

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

**EXPLANATORY MEMORANDUM**

**Explanation of the Bill**

**Section 1 (Short Title)**

Contains the short title of the Act.

**Section 2 (Commencement)**

Paragraph (a) provides that section 1 and 2 come into operation on the day on which the Act receives Royal Assent.

Paragraph (b) provides that the remainder of the Act comes into operation on the day after the Act receives Royal Assent.

**Section 3 (Act Amended)**

Specifies that the Act amends the *Natural Gas (Canning Basin Joint Venture) Agreement Act 2013* (“Agreement Act”).

**Section 4 (Section 3 Amended)**

Section 4 amends the definition in section 3 of the Agreement Act in three parts:

Subsection (1) deletes the definition of **the Agreement**.

Subsection (2) inserts a definition of the “**2015 variation agreement**”, which means the variation agreement, a copy of which is set out in the Schedule 2.

Subsection (3) inserts a new definition of **the Agreement**.

**Section 5 (Section 4 amended)**

Amends section 4(1) of the Agreement Act by inserting subsection (2A) which ratifies the 2015 variation agreement.

**Section 6 (Section 6 Amended)**

Provides that if a provision of the 2015 variation agreement purports to modify any other Act or law, then that provision shall operate and take effect so as to modify that other Act or law.

**Section 7 (Schedule 2 inserted)**

Inserts Schedule 2 into the Agreement Act, comprising a copy of the 2015 variation agreement dated 1 July 2015.

## SCHEDULE 2

### NATURAL GAS (CANNING BASIN JOINT VENTURE) AGREEMENT 2012 2015 VARIATION AGREEMENT

#### PARTIES

The Honourable Colin James Barnett, Premier of the State of Western Australia, acting for and on behalf of the said State and its instrumentalities from time to time ("the State"), Buru Energy Limited, Diamond Resources (Fitzroy) Pty Ltd, and Diamond Resources (Canning) Pty Ltd (collectively "the Joint Venturers") and Mitsubishi Corporation (the "Guarantor").

#### RECITALS:

- A. Advises that the State, the Joint Venturers and the Guarantor are parties to the agreement ratified by the *Natural Gas (Canning Basin Joint Venture) Agreement Act 2013* (WA). This agreement is referred to in the Variation Agreement as the "**Principal Agreement**".
- B. Advises that the State, the Joint Venturers and the Guarantor wish to vary the Principal Agreement on the terms set out in the Variation Agreement.

#### Clause 1 – Ratification and Operation

##### Subclause (1)

States that the Variation Agreement, other than Clause 1, will come into operation in accordance with Clause 1(2).

##### Subclause (2)

States that the Variation Agreement comes into operation on the day the Bill is passed and comes into operation as an Act unless, before that day, the Variation Agreement is terminated.

##### Subclause (3)

The State commits to introduce a Bill into Parliament before 30 September 2015, or such later date as the parties may agree, and must endeavour to secure its passage as an Act.

##### Subclause (4)

Provides, unless the parties agree otherwise, for the termination of the Variation Agreement (and without any party having a claim against any other) if by 31 March 2016 the Bill has not been ratified by an Act of the Parliament.

##### Subclause (5)

Specifies that if the Principal Agreement is determined on a day prior to the Operative Date, then the Variation Agreement will also terminate on and from that day, and without any party having a claim against any other.

## **Clause 2 – Variation of Principal Agreement**

Under the provisions of the Principal Agreement, the Minister cannot extend certain key dates. Of these key dates, the “Go-No Go” decision on proposals for the Domgas Project is due at the end of this year and the Joint Venturers have advised that they will not be in a position to make this decision. Clause 2 of the 2015 variation agreement will extend this key date by a period of two years and also several other key dates associated with the “Go-No Go” decision.

### **Subclause (1)**

Variation of date in clause 1 in the definition of “Suspension Period” from 31 January 2020 to 31 January 2022.

The current *Petroleum and Geothermal Energy Resources Act 1967 (WA)* does not take into consideration more recent technology that provides for the extraction of unconventional gas. The Principal Agreement suspends the *Petroleum and Geothermal Energy Resources Act 1967 (WA)* relinquishment provisions of the five exploration permits comprising the Title Areas over two cycles of renewal. This extraction method encourages further exploration and evaluation of unconventional resources, and maintains the attraction of the Canning Basin for major development capital, while allowing the State to achieve its own objectives regarding domestic gas supplies and energy security.

Clause 37(3) of the Principle Agreement provides that the Minister may not extend the dates specified in the definition of “suspension period”.

### **Subclause (2)**

Variation of date in clause 8(2) from 31 March 2016 to 31 March 2018.

Commencing no later than 31 March 2018, obliges the Joint Venturers to market Domgas (to be produced as part of the Domgas project and obtained from within the Title Areas) on an ongoing basis for sale into the Western Australian domestic gas market and Petrochemical feed stocks for sale as contemplated by clause 28.

### **Subclause (3)**

Variation of date in clause 10(1) from 31 December 2014 to 31 December 2016.

Provides that not before 31 December 2016, during their investigations, appraisals and studies, the Joint Venturers are obliged to consult with the Minister and to seek the agreement of the Minister (after the Minister consults the Pipelines Act Minister and (if relevant) the DBNGP Land Access Minister and the Commissioner of Main Roads) as to:

- a) The diameter of the Domgas Project Pipeline;
- b) Where the Domgas Project Pipeline will begin and end;
- c) The route for the Domgas Project Pipeline and associated access roads within the Domgas Project Pipeline Easement; and

- d) Land required for the Domgas Project Pipeline Easement for that route as well as for associated infrastructure and works and areas for the taking of borrow.

Further provides that in seeking such agreement on matters (b) to (d) above, regard is to be had to achieving a balance between engineering matters, the nature and use of any lands concerned and the costs of acquiring the land (all of which is to be borne by the Joint Venturers) and that the parties acknowledge that the Domgas Project Pipeline Corridor may need to vary along its route to accommodate the Domgas Project Pipeline, access roads and associated infrastructure and borrow areas.

#### **Subclause (4)**

Variation of date in clause 11(1) from 30 June 2016 to 30 June 2018.

Provides for the Joint Venturers, subject to the *Environmental Protection Act 1986 (WA)* and the other provisions of the Agreement, to submit detailed proposals for the Domgas Project by 30 June 2018 which proposals shall include (amongst others) the following matters:

- The Domgas Treatment Plant at the commencement of the Domgas Project Pipeline and other Domgas Project Treatment Plants (if any);
- The Domgas Project Pipeline within the Domgas Project Pipeline Corridor;
- The pipeline connections to connect the Domgas Project Pipeline to each Domgas Project Treatment Plant and to the domestic gas network;
- Associated infrastructure and works to be within the Domgas Project Pipeline Corridor;
- Leases, licences and easements under the *Land Administration Act 1997 (WA)* or the *Dampier to Bunbury Pipeline Act 1997 (WA)* section 41(2)(b) approval or section 34 access authority.

The deadline date (30 June 2018) may only be extended once pursuant to clause 37 (Power to extend periods and dates) for a period not exceeding 18 months.

#### **Subclause (5)**

Variation of date in clause 12(6) from 30 June 2018 to 30 June 2020.

Provides that notwithstanding any provision of this Agreement or that agreement has not been reached under clause 10(1) or that the Community Development Plan has not been approved, if all proposals and matters required pursuant to clause 11 are not approved or determined by 30 June 2020, the Minister may give the Joint Venturers 6 months notice of intention to determine this Agreement. If all proposals and matters are not approved or determined within that 6 months period, the Agreement will cease and determine subject to clause 39.

Clause 37(3) provides that the Minister may not extend the dates specified in this subclause.

#### **Subclause (6)**

Variation of date in clause 20(1) from 31 December 2014 to 31 December 2016.

Provides that not before 31 December 2016 and not less than 12 months before they intend to submit proposals under clause 21, the Joint Venturers are to consult with the Minister to seek the agreement of the Minister (after the Minister consults the Pipelines Act Minister and (if relevant) the DBNGP Land Access Minister and the Commissioner of Main Roads) as to:

- a) The diameter of the LNG Project Pipeline;
- b) Where the LNG Project Pipeline will begin and end;
- c) The route for the LNG Project Pipeline and associated access roads within the LNG Project Pipeline Easement;
- d) Land required for the LNG Project Pipeline Easement for that route as well as for associated infrastructure and works and areas for the taking of borrow; and
- e) The Relevant LNG Precinct.

Further provides that in seeking such agreement on matters (b) to (d) above, regard is to be had to achieving a balance between engineering matters, the nature and use of lands concerned and the costs of acquiring the land (all of which is to be borne by the Joint Venturers) and that the parties acknowledge that the LNG Project Pipeline Corridor may need to vary along its route to accommodate the LNG Project Pipeline, access roads and associated infrastructure and borrow areas.

#### **Subclause (7)**

Variation of dates in clause 35(4) from not earlier than 31 December 2015 or later than 31 March 2016, to not earlier than 31 December 2017 or later than 31 March 2018.

Provides, subject to subclause (5), that the Joint Venturers can give notice to the State between 31 December 2017 and 31 March 2018 stating that they do not intend to submit proposals (Go-No Go) for the Domgas project due to one or more of the following reasons:

- The Joint Venturers have been unable to prove up sufficient reserves of gas from within the Title Areas to underpin the Domgas Project;
- The Joint Venturers preparatory work leads them to conclude that the Domgas Project is not technically viable; and
- The Joint Venturers preparatory work leads them to conclude that the Domgas Project is otherwise not economically viable.

Further provides that upon the Joint Venturers giving notice in accordance with this subclause the Agreement shall cease and determine.

Clause 37(3) provides that the Minister may not extend the dates specified in this subclause.