

NATURAL GAS (CANNING BASIN JOINT VENTURE) AGREEMENT (TERMINATION) BILL 2017

Second Reading

Resumed from 27 June.

HON PETER COLLIER (North Metropolitan — Leader of the Opposition) [8.26 pm]: I will just make a few comments on the Natural Gas (Canning Basin Joint Venture) Agreement (Termination) Bill 2017, which the opposition will reluctantly support. I do not think it is a bill that anyone really wants; we do not want a termination of this state agreement, but unfortunately we are in a situation in which the two parties have requested it and therefore we will support it.

Fundamentally, the purpose of the original bill was to ratify and authorise the implementation of an agreement scheduled to the bill between the state and Buru Energy Ltd, Diamond Resources (Fitzroy) Pty Ltd, Diamond Resources (Canning) Pty Ltd and Mitsubishi Corporation to promote natural gas exploration and development of the area of certain petroleum exploration permits in the Canning Basin region of Western Australia. It was originally quite a significant state agreement. The agreement intended to facilitate the establishment by the joint venturers of a domgas project, subject to them proving up sufficient reserves of natural gas from the agreement's title areas. The agreement also sought to facilitate the joint venturers, if they wished, undertaking a liquefied natural gas pipeline project to deliver natural gas from within the title areas and other areas to an LNG production facility within an LNG precinct in the north west of Western Australia or to third party pipelines to the LNG production facility, for reduction of LNG for export.

The government's moratorium on hydraulic fracture stimulation has meant that Buru is unable to drill for gas on the exploration permits and therefore has no ability to prove up the resources and eventually move up to the production of gas. This is waiting, of course, on the outcome of what is now the fourteenth review or investigation into fracturing. This termination will have a very significant impact on jobs in not only the north west but also all of Western Australia, particularly for Aboriginal people. The obligation on the joint venture partners to build a domestic gas pipeline would have seen some 1 500 petajoules of gas entering the domestic market—enough gas to supply Perth residential customers for over 80 years. This would have placed significant downward pressure on the price of gas and would have meant lower costs to residential gas customers and also electricity processors. Nearly 50 per cent of Perth's electricity is generated by gas.

Further, the industry would have received substantial benefits from this domestic gas supply, which would have made Western Australian businesses more competitive, with lower energy input costs. This would also impact on future jobs. The government's moratorium on hydraulic fracture stimulation will also impact construction jobs, which will now be lost. Construction of a domestic gas plant and pipeline for exporting LNG would have created thousands of jobs for Western Australians. The original state agreement had a requirement for local industry participation; these opportunities are now also lost.

This legislation represents a lost opportunity for Western Australia. The McGowan government really needs to take some responsibility for not just its policy on this particular agreement, but also other policies that are having an impact on Western Australian jobs and the loss of state revenue from payroll tax and royalties. As I said, I do not think anyone wants this state agreement terminated, but it is a direct result of the parties involved requesting the termination. Until we get some sort of certainty with regard to fracturing, that is what is going to happen, and it will inevitably have an impact on jobs, particularly for Aboriginal people and particularly in this project. Having said that, Mr Acting President, the opposition will reluctantly support this legislation.

HON TJORN SIBMA (North Metropolitan) [8.31 pm]: I want to make a very small contribution to discussion of the Natural Gas (Canning Basin Joint Venture) Agreement (Termination) Bill 2017. I must confess that when I read the bill for the first time, I had to do a double take. I have not been in this chamber very long, but I hope that the experience of dealing with the termination of a state agreement act is a rare experience. I think this is an unfortunate set of circumstances and that the proponents of the project have entered into this reluctantly. I know that they want to expedite passage of the legislation just to move on with their commercial operations.

I cannot help but think that this situation has arisen solely and purely because of a policy position adopted by the McGowan government to place a moratorium on fracking and to undertake the fourteenth or fifteenth inquiry into a geotechnical technique. I cannot fathom the decision-making process. I cannot work out why we are having the inquiry or why we have the moratorium. Clearly, there are no scientific grounds left to explore and there cannot be any sufficient environmental grounds upon which to proceed; this process has been occurring since the 1960s at thousands of wells and there has been no environmental catastrophe. There are clearly no economic benefits to be derived from the consideration of this bill. There are clearly no social benefits to be considered or celebrated as a consequence of dealing with this legislation. In particular, this termination will come at the detriment of Aboriginal communities in proximity to the concerned site. There is clearly no tourism advantage to be gained from the consideration and passage of this bill. There are clearly no advantages to be leveraged from the perspective of diversifying the state's commercial and industrial base or employment. Certainly, it has done

nothing and will do nothing to bolster international investor confidence in this state. If the legislation does nothing of any use, why are we here, and why are we dealing with it? In the absence of any moral compulsion, any practical outcome, any innovation, anything brave, courageous or true, or even anything coldly rational, why are we in the position of dealing with this legislation? Unfortunately, I have come to the very cynical conclusion that it can only be to assuage some factional interests in the government and to garner Greens preferences at the next election. Legislation that does nothing more than to appease the political left of the Australian Labor Party and sandbag some vulnerable inner-city seats from the encroachment of the Greens does not commend itself to this house. Frankly, this kind of legislation is a disgrace and it is an absolute displeasure to have to deal with it, let alone speak to it. I hope to never see the likes of this stuff ever again!

HON ROBIN CHAPPLE (Mining and Pastoral) [8.34 pm]: The Natural Gas (Canning Basin Joint Venture) Agreement (Termination) Bill 2017 is interesting for us because, as members would long know, we have opposed every state agreement act, and specifically this one, because this was actually the first state agreement act ever enacted over an exploration lease, with the project some 20 years down the track. As I usually do, I would like to thank Gary Simmons, Gemma Brown and Scot Friday for a briefing on the bill.

The bill ratifies an agreement made on 27 November 2017 to terminate the state agreement—I will refer to them as SAs—entered into by the parties five years ago. Clause 39(2)(b) of schedule 1 of the state agreement act states that on cessation or determination of the SA, the petroleum exploration permits under EP 371, 428, 431, 436 and 391 continue in force subject to the Petroleum and Geothermal Energy Resources Act 1967 for the rest of their term or six months, whichever ends sooner. The bill disapplies this so that the petroleum titles EP 371, 428, 431 and 436 continue in force until 30 July 2023, and the year end for each work requirement is extended for four years under clause 4(4)(c) of schedule 3 in the bill. Petroleum title EP 391 continues in force until 31 January 2024 and the year end for the work requirements is extended for four years under clause 4(4)(d) of the schedule. The time to apply for a retention lease or production licence in relation to the declaration of location over the Valhalla–Asgard field affects EP 371 and is extended to 30 June 2021 under clause 4(4)(e) of the schedule. The deadline for passing the bill is 31 December 2018 under clause 3(4) of the schedule.

The history of this state agreement act is interesting. The original SA was a schedule to the Natural Gas (Canning Basin Joint Venture) Agreement Bill 2013. At that time, the joint venturers were Buru Energy Ltd, Diamond Resources (Fitzroy) Pty Ltd and Diamond Resources (Canning) Pty Ltd, the latter two companies being subsidiaries of Mitsubishi Corporation. The guarantor is and was Mitsubishi Corporation. The agreement related to the exploration and proving up of natural gas resources in the region of five petroleum permits in the Canning Basin. If viable, the aim was to provide natural gas domestically. If the joint venturers wished, they could have also established a liquefied natural gas pipeline to deliver natural gas to a production facility for export, but only after meeting their domestic gas obligations. Given the years it would take to establish whether the project would be viable, the SA suspended the application of part of the Petroleum and Geothermal Energy Resources Act 1967 to allow the five petroleum permits to be renewed twice without the normal “use it or lose it” 50 per cent relinquishment obligation. That element was definitely anti-competitive to anybody else operating in the area. They had no force majeure when it came to their tenements. Through previous governments and legislation in this place we established that people were not allowed to hold onto tenements, yet this legislation when introduced back then actually did that.

In looking at the whole agreement, the Greens originally opposed the 2013 bill because state agreements are by their very nature anti-competitive. There was no SA at any time over any other exploration permits in the area or within the mining industry in general, so it set a really odd example that we were not actually proposing to develop the project, we were just giving an exploration permit over a period of some 20 years. There had been no negotiation over this with the traditional owners and so we found ourselves at odds over that when in 2013 we dealt with the bill. Emissions from the Canning Basin were modelled to push up to quadruple the commitment under the Kyoto Protocol. Environmental concerns about fracking had not been addressed and the Environmental Protection Authority, after repeated referrals, had refused to assess the project until it was up and running—that is, after a significant number of fracks had taken place. Water testing by the Greens had indicated that exceptionally high levels of dissolved strontium—1.1 micrograms—were present in the water and in the column. When oil and gas are extracted, the steel columns attract uranium and strontium out of the product material, and we know we have already had problems with the offshore drilling rigs trying to deal with that material. When we brought in the original Nuclear Waste (Storage) Prohibition Bill, it had to go back to both houses to be amended to allow for that radioactive waste contained within columns to be brought into Western Australia and dealt with.

The SA was varied by the Natural Gas (Canning Basin Joint Venture) Agreement Bill in 2015 to extend the key dates by two years, with the suspension of the relinquishment extended from 31 January 2020 until 31 January 2022 and the go or no-go date extended to between 31 December 2017 and 31 March 2018. At the time, Buru Energy had completed stage 1 exploration at the eastern well sites. The EPA had again decided not to assess. Buru was finding that both elevation of resources and consultation with the traditional owners was taking

longer than had been anticipated. The Greens had opposed that bill in 2015 because there had been no environmental assessment and there were four fracking wells and thousands of kilometres of drill lines already on the ground. Buru's ability to fulfil its obligations were questioned. It had delayed testing operations until the wet season and then, in a report to the house, identified that its problem was the wet season. Buru certainly seemed to be falling short of managing a good operation. Recent marketplace and stock exchange reports did not show much confidence in Buru's ability in this area. Since then the government has changed and the new government has introduced a moratorium and a fracking inquiry, preventing the joint venturers from applying to the Environmental Protection Authority for any environmental approvals to frack. There are already test holes, but not enough gas can be drawn from them to proceed. The SA's no-go date of 31 March 2018 was unable to be mapped. The joint venturers have rearranged their interests so that Buru now has four of the five exploration permits and Mitsubishi subsidiaries have taken the fifth. With its EP, Mitsubishi plans to proceed with its own independent domestic gas project and the state is keen to encourage this, subject to the outcome of the fracking inquiry. Mitsubishi has obtained a declaration of location as a precondition for it to get a production licence or a retention lease. It has an Indigenous land use agreement with one Indigenous group, an agreement with another and it is negotiating with further groups. The intention, if the outcome of the fracking inquiry supports it and the moratorium is lifted, is to start with a pilot project, and if that works, to extend it. We come to one of the fundamental problems that we have and that is that, notwithstanding the government's moratorium and the perceived commitments of the opposition to fracking, if all of this goes ahead, we will see the Canning Basin, one of the largest areas, under innumerable leases and opened up to fracking. Some of the estimates by industry players have been that we will possibly end up with over 1 000 to 10 000 wells in that area.

Hon Simon O'Brien: Can you identify a single industry player that has made such a claim?

Hon ROBIN CHAPPLE: Yes, but I will come back to the member with the document. I cannot do it right now, but I am more than happy to provide him with the document. It was an industry think tank out of the eastern states.

Fracking is still possible in the future. Notwithstanding the termination of the SA, the bill preserves and extends the petroleum titles and various deadlines so that, if the outcome of the fracking inquiry is a yes to lifting the moratorium, the project can proceed if necessary environmental approvals are obtained. This always gives me a bit of a concern. We are a long way down the process. Wells have been proven to leak and there have been issues with what we refer to as the "Christmas trees" being old and not well maintained, and a lot of them were leaking quite badly. It was interesting that there was a prosecution against an individual for having taken some methane readings from one of the wells. When they went to court, those methane readings were read out and the judge said, "Yes, you are guilty of trespass, but thank you very much for bringing to our attention that the methane was leaking." If something had gone wrong and there had been a spark or whatever else, not only could the guy who had illegally taken the readings undergone serious harm, so could have anybody in that area.

If what I have just mentioned happens, it will obviously be a battle for another day. The Greens would have strong concerns, one of which, as we indicated in the first debate on the state agreement, is pushing up emissions to quadruple the commitment under the Kyoto Protocol. In the meantime, the extensions of the EPs are in the schedule of the bill, so they will not be amended by this place in the absence of the parties to the agreement. The options are to support or oppose the bill in its entirety. The Greens have consistently opposed state agreements and, because of this opposition, we will support a bill that terminates the state agreement.

HON SIMON O'BRIEN (South Metropolitan) [8.48 pm]: I rise to speak on the Natural Gas (Canning Basin Joint Venture) Agreement (Termination) Bill 2017. As a sometime chairman of the standing committee that spent two years examining the claims and counterclaims around hydraulic fracturing, my attention was naturally drawn to the existence of this bill and I have followed its progress with some interest. I think we need to have a bit of an understanding about what this bill is about and what it is not about. It is not about a debate on fracking per se, although some might wish to introduce the subject; however, there have been some remarks made that I think should not be allowed to stand without some sort of response, and whether the members in question like it or not, I am going to give that response. I have examined some of these claims and counterclaims—a great deal of them—and other members in this chamber joined me in that. They know as well as I do that some of the arguments that are raised or the points that are made in the context of a fracking debate—that was not a coarseness of language there; I meant to say "a debate about hydraulic fracturing", Madam Acting President—deserve to be called out for the humbug that they are. As a representative of the members of the Western Australian community who rely on our collective industry and economic progress to maintain their families' and their standard of living, I get fed up when I hear them being lied to and I see deliberate campaigns being sustained to con those people, to make them feel scared and uneasy and to reduce their confidence in and reliance on our instruments of government. Those instruments have been set up over many years and retained by successive governments, specifically to address the sorts of problems or issues that might be and are constantly raised. Even when those issues are addressed, the opponents of progress or development refuse to accept it, and they once again go about trying to tell blinkered lies

to those people whom I and the rest of this body of elected members represent. In that context, responses have to be given.

The bill is not about fracking per se. It is about the termination of a state agreement established or validated by statute. It has to come back to this Parliament under the terms of that agreement and the associated act when parties want to make material changes to it. That brings it back here. We are tasked with the role of facilitating that, if we wish, or not facilitating that, if we want to be obtuse. The Liberal Party has already indicated that it will support this bill, but for reasons that are different from some that we have heard this evening. I have just heard from the Greens that they will support this bill. Did I hear members right?

Hon Alison Xamon: You did.

Hon Robin Chapple: Absolutely. We 100 per cent support it.

Hon SIMON O'BRIEN: The Greens support this bill because it terminates a state agreement act, yet in so doing—I am sure the minister can tell us who has this right and who has it wrong—it gives the prospect of these interests somehow being able to proceed, whereas at the moment, because of circumstances, they cannot proceed and they do not wish to proceed. One of the major parties involved in the existing state agreement wants and needs to get out and has come to arrangements with another major partner that wants to continue, through a device that has been arranged, as a third party. The third party can then go ahead with a limited range of prospects in the hostile and crazy environment that has been created by this wonderful government that we were lectured about earlier this evening. It does not make any sense to me that the Greens are now in support of this termination bill —

Hon Robin Chapple: Can I explain why?

Hon SIMON O'BRIEN: The member had his opportunity just now. I thought he would be off trying to find the evidence that he obtained from some industry source to support his claim that about 10 000 wells are being established in the Kimberley. I have already examined that claim, with the committee, and we dismissed it on the evidence that we obtained in the course of our inquiry. I would be very interested if Hon Robin Chapple can produce something that supports that claim. I would like to check the bona fides of his claims. Once he has done that, maybe then an unruly interjection may be entertained by the Chair, but I am just a humble servant.

The second reading speech was given in the first place. It has been re-given by one or two of the subsequent speakers. I am not going to read it all again and tell members what the bill does. I have already summarised it, but the circumstances surrounding the bill concern me greatly. I have had some dealings with Buru, represented, I might add, by a former Labor minister and a former colleague of ours in Hon Jon Ford. If Buru wants out of this arrangement or the ongoing future concern and Mitsubishi, acting through its subsidiaries, wants to take on 100 per cent of the interest in one of the remaining permits through a subsidiary, recognising that the parties cannot do that unless the state agreement is restructured, we are all in favour of facilitating that. At least it would give the people of Western Australia something in prospect. They could have had a lot more, but they have not.

According to the second reading speech, some problems were involved in this early stage of evaluation of the whole natural gas prospect in the Canning Basin. We hear from the government that a few unexpected things have happened. The reference in the second reading speech to “the time to ensure that traditional owners had access to clear and independent advice about the project” is a very succinct description of one of the factors that has contributed to the difficulty and delay. Surviving members of the committee—I am referring to Hon Samantha Rowe and my good friend the now Minister for Environment—will recall how we went to considerable efforts to receive evidence from affected traditional owners to examine sympathetically the way that all the parties were going about the negotiations and the operations. Generally, we were impressed with the approach of Buru Energy and I thought that Buru seemed to be—largely, I think with the agency of Hon Jon Ford—establishing what one might call a model protocol for how it might go about these difficult and sensitive operations and dealings with traditional owners. Let us hope it comes to something.

Another reason was the impact—we are told in the second reading speech—of the Kimberley wet season. This is the reality of trying to establish industry in a remote area. A lot of the area in the Canning Basin we are talking about is not far away from the relative civilisation of Broome. It is actually only down the road. I was a little surprised when we hopped in our aircraft to view the site from the air and basically, not long after wheels up, it was there. It is relatively close to Broome. However, the Canning Basin takes up a vast amount of the state's north and the footprint for shale gas is very large indeed. The area being examined that we looked at was in the part of the Kimberley that I referred to. By the way, if members are going up there to look at it themselves, do not do it in the middle of February because, as Hon Robin Chapple knows, the convergence of the very hot weather with the extraordinary humidity of the recent wet season makes it a little bit uncomfortable up there. As some members might know, you have to keep up your fluids in those circumstances and Matso's Broome Brewery does a great job in assisting the cause of humanity. Even so, some plucky work has to be put in to keep up the necessary —

Hon Darren West: Electrolytes.

Hon SIMON O'BRIEN: Electrolytes is a good word.

Hon Robin Chapple: It's called Matso's ginger beer.

Hon SIMON O'BRIEN: I thank the honourable member for his lucid moment.

Hon Dr Steve Thomas: Don't get used to it.

Hon SIMON O'BRIEN: No.

The third reason given for the delays is the uncertainty resulting from the state government's moratorium on hydraulic fracture stimulation in Western Australia and the associated scientific inquiry into fracking. This is the smoking gun. This is the part of the second reading speech that blows out of the water some of the puffery that we have heard from some members opposite as recently as this evening and on other occasions. They talk about the jobs they claim to have created, drawing on some notes that some media officer has provided, but this is the reality of it. The imprudent actions of members opposite have placed at risk a fledgling industry that promises so much for the people of Western Australia in so many ways. Members opposite—the McGowan Labor government, as they constantly call it—have decided for base political purposes that they are going to abandon those principles which they claim to hold dear, and which they lecture us about, including creating jobs, securing investment and having a reliable place to invest in for the future. Their actions have contributed to this state agreement being marginal to the point at which one of the major participants wants to terminate it because it cannot do it anymore. It cannot make it happen. We now have the prospect, through a subsidiary of Mitsubishi, of part of a remaining permit being further examined with a view to something maybe happening a bit down the track. Fingers crossed on its part because we still do not know what members opposite are going to do and whether, as a government, they will allow it to get the product out of the ground.

This pointless ban, moratorium, or whatever members opposite want to call it, is an exercise in humbug. Who knows that? I have already pointed out two Labor members in this very chamber who, along with me, signed off on a report that dealt with every issue any interested party wanted to raise. One of them was the Minister for Environment. I have not taken him to task over this, much. Do members know why? It is because I think he and the Minister for Mines and Petroleum have been caught between a rock and a hard place. They have been sandwiched between the fact that we have demonstrated, through our committee work, that hydraulic fracturing and the industry associated with it can be properly managed and regulated. It has already been demonstrated, so members opposite know about that reality but they have the other reality that their leader—bless his cotton socks—and their political machine has gone to an election saying, "We're going to put a moratorium on fracking." I am not sure what their reasoning is except that they want to play some sort of sop to those who are upset about it. They do not have the intestinal fortitude—the guts—or the integrity to stand up to those people who are peddling that rubbish and say, "No, you're wrong. We're standing up for Western Australia." This government does not have the guts to do that. All it has is some people who want to flap their gums about how terrible the former government was and how wonderful their government is, with the tens of thousands of jobs it is creating, despite the reality. The reality is that work on fracking inquiries has been done to death. It has been verified by members of this very house through one of its standing committees with a unanimous report. I urge members to examine that standing committee's report. It can be contrasted with government members who are saying, "We need to go on and on and on with another inquiry", which will go on for however long. Then what happens? That is the environment in which those who want to try to recover some sort of investment from the Canning Basin joint venture operate with the termination of this agreement and presumably—hopefully—the start of a new one.

That is what we are being asked to facilitate through this bill. I apologise to the minister in charge of the bill if I have just talked the Greens out of supporting it, but the government can rely on the Liberal Party to give it enough encouragement on this occasion to sufficiently support it at least to get the bill over the line. However, it is a very great pity it is necessary to do so and that the minister's government has contributed to the fact that this potentially fledgling industry hangs by a thread and is confronted with further uncertainty. It has nothing to do with wet seasons and everything to do with the uncertainty created by the lot opposite and their ridiculous moratorium on something that a lot of them choose not to understand. They should think about that before they get up next time and start lecturing us about how many jobs they are going to create.

I think the bill probably needs to be explored during the committee stage because I would like to put some questions to the government. We will see what sort of responses we get. The bill itself is fairly simple, as I have indicated, but I am certainly fed up with hearing the nonsense that gets trotted out whenever some sort of discussion that remotely touches on shale gas is introduced into this Parliament. If I have to sit here, as I have today, and be lectured by people who do not know what they are talking about, I think it is incumbent on me—because I do know a bit about this subject—to let them know when they are letting down their people by paying some sort of forelock-tugging service to the political masters in the Labor Party and letting them get away with it.

I wonder what my father, a former Labor member in this Parliament, would think about it from his grave. Where is the commitment to jobs that the Labor Party used to stand for—the commitment to establish industry and jobs?

Hon Peter Collier; Hon Tjorn Sibma; Hon Robin Chapple; Hon Simon O'Brien; Hon Alannah MacTiernan

Where is it? Nowhere—it is out the window! Members opposite might talk about it occasionally, but they deliver nothing—absolutely nothing! Those who might think, “This is Simon flapping his gums and giving us another Simon lecture” can do that if they want to. But if members opposite have any sense of responsibility to those they claim to represent, they might go back and look at that committee report and assess the claims that are being made on their behalf that have already been addressed in that report. They can sit down in private forums and ask Hon Samantha Rowe or the Minister for Environment what this is all about, why the government is doing what it is doing and why it is not allowing Western Australia to advance in this matter. Why are we listening to the lies and claptrap from a discrete sector, which is often encouraged and financed offshore? Why are we allowing that to dictate what we do in this state? Maybe they will; we shall see. That concludes my second reading contribution.

HON ALANNAH MacTIERNAN (North Metropolitan — Minister for Regional Development) [9.12 pm] — in reply: I thank members from the opposition and from the Greens for their support of the Natural Gas (Canning Basin Joint Venture) Agreement (Termination) Bill 2017. I recognise that their support comes from diametrically opposite positions, but that is the nature of political debate.

Members have sought to cast this as a debate about hydraulic fracking and have claimed that that is at the essence of this legislation. I do not believe that is necessarily the case. It is obviously an issue, but what we have here is, fundamentally, two joint venturers—Buru Energy Ltd and Mitsubishi Corporation—who have been in this process for a long time and obtained a state agreement in 2012 to develop a range of exploration permits using hydraulic fracking. It has taken them a very long time, and since 2012 they have come to a position in which their objectives are no longer aligned, so those joint venture partners have decided that it would be their very strong preference to divide the exploration permits between them, for one to pursue the domgas part of the proposal and for the other to focus on exporting the natural gas resource. Quite clearly, the decision that our government made would have provided a backdrop for that decision, but this is fundamentally about the joint venture partners. This joint venture took them much more time to develop these fields than they had anticipated in the first instance and they have decided to go their separate ways, but because the state agreement has a range of joint and several liabilities built into it, that was not possible without the termination of the agreement. I know members in this place have very strong feelings about hydraulic fracking but I do not believe that that is the fundamental issue at play here.

I am sure that Hon Simon O'Brien is convinced that science is clearly on the side of hydraulic fracking but, clearly, many in the community have yet to be convinced by his very excellent report. I point out that this is not an issue that is focused on what Hon Simon O'Brien might have been trying to describe as the inner-city elites. As I go across the state I find that concern about it is very intense in country areas in particular, such as, as Hon Darren West can tell members, Jurien and Moora, and many areas of the Kimberley.

No democratic government can ignore a very real community concern, so a process had to be established to give people some assurance that this matter has been properly and thoroughly considered. I am not in any way suggesting that Hon Simon O'Brien's committee was not thorough, but in our view an independent, science-led committee that would enable community members to express their views and put forward their evidence was needed. As we know, science is a many-splendoured thing. Many processes and chemicals were at one stage of their history considered to be safe and reasonable but, subsequently, the body of science changed, and the consensus broke down and, indeed, often established itself in the reverse. It is absolutely necessary that a democratic government takes those concerns into account. Going into the election we made a commitment that this is what we would do. We had the overwhelming support of the community, so it is only proper that that mechanism is in place.

I urge members to accept that this is fundamentally not a piece of legislation about hydraulic fracking. This is a bill about terminating a state agreement because the joint venturers that form one party of that state agreement have determined that they no longer wish to work together and that they would be more successfully able to press their case by taking different directions, with one focusing on the supply for domgas and the other focusing on the production of liquefied natural gas. From our point of view it seemed absolutely reasonable to agree to terminate this agreement, and let these parties go their own ways and ultimately be subject to the determination that will come from the independent scientific review that is underway. I thank members for their support and I commend the bill to the house.

Question put and passed.

Bill read a second time.

Committee

The Deputy Chair of Committees (Hon Adele Farina) in the chair; Hon Alannah MacTiernan (Minister for Regional Development) in charge of the bill.

Clause 1: Short title —

Hon SIMON O'BRIEN: I want to ask a couple of questions in connection with clause 4 to clarify a couple of issues. I will do that in due course. Perhaps I could ask generally: if this Natural Gas (Canning Basin Joint Venture) Agreement (Termination) Bill 2017 terminates the agreement act, which it does, what machinery will be then left to enable works by the remaining party to proceed?

Hon ALANNAH MacTIERNAN: They have their rights under the petroleum act, which they had to begin with. Originally, their entitlements were under the petroleum act. They then approached the government to enter into a state agreement because they wanted to avoid the normal step-down provisions under the petroleum act whereby every five years they were required to relinquish a certain percentage of their exploration permit. Their argument at the time was that this technology was taking them longer than they had anticipated, and there was the establishment of the Indigenous land use agreements, and, generally, this was proving a more difficult process than they had anticipated and they did not want to be subject to that particular provision of the petroleum act. The state agreement was entered into specifically to give them that right and the quid pro quo was said to be the obligation that was imposed under the state agreement to have a domgas project in all this.

Hon SIMON O'BRIEN: I thank the minister for that. The good news is, I think from the way this is going, that I am having my issues responded to—that is, teasing out information. With your indulgence, Madam Chair, on clause 1 we might be able to address a couple more questions and that might expedite these proceedings if we are agreeable to that. I am talking about probable ongoing operations. It is a little hard to know what will actually happen. They will ultimately be decisions for the party that remains. I was wondering whether the minister could advise this committee of the nature of the product that they will possibly be in a position to provide to the Kimberley region and maybe even the Perth metropolitan market in the longer term?

Hon ALANNAH MacTIERNAN: I am advised that the product that would be the end result of this would be natural gas that would go into the domestic market and then there would be a condensate that would be generally an export product. It would go into natural gas processing. That is the advice we have.

Hon SIMON O'BRIEN: Thank you again for that. I understand the resources identified and located are within EP 371. I am not familiar immediately with the geology of EP 371. What sort of depth are we talking about for the product we are seeking to extract?

Hon ALANNAH MacTIERNAN: I am a bit concerned. This agreement covers five exploration permits of which EP 371 is just one, and the most work has been done in relation to that, so there is greater clarity, I understand, of the nature of that resource. Under this particular arrangement, one of the five, 371, will go to Mitsubishi and the other four will go to Buru Energy. There are five permits all up. The state agreement relates to five permits. One will go to Mitsubishi and four will go to Buru Energy.

Hon SIMON O'BRIEN: My understanding—I am quite happy to be corrected if I have read it wrongly or I have not had sufficient information—is that Buru will not continue its operations, but Mitsubishi will persevere. That was why my earlier question was only about EP 371. If I need to stand corrected on that, I am quite happy to do so.

Hon ALANNAH MacTIERNAN: The advice we have quite clearly here is that the other four will go to Buru Energy. Buru Energy has not particularly indicated whether it will be engaged in a domgas or export process. My understanding is that although both of them are free, in the absence of the state agreement, to now pursue either option, Mitsubishi has proposed that it will use, subject to all approvals, obviously, the resource from EP 371 for a domgas project.

Hon SIMON O'BRIEN: So the further progress that Buru and the Mitsubishi subsidiary may achieve in due course remains to be seen. For the purposes of my questions on this, it seems to me, rightly or wrongly, that on the limited information we have, the Mitsubishi project within EP 371 seems to be the most likely to proceed. I would be delighted, of course, if Buru managed to get some other parts of the operation up and running, and good luck to them—they have put in so much effort and have conducted themselves in what I feel is an exemplary way in all their dealings, so that would be great. For the purposes of this exercise, I will ask the question about the resource that was highlighted in the second reading speech, which was the Mitsubishi resource located within EP 371. I again ask: can the minister tell me at what depth that resource is located?

Hon ALANNAH MacTIERNAN: I thank the member for the question. I repeat that the most work has been done at EP 371. That is the tenement that is the furthest progressed. It has proceeded to the stage of a declaration of location. The target depth is between 2.5 kilometres and 4.5 kilometres.

Hon SIMON O'BRIEN: I am sure it is interesting for members to contemplate such an operation, in which a well is drilled that is 2.5 kilometres long or longer and—I am not sure of the exact specifications on-site—perhaps only about 200 millimetres in diameter at points; it is probably a bit bigger. We are talking about extraordinary technology. Are these reserves in shale or are they some other form of tight gas? How are they suspended?

Hon ALANNAH MacTIERNAN: They are considered unconventional tight wet gas.

Hon Peter Collier; Hon Tjorn Sibma; Hon Robin Chapple; Hon Simon O'Brien; Hon Alannah MacTiernan

Hon SIMON O'BRIEN: If it is unconventional gas—if it is tight gas—are they going to extract it through hydraulic fracturing, or have they got some other miracle way of getting it out if they get to the stage of production?

Hon ALANNAH MacTIERNAN: Their proposition is obviously hydraulic fracturing. It is important for members to understand that a moratorium is in place, and, as part of that, all the petroleum act licensees are being given an extension of time, as we are seeing here. This is being referred to in this agreement. This is a general proposition that has been given to all parties that hold exploration permits. As Hon Simon O'Brien would be well aware, in order to keep exploration permits and mining leases going, the parties have to show that they are making progress. Because of the moratorium, we have given all parties that would want to engage in hydraulic fracturing an extension of time. Effectively, they have the same time from the end point of the decision-making process about the scientific inquiry and the government's subsequent decision as a result of that inquiry.

Hon SIMON O'BRIEN: This is teasing out some very useful information, where we can support the government in what it is proposing to do. As members know, I sometimes need things explained to me in definitive ways. Perhaps I can just ask a couple of questions to clarify these few points and then I will sit down and we can get this bill through tonight. If this resource is to be extracted, will it have to be done through a process of hydraulic fracturing?

Hon ALANNAH MacTIERNAN: My understanding is that all those areas would need to be fracked if they were to be exploited.

Hon SIMON O'BRIEN: Again, if it is a simple answer, I am quite happy to accept a response by way of interjection. So that the time they have got to occupy an exploration area is not compromised by the time being taken for the government's fracking inquiry, has everyone involved been given an extension while the government goes about that process?

Hon ALANNAH MacTIERNAN: All companies will be getting extensions as they require. This one is part of the resolution and the termination of the state agreement. The second reading speech states that we have agreed —

... for a suspension of the requirement to compulsorily relinquish permit land areas and fulfil work program commitments of up to four years.

The member will remember that the very essence of the state agreement was to give the company relief from the normal relinquishment processes. As part of disbanding the state agreement, it was agreed that there would be a four-year suspension of the application of the relinquishment requirement —

Hon Simon O'Brien: Four years! Is that how long this bloomin' fracking inquiry will keep going?

Hon ALANNAH MacTIERNAN: No, but, as I said, bear in mind that they had a provision that would have given them an extended period over which they would not be required to relinquish. In order to reflect some of that, it has been agreed that in relation to the relinquishment, it is a four-year extension. It is an extension of their permits in order to wrap up this arrangement that was entered into by the previous government. There has been an extension of four years. The other companies that do not have a state agreement are being given one-year rolling extensions as they require them.

Hon SIMON O'BRIEN: I think this could possibly bring us to a conclusion. In the meantime, then, the companies that are the subject of this agreement—I do not want to canvass too widely—are doing whatever other preparatory and exploration work they can do to position themselves, in the hope that the government will in due course raise the ban or moratorium so that then, and not before, they might be able to employ a whole lot of people to create some gas product for the benefit of themselves and the state of Western Australia. Is that about the strength of it?

Hon ALANNAH MacTIERNAN: It will be entirely up to those companies what sort of effort they decide that they will put into this over the next couple of years. We are not in a position to determine that. We are saying that we are putting in place a framework so that their interests are kept alive. I would imagine that they will continue to be doing some work, but the quantum of risk that they are prepared to take is something obviously that only they can determine.

Hon ROBIN CHAPPLE: In EP 371 is the Ungani oil well, which is a currently producing oil well.

Hon ALANNAH MacTIERNAN: I think this might have come up before, but Ungani is on a separate lease altogether; it is not part of this state agreement.

Hon ROBIN CHAPPLE: Okay, but it is within 371?

Hon ALANNAH MacTIERNAN: I do not think so, because 371 is captured by the state agreement. We had some maps here earlier. My understanding is that 371 was captured by the state agreement but my advice is it did not include that particular site.

Hon ROBIN CHAPPLE: Can I ask a further question which might help? In 371, to my knowledge, is Ungani oil well, Valhalla north 1, Valhalla 2 and Asgard 1.

Hon Peter Collier; Hon Tjorn Sibma; Hon Robin Chapple; Hon Simon O'Brien; Hon Alannah MacTiernan

Hon ALANNAH MacTIERNAN: The advice I am receiving here is that Ungani was previously part of EP 391, not 371, but has now been separated as a separate production licence. That has moved from being an exploration permit to a production licence. It has been taken out of 391.

Hon ROBIN CHAPPLE: Where are Valhalla north 1, Valhalla 2 and Asgard 1?

Hon ALANNAH MacTIERNAN: Valhalla 1, Valhalla 2 and Asgard 1 are all part of 371.

Hon ROBIN CHAPPLE: Okay, thank you. That clarifies that question. Originally covered by a state agreement act, these would not have been subject to the moratorium. Is that correct?

Hon ALANNAH MacTIERNAN: My advice is that the regulations apply to all petroleum titles and make no distinction between those that are in a state agreement and those that are just regulated under the petroleum act. As I said, if we go back to first principles, the state agreement was trying to achieve relief from the relinquishment provisions of the petroleum act. There was nothing in the state agreement, other than those provisions related to relinquishment, that would make it different from the way it was treated under the regulations when we came to something entirely new like the moratorium on hydraulic fracturing.

Progress reported and leave granted to sit again, pursuant to standing orders.