

**NORTH WEST GAS DEVELOPMENT (WOODSIDE) AGREEMENT AMENDMENT BILL 2019**

*Introduction and First Reading*

Bill introduced, on motion by **Mr M. McGowan (Minister for State Development, Jobs and Trade)**, and read a first time.

Explanatory memorandum presented by the minister.

*Second Reading*

**MR M. MCGOWAN (Rockingham — Minister for State Development, Jobs and Trade)** [11.34 am]:  
I move —

That the bill be now read a second time.

The purpose of this bill is to ratify an agreement made on 9 September 2019 between the state and the North West Shelf joint venture, which I will refer to as the variation agreement. This bill is necessary in order to give effect to amendments to the North West Gas Development (Woodside) Agreement 1979, which I will refer to as the state agreement. A key purpose of the variation agreement is to extend the existing term of the state agreement by 25 years, which will facilitate third party tolling of gas at the North West Shelf joint venture's Karratha gas plant, and to address other matters. To put this variation agreement into context, I will provide some background on the state agreement, the gas expansion projects proposed for the Burrup area and the requirement to vary the state agreement.

The state agreement was assented to on 21 December 1979 to facilitate the establishment of the Karratha gas plant and associated facilities and infrastructure for the purposes of the sale of condensate within Australia and elsewhere, liquefied natural gas overseas, and treated natural gas—that being domestic gas—within Australia and the pipeline transportation of such gas to industrial customers in the Pilbara. The North West Shelf joint venturers, each with a one-sixth share, are Woodside Energy Ltd, Shell Australia Pty Ltd, BHP Billiton Petroleum (North West Shelf) Pty Ltd, BP Developments Australia Pty Ltd, Chevron Australia Pty Ltd and Japan Australia LNG (MIMI) Pty Ltd.

Currently, plans are being developed by a number of major oil and gas companies that will potentially see a significant expansion of gas-related projects at the Burrup hub. Should these plans come to fruition, the state will experience a level and scale of activity that has probably not been seen on the Burrup since Woodside's construction of the Karratha and Pluto gas plants. The Karratha gas plant has been operating for around 35 years, and since 1989 it has delivered approximately 5 000 LNG cargoes. Woodside, on behalf of the North West Shelf joint venture, operates the Karratha gas plant.

The North West Shelf joint venture's existing gas reserves are declining. In addition, spare processing capacity is expected to become available at the Karratha gas plant from around 2021. In order to sustain the Karratha gas plant at full capacity after 2021, the North West Shelf joint venture will need to process gas from outside the area covered by the state agreement. The state agreement contains provisions that allow for the tolling of third party gas at the Karratha gas plant. The North West Shelf joint venture is therefore currently planning to transform the Karratha gas plant into a facility that will toll gas from third parties. This will entail the processing of gas from third party fields located off the north west coast of WA, as well as the potential connection of the Pluto and Karratha gas plants through an interconnecting gas pipeline known as the Pluto interconnector. These plans will effectively extend the life of the Karratha gas plant. Specific examples of projects currently being advanced for the Burrup include the potential development of the Browse project to transport gas for tolling at the Karratha gas plant, the Scarborough project to transport gas from the Scarborough gas fields to the Pluto gas plant, and the development of the Pluto interconnector pipeline, which will potentially allow for gas from the Scarborough, Pluto and Clio-Acme fields to be transferred to the Karratha gas plant for tolling. The potential benefits to the state resulting from these projects are significant, and include billions of dollars of investment into the state, the creation of thousands of direct and indirect jobs for Western Australians, the continuation of supply of domestic gas, the potential to develop further industry in Western Australia that relies on domestic gas as a key input, increased royalties and increased exports of LNG.

The current state agreement expires on 31 December 2034, with a potential extension of 12 years. In order to provide the potential for the Karratha gas plant to toll gas on a long-term basis to meet some of the anticipated field and project lives and to provide certainty of access, the state agreement is required to be extended. This will facilitate the development of projects such as Browse, as well as other gas projects seeking to toll gas at the Karratha gas plant.

I now turn to the provisions of the bill and the variation agreement outlined in the explanatory memorandum. The provisions of the bill essentially set out to amend the state agreement by ratifying, authorising and attaching the variation agreement, otherwise referred to as the fifth supplementary agreement, as schedule 6 to the North West Gas Development (Woodside) Agreement Act 1979. I will outline the key provisions of the variation agreement.

Clause 2(2) inserts new clauses 11A and 11B after clause 11 of the state agreement, which deal with a community development plan and a local participation plan respectively. Clause 11A essentially requires the joint venturers to prepare and implement a community development plan, and describes the joint venturers' proposed strategies for achieving community and social benefits in the Pilbara region. Clause 11B requires the joint venturers to prepare a local participation plan, and outlines strategies that the joint venturers will use, including its third party contractors, to maximise local industry participation benefits as far as it is reasonable and economically practicable to do so. This includes strategies for the supply of services, labour, works, materials, plant, equipment or supplies for the purposes of the state agreement.

Clause 2(3) inserts new subclause (4) after clause 12(3) of the state agreement, which will enable the state to enact general legislation relating to local participation that may substitute or modify the provisions of the variation agreement relating to local participation. This flags the enactment of a new jobs bill at some point in the future.

Clause 2(4) inserts new subclause (5) after clause 18(4) of the state agreement, which acknowledges that the joint venturers and the Water Corporation have entered into a water supply agreement in accordance with the Water Corporation's major consumers framework. This replaces the existing rights and obligations of the state, including the Water Corporation, and the joint venturers under the state agreement on water supply, and modernises the joint venturers' water supply arrangements in line with other resource companies operating in the Pilbara.

Clause 2(5) amends clause 22, which relates to the payment of rates, by excluding from the unimproved value rating exemption any part of the land that is a specified improvement, with specified improvements being accommodation, recreation or administration facilities and associated buildings, or maintenance workshops within 100 metres of such facilities.

Clause 2(8) amends clause 46 of the state agreement by extending the term of the state agreement from 31 December 2034 to 31 December 2059. This clause also extends the date on which the joint venturers may provide notice to further extend the state agreement for a period not exceeding 12 years, from 30 September 2034 to 30 September 2059. A number of other administrative amendments have also been made.

This is an important bill, and I commend the bill to the house.

Debate adjourned, on motion by **Dr D.J. Honey**.