-benefits in the form of local jobs, contracting opportunities and improved biodiversity outcomes. We have also laid the foundation for a hydrogen business, which has the

potential to become a significant commercial opportunity for WA as the market matures and demand for carbon-neutral energy grows.

3. Actions being undertaken by Woodside to plan for identified trends in demand for WA exports

While Woodside expects LNG demand to remain strong, LNG producers will have to remain cost competitive and reduce their carbon emissions to compete in the market.

To ensure cost competitiveness Woodside is focussed on significantly reducing the cost structure of our base business, including piloting remote operations of our Pluto and NWS gas facilities and improvements to areas of major maintenance spend at the Pluto LNG Plant. Through these initiatives, Woodside aims to improve cost efficiency by 30% over three years from 2020.

Woodside has set clear emissions reduction targets on the pathway to our aspiration of net zero by 2050 and we plan to meet these targets by: avoiding emissions through the way we design our facilities; reducing emissions through the way we operate our facilities; and offsetting emissions, by both acquiring and originating quality carbon offsets.

As part of our drive to acquire and originate carbon offsets, Woodside has invested more than A\$100 million across Australia through native tree planting over the past 10 years. The Woodside Native Reforestation Project, in partnership with Greening Australia, has planted 2,400 hectares in WA during 2020 which is estimated to sequester about 700,000 tonnes of CO²-e over 25 years. Woodside is also evaluating opportunities to use carbon capture and storage (CCS) at scale.

As customer markets move towards lower carbon outcomes, demand is emerging for sales of hydrocarbons to be coupled with offsets as buyers seek to demonstrate that they are seeking lower-carbon supplies. Woodside has already sold a “carbon offset” condensate cargo and expects that these may be a feature of future domestic gas and LNG sales.

Woodside is establishing a new energy business that can scale at the pace of the energy transition with a focus on low- and zero-carbon energy sources, including hydrogen. Hydrogen is a key part of our strategy to decarbonise our business and assist our customers, many of whom are asking for hydrogen and ammonia as additional zero-carbon products. Woodside recently announced plans to establish a world-scale hydrogen and ammonia production facility at a site located in the Kwinana Strategic Industrial Area and Rockingham Industry Zone. At full potential, this would be one of the largest facilities of its kind in the world producing up to 1500 tonnes per day (tpd) of hydrogen for export in the form of ammonia and liquid hydrogen.

4. Key factors affecting investment in the WA Economy

WA needs to be able to deliver timely, cost-effective projects that can attract investment in a competitive international environment. Key factors affecting investment in the WA economy include:

Complexity in project approvals

Project proponents in WA must navigate complex and protracted project approvals processes that risk placing WA projects at a competitive disadvantage relative to activities located in other jurisdictions. Genuine red-tape reduction is essential for WA to remain a competitive investment destination.

To highlight this point, a recent Woodside case study involved the approval of the proposed Scarborough trunkline, which proposes to connect the Scarborough gas fields to the existing Pluto LNG facility. In this case, three distinct regulators assessed the same trunkline, two being in State jurisdiction, over a period of more than two and half years.

More generally, regulatory and policy overlap between Commonwealth and the State government agencies leads to both jurisdictions regulating the same environmental impact with different structures and performance requirements, which causes inefficiency and additional compliance costs.

Where multiple parallel assessment and reporting requirements exist for large projects, Woodside recommends assessments be coordinated through a single process to provide a clearer pathway for both project proponents and regulators and implementation of approval bilateral agreements covering approvals between the Commonwealth and State.

Skills shortages and access to labour

Woodside appreciates the State's strong COVID response, supporting our continued operations. However, it is also important to note that we need international travel right across our business, whether its supporting Sangomar project activities, Scarborough and Pluto Train 2 ramp-up or the BHP merger.

Similarly, in a domestic context, while we have a goal to locate our operations and maintenance staff close to where they work, we will always need transient workers from either interstate or highly skilled international specialist workers for our maintenance and project construction.

Woodside looks forward to continuing to work with the State to ensure a timely and responsible return to more flexible travel arrangements.

Access to land at scale

Woodside believes that offsetting through biosequestration will be an important contributor to global emission reductions, while also creating co-benefits including local jobs, contracting opportunities and improved biodiversity outcomes.

For WA to benefit from these opportunities, project proponents will require timely access to land at scale to undertake carbon abatement activities. Woodside encourages the State government to consider the introduction of land access arrangements that enable large scale biosequestration projects in WA.

Policy support for new energy opportunities

Governments across the world are offering increased policy support for new energy as part of their plans for decarbonisation. To remain an internationally competitive destination for investment, the WA Government has a significant role to play in supporting new energy projects. This could include:

- Offtake commitment to hydrogen vehicles and refuelling stations
 - The WA Government could act as a market maker for low-emissions energy technologies by transitioning government vehicle fleets.
 - The WA Government could support mechanisms to encourage the conversion of heavy transport fleets to hydrogen.

- Pipeline modifications
 - As the State transitions towards zero emissions, the WA Government could support modification of the Dampier to Bunbury Natural Gas Pipeline (DBNGP) to enable the intake of alternate sources of energy like hydrogen.
- Land
 - The WA Government could ensure project ready industrial estates for new energy opportunities and appropriate land access arrangements for renewable energy projects.

5. Concluding remarks

Woodside appreciates the invitation to make a submission to this Inquiry and looks forward to the Committee's findings.

Yours sincerely



Meg O'Neill

Chief Executive Officer & Managing Director