

NATURAL GAS (CANNING BASIN JOINT VENTURE) AGREEMENT AMENDMENT BILL 2015

Introduction and First Reading

Bill introduced, on motion by **Mr C.J. Barnett (Minister for State Development)**, and read a first time.

Explanatory memorandum presented by the minister.

Second Reading

MR C.J. BARNETT (Cottesloe — Minister for State Development) [9.57 am]: I move —

That the bill be now read a second time.

The purpose of the Natural Gas (Canning Basin Joint Venture) Agreement Amendment Bill 2015 is to ratify an agreement made on 1 July 2015 between Buru Energy Limited, Diamond Resources (Fitzroy) Pty Ltd and Diamond Resources (Canning) Pty Ltd as the joint venturers, Mitsubishi Corporation as the guarantor, and the state of Western Australia, which I will refer to as the 2015 variation agreement. The 2015 variation agreement varies the Natural Gas (Canning Basin Joint Venture) Agreement 2012, which I will refer to as the state agreement, to enable the extension of key dates within the state agreement by a period of two years.

In late 2012, the state agreement was executed between the joint venturers and the state of Western Australia. The joint venturers are the registered and beneficial holders of the petroleum exploration permits listed in the schedule to the state agreement and granted under the Petroleum and Geothermal Energy Resources Act 1967. The joint venturers are actively exploring the title areas for petroleum, for the purposes of evaluating the technical and economic viability of their natural gas resources. The title areas are located in Canning Basin, south of Derby. The joint venturers are also actively exploring to prove up sufficient reserves of natural gas to underpin the establishment and sustained operation of a domgas project, and potential production of liquefied natural gas for export to overseas purchasers. Buru Energy has completed stage 1 of its exploration program on the company's eastern well sites. Stage 2 is being undertaken during the 2015 dry season, with further work to evaluate the resources. Buru Energy also has an ongoing baseline groundwater monitoring program for its activities. The government encourages accelerated expenditure by the joint venturers in the continuing exploration and evaluation of natural gas resources within the title areas. The establishment of the domgas project will promote energy security for Western Australia, and a possible LNG project would also contribute to the state's capacity as a global LNG supplier.

By entering into the state agreement, the state committed to providing improved certainty of tenure, initially over the five exploration permits comprising the title areas, by suspending the obligation for the joint venturers to relinquish ground under the Petroleum and Geothermal Energy Resources Act 1967. This is facilitating the orderly evaluation of the resources. The state agreement also provides, with the approval of the minister, for other permits to be brought under the agreement that are solely held by one or more of the joint venturers. The minister must be satisfied that the land is prospective for natural gas and that such approval would more efficiently facilitate the objectives of the agreement.

In order to meet the obligations of the state agreement, the joint venturers are required to meet a number of milestones by certain key dates. As part of the obligations towards exploratory activities within the title areas, the joint venturers are required to conduct comprehensive consultation with the appropriate traditional owners to ensure they are well informed about the activities involved. The joint venturers have provided funding to the three native title parties to engage independent specialists for advice regarding the environmental aspects of the joint venturers' activities. Based on this independent advice, the joint venturers have received support from the Noonkanbah people and are in continuing discussions with the Yawuru people and KRED Enterprises acting on behalf of the Nyikina and Mangala people. The joint venturers have also advised that evaluation of the natural gas resources in the Canning Basin is taking longer than was originally contemplated in the state agreement. In order for the joint venturers to continue exploratory activities and meet obligations within the time frames specified in the state agreement, a variation to the state agreement is required.

Advantages of the variation: I would like to remind members of the importance of the Canning Basin project to the state. The project is the first natural gas exploratory project under a state agreement in Western Australia, providing improved certainty of tenure to maintain attraction in the Canning Basin for major development capital. It is also important in helping secure domestic gas for Western Australia. Should the resource in the Canning Basin be proved up, the state agreement provides a common aspiration for a total of 1 500 petajoules of natural gas to be sold into the domestic gas market over the first 25 years of the project. A domgas project will also include a great northern pipeline of approximately 600 kilometres in length to connect into the domgas network. The Canning Basin project provides investment into this geographically remote region. The joint venturers have worked with local people to provide considerable local opportunities and community benefits such as training, education and employment, and sponsoring of local events. The continuation of this project is important to the overall future

development of industry and community in the remote regions of our state's north. This bill will provide extended certainty to this project and continued investment into the state by the joint venturers.

On-site Investigation Activities: Buru Energy Ltd's tight gas exploration program was conditionally approved on 20 June 2014 by the Department of Mines and Petroleum after an assessment process that included environmental, safety and operations assessments. This approval followed the Environmental Protection Authority's review of Buru's exploration program and the chairman's decision of "Not Assessed—Public Advice Given" on 13 January 2014. A decision of "Not Assessed—Public Advice Given" means the program was assessed by the EPA but deemed as not requiring a part IV approval under the Environmental Protection Act 1986. The EPA considered the exploration activity could be evaluated, regulated and mitigated by the DMP and the Department of Water. The EPA considered Buru's program to be a small-scale proof-of-concept exploration drilling program and is unlikely to have a significant effect on the environment. Buru has ongoing obligations throughout the life of the project to monitor and report on its exploration activities to the DMP.

Provisions of the Bill: The main provisions of the Bill are as follows: section 4 amends section 3 of the principal act by amending the definition of "the Agreement" and inserting the new definition of "the 2015 variation agreement", a copy of which is set out in schedule 2 of the principal act. The principal act is the Natural Gas (Canning Basin Joint Venture) Agreement Act 2013, as amended from time to time. Section 5 inserts a new subsection (2A) into section 4 of the principal act, which ratifies the 2015 variation agreement and authorises its implementation. Section 7 inserts as schedule 2 into the principal act, the 2015 variation agreement.

Provisions of the 2015 Variation Agreement: The key provision of the 2015 variation agreement is clause 2, which extends a number of key dates within the state agreement by a period of two years. The most noteworthy concerns the date at which suspension of relinquishment obligations under the Petroleum and Geothermal Energy Resources Act 1967 expires. This has been extended from 31 January 2020 to 31 January 2022. Another key date to be amended is the go/no-go decision date whereby the joint venturers are required to inform the state if they intend to proceed with the project. The deadline for this decision will now be between 31 December 2017 and 31 March 2018.

I commend the bill to the house.

Debate adjourned, on motion by **Mr D.A. Templeman**.