

Committee, Economics & Industry Standing

From: BOWER, Beverley
Sent: Monday, 17 March 2014 5:31 PM
To: Committee, Economics & Industry Standing
Cc: Kate Buckley; HAWORTH, Jeffrey
Subject: FW: Request for further information
Attachments: 42-21350 10 Letter signed by Minister.pdf; 42-21350 14 Hard copy of emailed version 42-21350 13.pdf; 42-21350 15 Hard copy of emailed version 42-21350 12.pdf

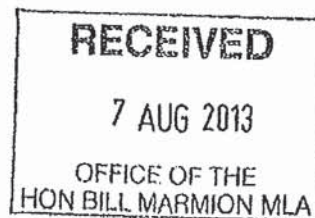
Loraine

Please find attached two letters dated 2 August 2013 and a letter date 26 July 2013 that cover the Joint Authority's decision regarding variations to the "Browse Retention Leases".

Beverley Bower | Acting Executive Director | Petroleum, Approvals

Department of Mines and Petroleum

www.dmp.wa.gov.au



THE HON GARY GRAY AO MP
MINISTER FOR RESOURCES AND ENERGY
MINISTER FOR SMALL BUSINESS
MINISTER FOR TOURISM

PO BOX 6022
PARLIAMENT HOUSE
CANBERRA ACT 2600

B13/756

The Hon Bill Marmion MLA
Minister for Mines and Petroleum
Level 29, 77 St Georges Terrace
PERTH WA 6000

- 2 AUG 2013

Dear Minister

Thank you for your letter of 26 July 2013, responding to my letter to you on 27 June 2013. In our telephone conversation on 1 August 2013, you confirmed to me that your letter constitutes your decision on this matter, as the responsible State Minister for the Commonwealth-Western Australia Offshore Petroleum Joint Authority.

You will note that I have made my decision under Section (59(2) of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGs Act). My decision has the effect as the decision of the Joint Authority. I have attached a copy of my advice to NOPTA.

My concern is to ensure Australia has the best possible opportunity to benefit from commercialisation of our natural resources. Benefit will not be delivered to Australia simply through the good fortune of having these resources. We only stand to benefit if they are able to be brought to market. I take the view that companies, not governments, are best placed to determine which developments are the most commercially viable. It is my firm belief that Australia has a limited window to secure its competitive edge in the global gas industry. If Australia does not provide a favourable environment for commercial decision-making now, we risk losing the opportunity altogether.

I would like to address the specific issues you raised in your letter.

You have raised concern that your delegate was not provided with sufficient time to review the application submitted by Woodside and NOPTA's Technical Advice Report. I am advised that your delegate did seek further clarification from NOPTA on 28 June 2013 on a number of matters, including: changes to the lease conditions and work program as well as economic information relating to the decision not to proceed with the James Price Point development concept and the reserves estimates breakdown.

NOPTA responded to these matters on 3 July 2013. Further, on 16 July 2013, Woodside provided a response to your delegate's 28 June 2013 request in relation to the proposed variation of the conditions of retention leases TR/5 and R2 in Western Australian waters. Supplementary information on the re-valuation of the commercial viability of petroleum production from the Browse Title Areas was also provided. All requests for clarification from your delegate were met within the 30 day statutory time frame and explicitly addressed the issues raised.

I have also been advised that there were matters that your delegate sought clarification on, in particular the requirement to progress unitisation and operating agreements, and market analysis and marketing activities. These matters were addressed in NOPTA's 24 June 2013 advice to the Joint Authority. Therefore I continue to be of the view that no further information was required.

I note that you have not yet made your decision in relation to the application to vary the conditions of the two retention leases located in Western Australian waters and that you have raised concern about the alignment of the conditions across all of the Browse retention leases. This is a matter which I would encourage you to address as a priority.

You have raised your delegates' concern that the commercial viability report, as provided to the Joint Authority, may not satisfy condition 3 of the Browse retention leases. This is not the view of NOPTA who, as part of its assessment, has advised that this condition has been complied with.

NOPTA undertook a thorough assessment of the information provided in January 2013. I note in March 2013, NOPTA sought additional information from the Browse Joint Venture prior to determining whether this condition had been met. Subsequent information was provided in conjunction with the 7 June 2013 application by the Browse Joint Venture to vary its retention lease conditions. In relation to whether James Price Point development concept is commercially viable, NOPTA's Technical Advice Report, states that NOPTA modelled a range of scenarios relating to this concept. NOPTA's modelling also indicated that under no commercially realistic set of assumptions did the project achieve the required hurdle rates to be considered commercially viable.

NOPTA's Technical Assessment Report also reflects on the alternative development options that the Browse Joint Venture had considered prior to the James Price Point option. Consistent with the press statement by Woodside NOPTA expects that the Joint Venture will reconsider all potential development options, including; Browse to Burrup; Offshore LNG; Floating LNG; Browse to Darwin; and a smaller scale version of onshore processing at James Price Point.

You have stated that the conditions of the varied leases do not have any activities that would afford the Joint Authority an understanding of the resource management or life of field economic aspects of the development options.

Conditions and work programs on retention leases support activities that achieve the earliest commercialisation of the resource from the lease area, consistent with the Australian Government's offshore resource exploration and development policy and legislative framework. In this regard the retention lease provisions ensure that a titleholder actively addresses all barriers to commercialising petroleum resources contained within the retention lease area and brings those resources to production where the development is commercially viable.

Consistent with the offshore petroleum regime, NOPTA advises that it will engage with Woodside on any preliminary Field Development Plan submission made to NOPTA, noting any application for the acceptance of the field development plan is required to comply with the criteria under regulation 4.6 of the *Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011*.

Further, you stated that you would prefer that the combined Year 2 and 3 Work Program be unaltered. It is appropriate that the Joint Authority remove conditionality around activities supporting the James Price Point development concept, given the Joint Venture's negative FID.

I also note your suggestion that Condition 5 be reinstated. Given the negative FID on James Price Point it would be inappropriate for the Joint Authority to require the Joint Venture to undertake studies supporting the James Price point development concept. Furthermore, I note the Western Australian Government is the proponent of the strategic assessment for the Kimberly LNG precinct under the *Environment, Protection and Biodiversity Conservation Act 1999*. The finalisation of this process is a matter between the Western Australian Government, as the proponent, and the Commonwealth Environment portfolio.

Thank you for your advice on this matter.

Yours sincerely

A handwritten signature in dark ink, consisting of a stylized 'G' followed by a long horizontal stroke that tapers to a point.

Gary Gray



E-MAILED
26/7/13

FAXED
26/7/13

MINISTER FOR MINES & PETROLEUM; HOUSING

Your Ref: B13/656
Our Ref: 42-21350/1

The Hon Gary Gray AO MP
Minister for Resources and Energy
PO Box 6022
CANBERRA ACT 2600

Dear Minister

Gary

BROWSE JOINT VENTURE - APPLICATION FOR VARIATION OF THE BROWSE RETENTION LEASE CONDITIONS

It was with considerable disappointment that I received your letter dated 27 June 2013 in which you outlined your intention to rely upon section 59(3) of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGSA 06) in respect to the Browse retention leases in Commonwealth waters (WA-28-R, WA-29-R, WA-30-R, WA-31-R and WA-32-R). You have prescribed your decision without allowing the sufficient time for the Commonwealth-Western Australia Offshore Petroleum Joint Authority (Joint Authority) to provide carefully considered advice for me to reach a position on this most important issue for both Australia and Western Australia.

I consider that such a precipitous step truncates the deliberative processes of the Joint Authority and is not only a concern in respect to confidence in the established and agreed process, but also ultimately leads to concerns regarding confidence of the final decision.

The agreed Offshore Petroleum Joint Authority operating protocol has not been followed and my delegate was not provided a reasonable opportunity to consider the National Offshore Petroleum Titles Administrator's (NOPTA) Technical Advice Report advice or seek clarification.

It is unprecedented for this to occur without proper consideration, and these actions raise doubt as to the commitment of the Federal Government to collaborate with the Western Australian Government to ensure commercialisation of the Browse resources occurs in the best interest of the broader Australian community.

Having considered the information available to me at this time, I do not believe that there is a sufficient basis for me to make a decision in relation to the two State Retention Leases. My delegate under the State Petroleum Acts has only recently received additional information from Woodside and will require time to assess the resource management implications. In view of the sensitive nature of this issue for Western Australia, I am very concerned that you have chosen to expedite your decision-making. An expedited decision by you at this time will very likely result in the State and Commonwealth Browse Retention Lease conditions no longer being aligned.

In accordance with the Joint Authority operating protocols, I have asked the Department of Mines and Petroleum's Executive Director, Petroleum Division to consider NOPTA's Technical Advice Report on the Retention Lease variation applications and supplementary information submitted by Woodside Browse Pty Ltd on 7 June 2013. My delegate has advised that, while Woodside Browse has provided supplementary information regarding its determination that the proposed Browse LNG Development near James Price Point does not meet its commercial requirements for a positive final investment decision, this does not constitute a commercial viability report in accordance with the guidelines. Therefore, the documentation provided may not satisfy condition (3) of the Retention Leases requiring the re-evaluation of commercial viability of petroleum production.

The draft conditions that you propose do not have any activities that would afford the Joint Authority with an understanding of the resource management or life of field economic aspects of the development options.

I therefore propose that condition (4)(a) be varied to:

- (a) Prepare and submit a report to the Joint Authority on the resource management and life of field economic return implications for all development concepts under consideration before selection of the preferred concept.

And Year 4 Work Program be varied to:

Assess the effect of the various onshore and offshore development concepts on resource management and economic return for the Browse Fields and continuation of any work required to commercialise the Browse gas fields.

I would prefer that the combined Year 2 and 3 Work Program be unaltered and Condition (5) be re-instated.

The timing of development of the Browse retention leases is important and their earliest development should remain a key priority. However, I remain unconvinced by statements you have made that there is a 'short window' of opportunity and would not wish to introduce a false sense of urgency into this important decision as this may be detrimental to the long-term interests of both Western Australia and Australia.

I note your suggested timeframe, and despite my concerns of the apparent violation of Joint Authority protocols, I will continue to carry out my responsibility as the Western Australia member of the Joint Authority in a prudent manner and fully consider the issues involved.

Yours sincerely



HON BILL MARMION MLA
MINISTER FOR MINES AND PETROLEUM; HOUSING

26 JUL 2013

* * * Communication Result Report (26. Jul. 2013 15:23) * * *

1) Minister
2) Marmion

Date/Time: 26. Jul. 2013 15:17

File	No. Mode	Destination	Pg(s)	Result	Page Not Sent
5539	Memory TX	00262730434	P. 2	OK	

Reasons for error
 mmm. 1) Hang up or line fail
 mmm. 3) No answer
 mmm. 5) Exceeded max. E-mail size

E. 2) Busy
 E. 4) No facsimile connection



E-MAILED
 26/7/13

MINISTER FOR MINES & PETROLEUM; HOUSING

Your Ref: B13/556
 Our Ref: 42-21350/1

The Hon Gary Gray AO MP
 Minister for Resources and Energy
 PO Box 6022
 CANBERRA ACT 2600

Dear Minister Gary

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Level 25, 77 St Georges Terrace, Perth, Western Australia 6000
 Telephone: +61 8 5552 6500 Facsimile: +61 8 5552 6501 Email: minister.marmion@dpc.wa.gov.au
www.ministers.wa.gov.au/marmion



THE HON GARY GRAY AO MP

**MINISTER FOR RESOURCES AND ENERGY
MINISTER FOR SMALL BUSINESS
MINISTER FOR TOURISM**

PO BOX 6022
PARLIAMENT HOUSE
CANBERRA ACT 2600

B13/756

Mr Graeme Waters
Titles Administrator
National Offshore Petroleum Titles Administrator
Level 8, 58 Mounts Bay Road
PERTH WA 6000

2 AUG 2013

Dear Mr Waters

I am writing to notify you of my decision under section 59(2) of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGS Act) in relation to the request by the Browse Joint Venture for variation of the conditions of retention leases WA-28-R; WA-29-R; WA-30-R; WA-31-R; and WA-32-R.

On 27 June 2013, I gave written notice to the Western Australian member of the Joint Authority, the Hon Bill Marmion MLA, Minister for Mines and Petroleum, under section 59(3)(a) of the OPGGS Act, of the decision that I think should be made by the Joint Authority in relation to the conditions of these retention leases.

In accordance with the notice, Minister Marmion had 30 days in which to tell me in writing what decision he thought should be made. On 26 July 2013, I received correspondence from Minister Marmion. In a telephone conversation between us on 1 August 2013 he confirmed that this correspondence was his conclusive decision on the matter of the variation of the conditions.

Therefore, given that Minister Marmion and I are in disagreement regarding the decision, I, as responsible Commonwealth Minister under section 59(2) of the OPGGS Act, have decided to vary the Browse Joint Venture retention lease conditions, including the work program, as set out in the advice which was provided by NOPTA.

My decision has effect as the decision of the Joint Authority on this matter.

Please issue the 'Instrument of Variation' of the retention lease conditions including work program to the Browse Joint Venture under section 264 of the OPGGS Act.

Finally, NOPTA advises that it will engage with Woodside Browse, as the operator of the Browse retention leases, on any preliminary Field Development Plan submission made to NOPTA, noting any application for the acceptance of the field development plan is required to comply with the criteria under regulation 4.6 of the Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011.

Yours sincerely

A handwritten signature in dark ink, consisting of a large, stylized 'G' followed by a horizontal line that tapers to a point.

Gary Gray

cc The Hon Bill Marmion MLA, Minister for Mines and Petroleum.