PETROLEUM AND GEOTHERMAL ENERGY SAFETY LEVIES BILL 2011
PETROLEUM AND GEOTHERMAL ENERGY SAFETY LEVIES AMENDMENT BILL 2011

Cognate Debate

Leave granted for the Petroleum and Geothermal Energy Safety Levies Bill 2011 and the Petroleum and Geothermal Energy Safety Levies Amendment Bill 2011 to be considered cognately, and for the Petroleum and Geothermal Energy Safety Levies Bill 2011 to be the principal bill.

Second Reading — Cognate Debate

Resumed from 21 September.

MR M. McGOWAN (Rockingham) [4.20 pm]: I rise as the lead speaker for the opposition on the Petroleum and Geothermal Energy Safety Levies Bill 2011 and the Petroleum and Geothermal Energy Safety Levies Amendment Bill 2011. I note at the outset that the Minister for Environment is handling these bills. Considering that the Premier is the Minister for State Development, I would have thought that it would be more appropriate for him to handle these pieces of legislation for the petroleum and geothermal energy industries. Given his role in this state and his position, I would have thought he would come into the chamber and handle this legislation. I thought that the Premier might have been slightly more knowledgeable than the Minister for Environment on the subject. Be that as it may, we will deal with the "B Team" when it comes to this —

Mr B.S. Wyatt: "B"? About "Z"!

Mr M. McGOWAN: When it comes to this legislation, we will deal with the "B Team" in the person of the Minister for Environment.

I put on record that we support this legislation and that we think that on balance it provides some improvement. So that members understand what is going on, we are dealing with legislation basically to set up a structure to impose a levy on the onshore petroleum and geothermal industries in Western Australia to allow for the cost offsetting, or the cost recovery, for the provision of safety and other services for those industries. That is what we are doing; we are setting up the framework to allow the imposition of a levy on the petroleum industry. Occupational health and safety inspectors and so forth are provided via the ordinary business of government, if we like. The department uses its resources to provide those services to the onshore oil industry or the onshore geothermal industry. In the case of the offshore oil industry, those services are provided by an organisation known as the National Offshore Petroleum Safety Authority, which was established in 2005 by the Howard government with the agreement of the then Gallop government to regulate the offshore oil and gas industry in the sense that I was talking about before. I am not sure whether it regulates the industry outside the state's territorial waters or if it is at the low-water mark or where the line commences. I assume it is outside the state's territorial waters, but there may well have been a transfer of responsibility for any of those facilities within those territorial waters of the state to the commonwealth; I am not sure how that stands. In any event, regulation of the offshore oil industry is governed by NOPSA, which ensures that a levy is charged, paid for by the industry and received by the commonwealth, which then funds a range of safety services for the offshore oil industry. In the case of the onshore oil and petroleum industry, there is no levy. Considering that the industry often generates gas at exactly the same time, I am unsure whether there are the same rules—but I assume so—or the same industry or the same imposition for the generation of various forms of energy onshore. As there is no levy, when safety services are provided to that industry onshore or to the geothermal industry, which is in its infancy, it is at a cost to the state.

I suppose the first point to make is that we are moving to a user-pays system for the provision of safety services. It will be a user-pays system for that industry, which is a very big industry, full of big players that have very deep pockets, because we will put a levy on it to pay for that service that was once upon a time paid for by the state. I do not object to that. I do not object to that as a principle; I think that is the correct principle. However, people might like to consider that some people object to it in other circumstances with other levies or taxes—this is actually a tax, as I understand—that might be imposed through cost-recovery systems. But in this case I think that there is uniform agreement that it should be paid for by industry through a cost-recovery system. The idea is that the tax will be imposed by two pieces of legislation; one I think sets up the system and one establishes the tax. Because it is a tax, this legislation is required to be initiated in this house and I think it is required to stand alone in some sense, so it is being introduced via two bills.

The idea is that we will come up with a system, which is a tax, that applies across the sector according to certain criteria. I will get into exactly how it will be set up in a little while, because it is quite complex. In any event, it will apply across the sector and the idea is that it will have minimal administrative burdens for industry and the regulator. The idea, therefore, is that we will impose a tax across the sector according to certain criteria, which is

the simplest way for industry to meet the cost and the least burdensome and least costly way in terms of red tape. A system was put in place for the mining industry, I think a year or two ago, which has a similar regulatory framework for the provision of those occupational health and other safety services, or the provision of money to fund those services. Therefore, we have a system for the offshore oil and gas and the mining sectors in Western Australia but we do not have it for the petroleum and geothermal sectors on land, if we like, in Western Australia. That is the essential background of this legislation. I know that the legislation refers to the petroleum industry, but I assume it also refers to onshore gas, which of course will become a major industry in Western Australia in times to come. I am interested to know how it will work on a cost-recovery basis for that particular industry that will grow, as we know. I went to a briefing recently that indicated there is twice as much gas onshore in Western Australia as there is offshore, which is interesting. The basic explanation given was that offshore it is hard to find but easy to extract and that onshore it is easy to find but difficult to extract. In any event, human ingenuity being what it is, I am sure that we will find ways to extract it in due course and therefore this levy will apply, I think, to any of that onshore activity that might go on.

The basic use to which the levy or the tax will be put is to, as I said, offset the entire costs and expenses accrued for the administration of listed occupational safety and health laws and for the administration of the act. I think that basically means that expenditure will be used to pay the staff members undertaking that sort of safety work. In effect, all those people who undertake this occupational health and safety work for the government will be funded or the money raised by this levy will be hypothecated towards paying for the work that they do. The problem, as has been explained to me before—I had some experience of this in government—is that the mining industry and the petroleum, oil and gas industry will poach a lot of those people from government because they can pay more competitive rates. If the industry poaches those people from government, it means the government is always trying to play catch up because it cannot afford to pay the rates that industry pays. The idea of this levy is that we level the playing field with industry by way of pay packets; that is, using the industry to pay for it, which has some justice to it and will certainly resolve some of the problems of keeping people in the industry. Some people would hope that it will not result in a withdrawal of effort by government. If the industry starts paying, the government could withdraw all its efforts. If we are seeking cost recovery, I suppose it will mean that the government would redirect whatever resources it had directed into this area into another area within government. However that redirection takes place, I hope it takes place in an efficient manner and deals with some of the real issues confronting the agency, or government more broadly, and that the resources saved are not in any way wasted but are put to good use. As I said before, the industry is growing significantly. I expect that as the industry grows, there will need to be some greater use of the levy for the provision of resources for safety and the administration of state-based occupational health and safety regulations and the act. Therefore, as the levy is put in place, I expect there will be an increased need for it amongst industry.

I am interested in how the levy will be applied. I looked at the guidelines on how it will work. I put the minister on warning that if he is unable to provide us with an answer, we might go into consideration in detail and seek an answer from the minister on how the levy will be calculated when it is applied to industry. I will let the house know what the classification process is when the safety levy is put in place. The assessment procedures will take into account a number of factors in assessing the levy, including: the type and complexity of activity and circumstance; the resources required to regulate the operation; the type and size of accommodation amenities attached to the operation; what mode of operation is presently operating; the length and diameter of each of the pipelines pursuant to a pipeline operation if the operation is of a type that includes survey work, drilling or exploration activities for geothermal operations, energy operations and the type and scale of operation; and any other factor considered relevant to determining the class of levy payable. I think there is some sort of classification of individual projects and the levy is then applied at a set rate based upon an analysis of an individual project, including its size and scale. Is the minister saying that a certain amount of money needs to be acquired by the levy and it will be divided between the operations depending on all those factors or depending on the production of individual operations? I could not quite get to the bottom of exactly how it will be determined how much a particular operation should pay from my brief reading of the guidelines. I would have thought that the fairest way of determining how much an operation should pay would be some sort of factor around the amount of production, the safety issues involved in the operation and the number of staff at the operation. Perhaps the distance and difficulty of getting to the operation might also be a relevant consideration. I would have thought that all those factors would impinge on how much the operation is costing the state to provide services to it. We will seek some clarification from the minister on how the levy will operate so that we can get to the bottom of this and see what he has to say about that particular issue. The advice that he gave us in his second reading speech is that the levy will equate to 0.0002 per cent of the total sales of Western Australia's petroleum industry. I did not do the maths but in 2010 it was assessed as $22.9 billion, so I will be interested to see how that works. Considering it is supposed to be for onshore oil and gas, again, I am a little unsure exactly how that will operate and the definition of onshore and offshore.

I would also be interested to know how much the government wants to raise from this levy in total. My recollection of the mining levy that the government put in place in 2009 is that it was raising somewhere in the vicinity of $80 million—I might be wrong—over either a single year or over four years. I do not know how much this levy will raise and what the government's ambition is in relation to that. I will be interested to find out how that will work. Will the government come up with the global figure it wants on a yearly basis and adjust the levy accordingly or will the levy be set and go up or down depending on how well the industry is doing each year? There are a range of questions that we need answered.

The other point relates to geothermal energy. My understanding is that policy measures were put in place back in perhaps 2006 to encourage geothermal energy. I cannot remember but I think a legislative mechanism was put in place to regulate geothermal energy. This form of energy is highly prospective in various parts of the state. I understand that there has been very little use of this form of energy thus far, although I recollect that the Challenge Stadium swimming pool is heated by geothermal energy.

Mr W.R. Marmion: I think the Claremont pool is heated by geothermal energy. Challenge was originally heated by methane gas from the tip next door.

Mr M. McGOWAN: I think I am right; I think it is geothermal. I will ask the minister's advisers to let us know about that. That is a bit unusual. Who would have thought that a geothermal project is underway and operating in the middle of the western suburbs of Perth? In any event, I would not like to see this levy act as any sort of deterrent to geothermal energy. Geothermal energy has to be looked at as a major part of the energy mix for Australia for the future. Basically, it is emissions-free energy that is limitless. I know that sounds too good to be true, but that is what it is. If we can work out ways to harness it to ensure a commercial operation, we will be very lucky indeed.

I think that the vast bulk of this levy will be used for the petroleum and, perhaps, the gas industries in Western Australia, and that a small part of it might be hypothecated towards or acquired by the very small geothermal industry in Western Australia. That is another question I would like the minister to answer. What will be the distribution between the petroleum and geothermal industries?

Members must bear in mind that this is a tax on the petroleum industry. This is a cost on the petroleum industry, which will be borne by customers of the industry. We think it is fair because industry is paying for a service provided by government to industry, but it is a cost that will ultimately be borne by customers of the industry, because that is the way these things work—businesses generally pass on cost increases unless they can absorb them. This is a very big industry and it is very wealthy, and perhaps it can absorb those costs. However, unless it can absorb the costs, they will be passed on to customers. Most customers are offshore, but some are onshore—some of the customers for this product are Western Australian.

I want to use this opportunity to talk about another issue that I heard the Premier raise in either question time or the matter of public interest debate earlier today. The Premier talked about the carbon tax or the carbon price to be put in place by the federal government. He pointed around the room asking members, "Do you support the carbon tax?", implying that there will be a cost increase for people who purchase goods or services affected by a carbon tax. The thing is that this government is putting in place a tax that will ultimately potentially impact consumers. I just make that point. Admittedly, this levy is much smaller, but it is exactly the same in the sense that it is a tax on industry that may ultimately impact on people. However, in pointing round the chamber and asking whether members supported the carbon tax, I do not think that the Premier has a very good memory of his past. I do not think he remembers exactly what he might have said before about this issue. People need to understand that the federal government has said that it will put in place a carbon price or tax—whatever we like to call it—that will then become a part of an emissions cap-and-trade scheme in Australia in 2015.

Putting a price on carbon is an integral part of an emissions trading scheme; it is absolutely fundamental to the scheme. In 2009, former Prime Minster Rudd proposed a scheme in which the price of carbon would be set by the market; that is, the price would not be established by the mechanism of legislation but be set by the market. According to the model rejected by the Senate in 2009, the market would establish the price and a carbon emissions trading scheme would come into being in 2010 or 2011. Had that model been accepted in 2009, it would be in place now and I suspect that a lot of the angst and anger around this issue would have dissipated when we realised it was not as big a deal as people now make out it will be. Of course, had the Greens in the Senate voted for that model, we would not be in the position that we are in now. Had they voted for that model, which as far as I can tell is pretty much identical to the one being discussed at the moment, we would not be in this position of having all this angst and anger around Australia. It is interesting to note who supported an emissions trading scheme when it was being debated in 2009. An article on page 35 of the business section in *The Weekend Australian* dated 11–12 July 2009 reports what a bunch of eminent people, mostly from Western Australia, had to say about different issues, including Kim Beazley, Michael Chaney and Sam Walsh from Rio

Tinto. They were speaking about Australia and where it is going. One of those people was the current, and then, Premier, who said —

> I believe we should have an ETS. The world is going that way. The US is doing it. Europe has got it. I believe we should just proceed very cautiously, start at a very modest level and gradually let it build up. Let people get used to the system before we opt in high rates of effective carbon taxes. A little bit like Europe did. We are not going to change the world or levels of emissions by giving an internal shock to the economy. (An ETS) has a role and therefore I support it.

He goes on to say —

> … we will get far better results from taking … measures such as retrofitting power stations, using more of our natural gas in Australia versus the world buying it and have the courage to have a nuclear program. Every developed nation in the world has a nuclear program for clean energy. Australia can't bury its head in the sand forever.

Mr B.S. Wyatt: Member, is that first bit Julia Gillard?

Mr M. McGOWAN: I cannot say that I find much to disagree with in this discussion on an emissions trading scheme.

Mr W.R. Marmion: What about the second bit?

Mr M. McGOWAN: No; I do not support a nuclear program in Australia and I am interested to hear what the member, as the Minister for Environment, has to say about that. However, what the Premier has to say here has pretty much gone under the radar. I have seen the Premier on TV recently talking about the evils of a carbon price or carbon tax, yet I have him on the record supporting it in 2009. Why are people not asking the Premier these questions? He supported an emissions trading scheme in 2009. If he supports an emissions trading scheme, he supports a carbon price. The two are fundamentally linked and cannot be separated.

The one point of difference is whether the government sets the price via a tax, which is established by way of legislation, or whether it lets the market set the price. The original model, proposed by Prime Minister Rudd, was to let the market set the price, but that was voted down by the Greens in the Senate and the government therefore moved to this alternative model. I think that the Premier is saying that he supported a model by which a price or some form of carbon tax was introduced. I do not think it is a huge issue whether the price is set by the government or by the market, although I would probably prefer the market mechanism. The Premier certainly indicated some support for an emissions trading scheme and, if members read the article, they will see that at the time he supported a low rate of carbon tax.

However, in December 2008, a bit before the previous article, the Premier said that the commonwealth needed to delay the emissions trading scheme until 2012 to give everyone a little time. According to an article in *The West Australian* of 15 December 2008, the Premier stated —

> … a delay of the scheme until 2012 would allow for a more staged introduction and for the dust to settle on the global economic crisis.
>
> "People will adjust to higher carbon prices but the worst thing we could do is not allow time for that introduction because companies will shift operations offshore or they will cancel their investments altogether,"…

Today, the Premier objected to the introduction of the current scheme in 2015, but in 2008 he called for its introduction in 2012! He is three years ahead of the federal government in bringing in an emissions trading scheme. He is three years ahead! People may think I am joking, but I have the article and the Premier's name appears in the headline.

Mr B.S. Wyatt: He will deny it.

Mr M. McGOWAN: I doubt that he will deny it.

As far as I can tell, the only difference in position between the Premier and the Prime Minister is whether the market sets the price or the government sets the price by way of legislation. I think that the earlier model, moved by the former Prime Minister and supported by my political party, but not the Greens, would have had the market set the price. I think market-based mechanisms are the best. But, in any event, that is the only difference of opinion between the current Prime Minister and the Premier.

We then go an article in *The Australian* of 3 December 2009. Six months after the Premier's appearance in the intellectual think-tank of *The Australian*, when he was interviewed along with Michael Chaney, Kim Beazley

and Sam Walsh, and a year after he made his first statement on this issue, when he said he supported it, the Premier is quoted as saying, in relation to Malcolm Turnbull, that he thought it was —

> "disappointing that he (Malcolm) would lose the leadership over an issue on the environment".

The article goes on to quote the Premier as saying —

> He thought Mr Turnbull was "doing well" …

The article then goes on to quote the Premier as saying —

> "I support an emission trading scheme … but if we introduce an overly complicated system that is damaging to Australian jobs and the Australian economy, then there is little point in that. It will lose public support. "Let's have a simple one that is widely understood and is likely to be effective."

I cannot disagree with that either. That is a fairly straightforward example of the way I think this public policy should work.

So, a couple of years ago, on three separate occasions, the Premier was on record as supporting a carbon price and an emissions trading scheme. However, the Premier has now shifted his position and is making an alternative statement as the environment changes. As Paul Keating once said, backflips are okay as long as they are graceful. I do not see a lot of grace in our Premier, particularly on this issue. He has just shifted his position without explaining why. I would have thought it is incumbent upon the Premier to explain why he said all these things back then but now is saying something completely different. The Premier was very complimentary of the way in which Malcolm Turnbull—a man of some principle—approached this issue and other issues to do with the environment. But the Premier has now changed his position on this matter.

But let us be under no illusion that what the Premier will be imposing via this legislation, which I support, is another cost on business. That cost will be passed on to consumers. It will be, because that is the way the business works. When the government puts in place taxes and levies, as it did with the landfill levy, and as it did with the mining safety levy, it needs to be aware that someone will need to pay for that. The people who will need to pay for that will be Western Australian consumers. Therefore, when the minister gets a bit holier than thou about issues to do with the emissions trading scheme, he should remember that that is what he is doing now. What is more, the Premier is on record on numerous occasions as having supported a carbon price—a price for pollution—and as saying we should have a cap-and-trade emissions trading scheme in Australia. He is on record as saying that. The Premier is also on record as saying, as I have indicated, that we should have a nuclear program. That has also gone under the radar, but maybe people would like to ask him about that in the current environment as well.

MR W.J. JOHNSTON (Cannington) [4.55 pm]: I rise to make some remarks on the Petroleum and Geothermal Energy Safety Levies Bill 2011 and the Petroleum and Geothermal Energy Safety Levies Amendment Bill 2011. We support the idea that industry should fund the cost of regulation, and this legislation is another example of that. I make the point that that is actually a very efficient way of ensuring regulation, because it means that there is an incentive for the regulator to operate in a fair and equitable way. The Labor Party supports taking a light-handed approach to regulation in this industry. The safety case approach in the oil and gas sector is well understood. The idea behind the safety case approach is that rather than rely on black-letter administration of the law by government, where a government inspector turns up every couple of days to see whether things are being done properly, the government regulates the environment in which the safety approach is taken. This is a very well understood procedure. Indeed, it actually had bipartisan support until the Varanus Island incident. When the Varanus Island incident occurred, the then Liberal opposition came out in opposition to the safety case approach. In fact, the Liberal opposition said that when it came into government, it would conduct a royal commission into the Varanus Island incident. The Liberal opposition said that the state Labor government had failed to properly regulate the safety arrangements for the gas processing plant at Varanus Island; there was an inadequate level of administration at Varanus Island; and there were not enough inspections by government inspectors at Varanus Island; therefore, all these things needed to be properly exposed by a royal commission into the Varanus Island incident.

It is, therefore, very interesting that the government is now endorsing a safety case approach for the oil and gas sector. In this legislation, the government is doing the exact opposite of what it said when it was in opposition. This is yet another example of the continual hypocrisy of the Liberal Party. We see that in many areas. But this is a very stark example. When the Liberal Party was in opposition, it said that the safety case approach was not adequate and that it had led to the Varanus Island incident. It said that because of that inadequacy, we need to adopt a government inspectorate model for the oil and gas sector. Yet the very purpose of this legislation is to specifically apply the safety case approach—which is commonly used in the offshore oil and gas industry—to

the onshore oil and gas industry. I believe that is the right decision. I am just shocked that the Liberal Party has changed its mind on this issue and has run away from the position that it took when in opposition. The minister and I know each other from our former lives, and I have some respect for the minister. I find it unfortunate that the minister is the person who has to come into this place and explain why the Liberal Party has rejected the position that it took when in opposition and has adopted the safety case approach to onshore oil and gas regulation. So, I will be interested to hear when the Liberal Party decided that it would walk away from the commitments that it made when in opposition and would adopt this position. I must say that it is not a surprise that the Liberal Party has adopted this position, because it is the same position as the one that was taken by the federal Liberal Party, led by John Howard, to oil and gas regulation. But I would be interested to know when the government changed its mind about the safety case approach.

I think it is fair to say—the minister can probably confirm this—that it is not the case that the industry is supporting the idea of a tax. It is rather the case that it accepts the idea of a tax. It is a tax. I cannot call it a levy. It has to be a tax. It is a tax on the oil and gas sector of, I think, about $4.7 million —

Mr W.R. Marmion: Correct.

Mr W.J. JOHNSTON: I think that is the figure that the departmental officials talked to me about the other day. They talked to a number of members. The member for Gosnells and member for Mining and Pastoral Region Hon Jon Ford were also at the briefing given by the officers of the department, which I found to be very interesting and quite professional.

As the member for Rockingham has pointed out, the money to fund this safety case approach will not come out of general government revenue, but rather there will be a specific tax—the term for this is hypothecation—that can be used only for this specific purpose. I understand that the department calculates how much the regulation will cost, and it then charges all the participants in the industry based on a share model that is open to argument and discussion, and industry gets to pay that tax. That is a good approach, and that is why the Labor opposition supports it. The National Offshore Petroleum Safety Authority uses the same approach. In the other states, the remit of NOPSA is being extended to the onshore oil and gas sector so that the sector will have only one regulator. That is something that the industry supports. However, that will not be the case here in Western Australia. We will have a separate oil and gas regulator, and this tax will be funding that approach. So, we are the stand-out to that national approach.

I want to talk a little about the Varanus Island gas explosion because a lot of people talk about that as though it were a pipeline explosion. People do not realise that it was not a pipeline in the common sense; it was a pipeline within the gas processing facility that exploded. It was actually not the pipeline as you, Mr Speaker, or I would understand, such as the Dampier to Bunbury pipeline or the Goldfields pipeline. It was a pipeline within the facility. There is no question that that facility was out of action for quite some months, but people should understand that that is not what would happen if there were an explosion on the Dampier to Bunbury pipeline. I actually asked about this issue when the Economics and Industry Standing Committee looked at the question of gas pricing. It looked at a whole range of issues, and, obviously, we cannot talk about gas pricing without talking about pipelines because the pipeline for people in Perth is a major cost to the gas we buy. It is actually the cost of transportation because our Dampier to Bunbury pipeline is a very expensive pipeline. It is not expensive for the distance, but it is for the actual cost of gas, if members understand what I mean. It is the longest gas pipeline in the country. On a cost per kilometre basis, other pipelines are more expensive than the Dampier to Bunbury pipeline, but the actual cost to the shipper is way up there because the pipeline is 1 600 kilometres long. During those committee hearings, I asked what would happen if the DMP were to have a failure. I asked Mr Stuart Johnston from the DMP operators —

> It has been put to us in evidence that it is pretty quick to repair. Even if you did have catastrophic failure of the pipeline, it would be pretty quick to repair. Would you like to give us some idea of how quickly you could get back on line if you did have a catastrophic failure?

Mr Stuart Johnston said —

> I can make a few points here. Again, the whole thing is about overall system integrity. So I do not divorce ourselves from the up-stream producers and working with them either. Since I have come into the role I am extremely pleased, at a working level, of the level of communication between Mark's control room operators that no-one ever sees. It is brilliant. We try to work very, very closely with the existing suppliers. The second point is that the system integrity will improve over time, as I said in the opening remarks, as these other projects come on and providing there is a mechanism by which one can trade off with the other. Once you have the physical connection to the DBNGP, lots of other gas can come into the system. In terms of a physical interruption, again we have the benefits of the expansion program. So when it talks about duplication, it literally is just that; it is two pipes running together, with

> lots of valves, and you can bypass and work from one pipe to the other and still maintain most of your flow. The other thing is that if you had an incident at any one of the 10 compressor stations, it is possible to bypass that compressor station entirely so the gas keeps flowing. In terms of what you can do now, in terms of response time to cover it, we keep emergency store stocks of tested pipe at various locations up and down the line. We have very robust emergency response procedures. If I can give you a definitive answer, it depends on the nature of what would happen, but the worst case is a remote area where there is a rupture to the pipeline caused by whatever. It would be a matter, hopefully, of a few days to actually have that restored. It is not months and months.

The point I am making here is that, even with that 1 600 kilometre pipeline, we have an incredible level of security of supply in the south of the state. There are two reasons for that. Firstly, it is very quick to repair these pipelines and, secondly, the pipeline has been basically duplicated over most of its length. Let us understand the procedure used to duplicate it. When the pipeline was sold by the member for Cottesloe, who was then the Minister for Energy, he sold it for $2.3 billion to an American company called Epic Energy. I spoke personally to the chief executive of Epic at that time, who said that the Minister for Energy at the time, the now Premier, gave a personal guarantee that a high fee could be charged to the shippers. That meant, of course, the price we could get for the shipping increased the value of the pipe because it is infrastructure. The way the business calculates the value of the pipeline is to ask: what is the future cash flow? If we can increase the cash flow by having a higher shipper price, that will increase the value of the asset. Epic Energy did that valuation, which came to $2.3 billion, but Epic's valuation was based on an increased price. When the government then sold the pipeline, according to conversations I had with people form Epic Energy, the Premier, who was then Minister for Energy, reneged on that verbal undertaking and the price Epic could charge to the shippers was much lower than the price they had expected to charge. That meant that the pipeline purchase became insolvent. The problem then was that there was no money available for expansion. Because they could not expand, there was a restriction on the volume of gas reaching the south of the state, and that was a major impediment to the economic success of this state and to our ability to generate peaking electricity through gas-fired power stations. It was a big impediment to the future of the state. When the pipeline was sold by that American company to, I think, DUET Group, the Labor government agreed to give a rebate on the cost of stamp duty. We therefore effectively funded the expansion of the pipeline. The pipeline is at the volume it is now with these upgrades because of the actions of the former state Labor government. Without those actions, the pipeline would continue to be an impediment to the security of energy supply in the south of the state.

It is also true that in recent years one of the other pipeline companies, APA Group, built a storage facility in Mondarra just north of Perth. APA got commercial clients and government to fund that storage facility. I think 60 or 70 days' minimum supply from the south of the state can be stored at Mondarra, and I understand this legislation applies to the Mondarra facility. It would not apply to other facilities, but if I am right, minister, Mondarra is part of this onshore oil and gas industry that we are regulating. If there ever was another Varanus Island experience, we would have enough gas available to top up our supplies, and that is very important. My point is that that facility is not required in case of a pipeline rupture. Although it would be good to have a few days' extra supply, that facility is in case a production facility goes offline.

One of the things we found in that committee inquiry was the ability for industry in Western Australia to produce gas for the domestic market. This is a key issue. We have 500 years' gas supply off the coast of Western Australia if we supply only the domestic market. That is an incredible amount of gas. The question is: how do we get it to market? The trick is to have enough processing facilities so that we can turn the gas as it comes out of the ground into gas that is suitable to sell to customers. At the moment we have a critical undersupply of gas processing facilities. I am pleased that the Wheatstone project has come to fruition and that Alan Carpenter's 15 per cent gas reservation policy is included in the final approvals for that project. The proponents will be building gas processing facilities for the domestic market. That is very critical to the state of Western Australia because without an increase in our gas supply, industry in the south of the state would have severe problems.

On that issue, sometimes people such as the Premier say that they would like to see petrochemical plants up and down the coastline processing Western Australian gas into other chemicals. In the second reading debate on the Barrow Island Act 2003, the now Premier said, to paraphrase him, that that would increase the value of gas. That is not true. It is interesting that most of these petrochemical processing facilities require gas at a very low cost, so they end up going to places where the gas is a by-product of the production of oil. They do not go to places where the gas is produced for the primary purpose of the field. That is because to get the bankers to agree to fund an LNG plant at a cost of $25 billion or $40 billion, proponents need a 30-year forward sale. Therefore, there has to be a very high price for gas. The highest price of gas in the world is the import price in Japan, so, guess what? That is where the gas ends up. The gas that will feed a petrochemical plant will be in the Middle East, because that is where the cheapest gas in the world is. There is no world market price for gas, unlike the world price for

oil. We can look on the internet every day to see what the oil price is at a particular location; there is no equivalent gas price. Therefore, we will not have a chemical industry based on the gas in Western Australia because the value of the gas is best met by exporting it to Japan. At the same time, and as the report goes on to state—I will not to go into all the technical issues around this—there needs to be a market to keep the domestic price of gas down, because if we have to pay the landed price in Japan for our gas in Western Australia, we will not have industry and the price of electricity will be incredibly high, and that is not in our interest.

I want to finish on this further question about onshore oil and gas royalties. In this chamber we have passed a bill, and it is in the recommendation supported by the inquiry of the Economics and Industry Standing Committee, to halve the royalty rates on unconventional gas in Western Australia. In hindsight, I think that is a mistake. When we think about it, the value of the gas will cover the project, otherwise the project will not fly. The only reason the company will get the gas out of the ground is that it will make a return on the investment it makes. Therefore, the costs of the royalty will not be the determinate of whether the project goes ahead; it will be a total cost of the project, and the royalty component is only one part of that.

Mr W.R. Marmion: It's still part of it, though, isn't it?

Mr W.J. JOHNSTON: Yes it is, but in my speech, when we looked at that gas issue, I said that perhaps this was an opportunity for us to have a profits-based tax, and of course, the oil and gas sector, unlike the mining sector, did not object to the federal government's introduction of a profits-based tax on its operations. There is a good reason for that: the profits-based tax is ideal for the unconventional gas sector. I give the example that in Texas, where the gas reserve does not belong to the state but belongs to the landowner, the landowners get 25 per cent royalty from the gas, straight off the top. A 25 per cent royalty from the gas wellhead goes the landholder.

[Member's time extended.]

Mr W.J. JOHNSTON: In addition to the 25 per cent royalty to the landowner, there is a seven per cent royalty, which is called a severance tax, because obviously the gas belongs to the landowner and if the gas is taken out, the value of the land falls. Given that in America land tax is a major component of state, county and local government income, the state has to protect its interests, therefore it charges a severance tax, which is effectively a royalty. It cannot be called a royalty, because the state does not own the resource, therefore the state calls it a severance tax to compensate for the reduction in the value of the land, but it is actually the same thing. In Texas, the home of the world oil and gas industry, a 32 per cent gross royalty is paid on the gas, including on unconventional gas. Compare that with Western Australia's 12 per cent royalty, which is cut to six per cent for the unconventional gas sector. I do not think that decisions about the investment in these projects will be made on the basis of whether the state royalty is 12 per cent or six per cent. In fact, I think a profits-based royalty will be a much better approach, and fortunately the federal government has done that with a petroleum resource rent tax, which is not the minerals resource rent tax for the mining sector, but the tax which was already applied to the companies involved in offshore projects and which is now being applied onshore. Therefore the taxpayers of Western Australia are being protected from this issue, because we have reduced our royalties, but in the long run, as the project pays off, the federal government will be able to recoup higher tax out of the PRRT.

I quickly want to go onto to other issues. The first is the question of fraccing. This is a major issue on the east coast with coal seam gas. As far as I understand, from the evidence taken by the committee, coal seam gas is almost irrelevant in Western Australia. I have heard of different people with projects that may or may not get up, but it does not appear that coal seam gas will be particularly relevant to Western Australia. The thing about coal seams is that they are relatively shallow and although they are not in the same strata of water as is drawn out by artesian wells—they are the lower strata of water—they are relatively shallow. That is effectively not relevant to Western Australia because there is no coal seam gas in WA. However, we potentially have shale gas, and the literature shows that we are one of the most exciting regions for exploration of shale gas. It exists in both the Perth Basin and the Canning Basin—the Perth Basin near Perth, Eneabba, Geraldton and those areas, and in the Canning Basin, particularly in the Kimberley. It is important to understand that shale gas lies kilometres underneath the earth; it is not a shallow thing. It is simply not accurate to say that there is a translation between those deep wells and water that is near the surface. The only way that can occur is if there is a failure in engineering standards.

Let me make it clear, the oil and gas sector can stuff up. There was Deepwater Horizon, and what was the one off the —

Mr C.J. Tallentire: Montara.

Mr W.J. JOHNSTON: Montara—I met the people who represent Montara in Sydney recently. There are plenty of opportunities for stuff-ups in the oil and gas sector, and this is legislation that deals with those issues; it is

about ensuring that when the bore hole from the drilling rig passes through the water, it is properly treated and separated from the groundwater. It will be a major challenge for the oil and gas sector to get that right. If there are stuff-ups in the production of shale gas, the industry will only have itself to blame when the environmental movement comes after it. However, there is no reason to suspect that the oil and gas sector is incapable of getting it right. We have to ensure that those companies get it right, because there have been problems in the United States—just watch the movie *Gasland*—and even the industry in America admits that it got a lot of things wrong in the early part of the exploration of shale gas. But the bigger issue for the comfort of the companies, which is not related to this bill, will be land access. The issue will not be the problems in New South Wales with managing farmers, but accessing land in the Kimberley where there has not been any other development; that will be a discussion for another day.

The final thing I want to get onto is geothermal issues. I understand, member for Victoria Park, that Somerset Street Swimming Pool was to have geothermal heating. Did that get done? I cannot remember —

Mr B.S. Wyatt: No.

Mr W.J. JOHNSTON: The Labor state government, under Premier Geoff Gallop, offered to do a geothermal project at Somerset Street Swimming Pool. There is a very famous geothermal project that has not worked out at the University of Western Australia. But geothermal is an opportunity for baseload power and again, this is very important legislation to manage that. One of the most important parts of that is managing the drilling process both for the health and safety of employees and for the same types of issues that I raised with shale gas, which apply equally to geothermal. We cannot allow mixing of the water from deep under the ground and shallow water. There are different properties; there are different issues involved and they have to be managed. Of course, technically, for the driller, the technology is the same. One of the great things about geothermal is that we are not inventing new technologies; we are applying existing technologies in a new way.

This is important legislation. It is an interesting fact that it is a complete reversal of the promise made by the Liberal Party at the time of the election. The Labor Party welcomes the decision of the government to reverse its position on this, because we think the government now has it right, rather than the claptrap that went on when it was in opposition. We are disappointed that there was no royal commission, because it would have been really entertaining to see the evidence produced at that royal commission. It would be interesting for the minister to explain why there was no royal commission. I know that the Minister for Environment would not be able to do that because he was not in cabinet when the decision was made and he is not the relevant minister, but when it gets to the other place, maybe the Minister for Mines and Petroleum can explain why the government backed down from that royal commission. Finally, the oil and gas sector is critical to our state development and critical to our export opportunities in providing energy to our energy-poor neighbours in Asia.

MR B.S. WYATT (Victoria Park) [5.19 pm]: I rise to make a contribution to the Petroleum and Geothermal Energy Safety Levies Bill 2011 and the Petroleum and Geothermal Energy Safety Levies Amendment Bill 2011. In following the contribution by the member for Cannington, I note that his knowledge on these matters is always impressive. I certainly endorse the comments made by the member for Cannington and the member for Rockingham.

It is always good to rise in support of legislation that the government said it would never introduce, to confirm actions that the government said that it would never do. These are certainly good pieces of legislation, as the member for Cannington has outlined. On the Department of Mines and Petroleum's sheet of frequently asked questions, it makes the following point —

> It is appropriate that industry as the user should pay to ensure that it is effectively regulated, particularly in view of the anticipated expansion of the industry …

One of the first pieces of legislation that I dealt with a couple of years ago was the reversal of the payroll tax grouping provisions tax cuts and the reversal of the tax cuts on stamp duty on non-real property. Therefore, it is always good to support something that the government said that it would not do when it was in opposition.

I want to reflect on the comments made by the Premier. The Premier outlined that he sees Western Australia, as previous Premiers have, as becoming an energy hub for the Asian region and not just the South-East Asian region. This legislation will be important in ensuring that standards of safety are recognised and implemented in Western Australia. One of the most important energy trading partners for Western Australia is Japan. I think it is worth reflecting on my recent trip to Japan, following in the footsteps of the trip of the Acting Speaker (Mr J.M. Francis) last year. Perhaps I did not follow in all the footsteps of the trip that the Acting Speaker made with the Speaker last year. I was very fortunate over the last two-week recess to travel to Japan with the Speaker and the members for Morley, Balcatta and Eyre. I cannot forget our esteemed Clerk of the Legislative Assembly, otherwise known as the "Secretary-General of the Parliament" when he travels internationally. No doubt he has a

big stack of cards to say that he is known as the "Secretary-General of the Parliament of Western Australia". Prior to our departure, we were fortunate enough to have a briefing from the Department of State Development. Every member understands and acknowledges Western Australia's long history with Japan, particularly after the Second World War. The briefing from DSD outlined some of the economic strengths of Japan as well as some of the challenges it faces. We are all familiar with the deflationary problems that Japan has had over a long time and the real impact that has had on debt and the cost of servicing that debt. According to DSD, another factor hindering Japan's potential gross domestic product growth is a contraction of its population. Between 2011 and 2015 the Japanese population is expected to fall by 0.3 per cent a year and the workforce by 1.1 per cent. The nation's birthrate is one of the lowest in the world. Japanese women live the longest and Japanese men live the fourth longest in the world.

Mr W.R. Marmion: A huge problem.

Mr B.S. WYATT: A massive problem. McKinsey expects Japan's population to fall from 127 million people in 2011 to less than 100 million between 2040 and 2050. This will constrain private consumption and GDP growth considerably. We are all familiar with Japan's debt. It is not too much of a problem because a lot of it is domestic debt. However, with an ageing population —

Mr W.R. Marmion: No taxpayers.

Mr B.S. WYATT: Correct; a lot of people will be demanding back their money over a short period of time. Japan faces some huge challenges, but what struck me during this recent trip to Japan was the incredible infrastructure and drive for improvement of the Japanese. It left me with great confidence that the Japanese will find a solution to these issues beyond the challenges faced by the Japanese people in dealing with the terrible earthquake and tsunami that hit Japan on 11 March 2011, which destroyed huge parts of Japan's north east and coastal areas. We headed as far north as Tokyo. The impact of the earthquake and tsunami is considerable, particularly in respect of their energy utilities.

I want to reflect on that as I quickly outline the itinerary we followed in Japan. We were very fortunate that, upon our arrival, the first meeting we had was with the Australian ambassador, Bruce Miller, who just a few weeks before our arrival had been appointed as the Ambassador to Japan. It was very nice of him to host our delegation. Over breakfast he gave us a great briefing on Japan, its economy and the challenges it faces in the political environment, with a brand-new Prime Minister settling into his job. After a visit to the embassy we then went to Tokyo Gas, which obviously has a significant interest in Pluto and Gorgon. Indeed, Tokyo Gas has largely underwritten the Pluto development with the 15-year agreement to purchase liquefied natural gas from Pluto as well as gas from Gorgon. I noted the comments in *The Australian* made by the Treasurer, who visited Japan the week before we did. An issue that was raised a number of times was the concern of the Japanese about WA's shortage of skilled labour. I was rather impressed with the knowledge displayed by Japanese senior executives at not just Tokyo Gas but a number of the utility companies. They raised this issue and the concern they had about the increase in costs in Western Australia. After our meeting with Tokyo Gas we visited Nippon Steel's Kimitsu Works. It is a massive steelworks about a 45-minute drive south west from Tokyo. Tonne upon tonne of Pilbara iron is sitting there, waiting to be turned into long blocks of iron.

I want to mention a very interesting lunch that we had with Hiroshi Takaku, AM, who received an Order of Australia for his role in developing relationships between the federal Australian government and Japan over many years. His knowledge of Japan and his knowledge of the history of Australian–Japanese relations was extraordinary. We also met with Mitsui and Mitsubishi—names that are familiar in Western Australia. Mitsui is associated with iron ore and Mitsubishi in particular is associated with Oakajee, a development that seems to be unravelling before the Premier's eyes. I hope that Mitsubishi, in its desire to have the Chinese on board in that particular infrastructure project, can perhaps save the Premier's skin as we move towards the end of this year and a decision date.

We also had the pleasure of attending a function held by the Meat and Livestock Australia staff based in Japan. MLA hosted a function at the Australian Embassy that was attended by the Australian ambassador and the New Zealand ambassador. It was an opportunity for Australians to display their wares in food and wine. By chance, we were in Tokyo at that time and were fortunate enough to attend that event and get a greater appreciation for the Australian and New Zealand presence in Tokyo. The number of Australians and Western Australians we met who had been in Japan, and Tokyo in particular, for about 20 years was extraordinary. They are ensconced in the cultural and business life of Japan and it is wonderful to listen to them speak Japanese. They form an important part of the Japanese–Australian business and cultural network.

We then left Tokyo and went to Kobe in the Hyogo prefecture. This year Western Australia is celebrating the thirtieth year of its sister state relationship with Hyogo prefecture. The committee members were based in Kobe

but we visited Osaka, Kyoto, Nara and also Nishiwaki City to visit the Ozawa Textile Company. It was during that time that we met with the Mayor of Nishiwaki City, Mr Juichi Kishi, and had lunch with Mr Ozawa, who is effectively the managing director of Ozawa Textile Company. Mr Ozawa was kind enough to invite us all to his magnificent traditional Japanese house. I must admit that I was not expecting have lunch in such a traditional Japanese house. He and his wife put on the lunch for the delegation. Mr Ozawa has been to our Parliament and met with members of Parliament and has a very deep appreciation of Japan's relationship with Western Australia. A number of Western Australian students provide him with ideas and intellectual property so that he can continue to compete in the textile industry. Japan and Western Australia face similar challenges, such as the high price of labour. Mr Ozawa's company is competing furiously with Vietnam and China where the labour costs are much less than in Japan. He understands that the way he can win that battle is to focus on high-end, high-quality products and come up with great new ideas, and he sees Western Australia as a source of those ideas. That was an absolutely fascinating part of the trip because it did not involve iron ore or energy, which dominated most of the trip.

I will also comment on our visit to the Kansai Electric Power Company in Osaka. That company is feeling the direct impact of the earthquake and tsunami. Kepco has a presence in Perth with five staff employed in Perth. It too expressed its concern about the labour shortages in Western Australia and the impact that is having on costs and time frames for the construction of projects in Western Australia. Japan faces challenges caused by its nuclear issues. Kepco has 11 nuclear power plants, of which seven are currently suspended. The nuclear power plants are undergoing maintenance and are not allowed to reopen under the current government's policy. Prior to the earthquake, Kepco's energy mix was 50 per cent nuclear, 10 per cent hydro and 40 per cent thermal. Of that 40 per cent thermal energy prior to the earthquake, 20 per cent was liquefied natural gas, 15 per cent was coal and five per cent was petroleum. After the earthquake, the amount of nuclear energy Kepco generated dropped from 50 per cent to 20 per cent and thermal energy production increased from 40 per cent to 70 per cent. As can be seen from those statistics, over a very short time Kepco has had to dramatically change its energy mix and the way it does business. Regardless of people's views on nuclear energy—that is not the purpose of my comments tonight—the Japanese government faces a huge challenge and must decide whether it will develop a long-term plan to exit from the nuclear industry or continue with it somehow. I cannot see how the Japanese can exit the nuclear industry, bearing in mind the significant role nuclear energy plays in the Japanese economy and its energy mix. However, it was a fascinating insight into some of the extraordinary challenges the Japanese economy faces as a result of the earthquake and tsunami. Committee members also visited Osaka Gas and viewed its cogeneration system, about which the member for Balcatta will no doubt make some comments. He took great interest in it and his technical knowledge is quite impressive.

On the final day of our visit, to celebrate and acknowledge the thirtieth year of Western Australia's sister city relationship with the Hyogo prefecture, we called upon the Speaker of Hyogo prefectural assembly, Mr Kamo, followed closely by Governor Ido. I think that all members—I know the member for Morley did—had a thoroughly good time dining on sashimi. I have never seen someone eat so much Japanese food as the member for Morley. His desire was extraordinary!

Mr M.W. Sutherland: Fish is very good for the heart.

Mr B.S. WYATT: It is very good for the heart. The member for Morley made the most of the raw fish. I have never seen anything quite like it!

On our last night in Japan, Governor Ido and a number of members of the prefectural assembly took us to a restaurant where we had a great opportunity to celebrate the relationship between the Hyogo —

Mr D.A. Templeman: Did you do any business there? It sounds like you ate all day!

Mr B.S. WYATT: I have just outlined all the business we did, member for Mandurah! We celebrated the relationship between Western Australia and the Hyogo prefectural assembly.

Mr D.A. Templeman: Did the member for Morley get to play a piano?

Mr B.S. WYATT: No, the member for Morley talked a big yarn but we never saw his piano skills at any stage throughout the course of the trip.

Mr D.A. Templeman: He is handy on those oompah, oompah things.

Mr B.S. WYATT: Oompah, oompah?

If I can drag the debate back to the slightly relevant contribution I am making to this bill: I thank two people in Japan in particular. The first is Commissioner Craig Peacock, who I think every member of Parliament knows. He is basically the face of Western Australia in Japan. Everywhere we went, whether it was Mitsui, Mitsubishi or Osaka Gas, I noted the comments by senior people in each of those corporations about the work Mr Peacock

is doing and has done for Western Australia over a long time. When I think of Mr BJ Zhuang in China and Craig Peacock in Japan—our two most important trading nations—I think of how extraordinarily well represented Western Australia is. Noriko Hirata represents Western Australia in Kobe as the regional director of the office of the Western Australian government. Noriko was wonderful. She was born and bred in Kobe and has been working for the Western Australian government for 20 years in various roles. She did an exceptional job herding often uncooperative and somewhat naive members of Parliament around Japan. I again reflect on the fact that Western Australia and Japan have had a long relationship. I was deceived by what I have read about Japan's economy and the strength of the Japanese people.

[Member's time extended].

Mr B.S. WYATT: I saw the infrastructure in Japan and the desire of the Japanese to continue to move beyond their present challenges. I have no doubt that they will overcome those challenges, but they are immense. Japan's biggest challenge, which the minister pointed out, is the population issue. The Japanese have to have babies, and rather quickly. That is not a bad problem, I guess, to be trying to resolve!

Before I again reflect on my travelling colleagues, I note that on these types of trips members engage in a number of cultural experiences. On this occasion we visited a number of Japanese temples. The member for Eyre could not get enough of the Japanese temples, and his knowledge of the history of Japan and their temples is quite extraordinary. My favourite that struck me was Nijo Castle in Kyoto. Nijo Castle, members may —

Mr M.W. Sutherland: *Ninja Turtles*!

Mr B.S. WYATT: I will not go into the ninja part of the trip, but Nijo Castle was the home of the Tokugawa shoguns during the sixteenth century. Members may recall this is where the shogun was based. The shogun had a perpetual fear of assassins, so the floor was designed to squeak if anyone walked nearby so he could hear them on the other side of the beautiful, but rather thin, walls. It struck me that it may be something that the Premier will want to introduce as he builds his palace just up here on the hill! Various emperors went through to pay homage to the shogun. The current "Emperor of Western Australia" does not have a shogun, which is effectively a Prime Minister; the person who gets the job done. I think the member for Cottesloe is both shogun and emperor. Looking at the history of Nijo Castle, it is interesting that when the emperor arrived to visit, to effectively pay homage to, the shogun in 1626, the emperor was treated to five days of splendour. I hope that when the emperor opens his palace in the not-too-distant future the state is treated to five days of splendour and that we can sit back and enjoy the rather significant investment that our current emperor is making in his new premises. I will read again from the "History of Nijo Castle" something that we must all keep a keen eye on. It states —

> Shortly after the emperor's visit the castle and grounds began to fall into disrepair due to the great expense involved in maintaining such a large estate.

I think that maybe "Emperor Barnett" will have to keep a keen eye on how he goes about constructing the moat around his castle and on that huge expense.

It was without question one of the best and most enlightening trips that I have been on. I have a much better understanding, I think, of the relationship that we have with the Japanese. I thank not only Governor Ido and the Speaker of the Hyogo Prefecture who really understand and treat the relationship with Western Australia with great respect, but also my colleagues, the member for Balcatta, the member for Morley, the member for Eyre and the Speaker, and, of course, as I referred to a short time ago, the "Secretary-General of the Parliament of Western Australia", Mr McHugh, who always organises a wonderful itinerary, Mr Craig Peacock and Noriko Hirata. I also thank all those in Craig's office in Tokyo who do an exceptional job, including Dr Jac who looked after, perhaps, the design side of our trip very well.

Mr Acting Speaker (Mr J.M. Francis), I appreciate the indulgence you have given me. It is somewhat related to the legislation. I think that these sorts of opportunities to travel are the best sorts of professional development we get as members of Parliament. We can talk all we want in this chamber about Japan and China and the relationships that we have, but when we meet them—I find the Japanese in particular really appreciate the regular trips that Western Australians, not just MPs but also public servants, make to Japan—they have enormous value. With those few words, I appreciated the opportunity to join the Speaker's delegation.

MR C.J. TALLENTIRE (Gosnells) [5.42 pm]: I am very pleased to rise to speak to the Petroleum and Geothermal Energy Safety Levies Bill 2011 and Petroleum and Geothermal Energy Safety Levies Amendment Bill 2011. I follow on from the speeches of others, including the member for Victoria Park, in realising not only the importance of our commercial ties with other countries but also that it is essential that our oil and gas production is conducted in as safe a manner as possible. That is what this legislation is really about—we cannot hope to have good trade connections with other nations unless we have the very best safety procedures in place.

To my mind this legislation has a few key components. There is a classification process to determine the level of safety levy that will be paid. There is a cost-recovery process, and I will talk a bit about the notion of cost recovery because I think that is a very worthy and useful provision in this legislation. Not for the first time, I will raise the issue of the consultation that was done when this legislation was developed. I will perhaps begin with that and talk about how this legislation was prepared in consultation with the various industry bodies.

I note from various background materials that meetings were held and consultation was had with the Australian Petroleum Production and Exploration Association Ltd, the Australian Pipeline Industry Association, and petroleum industry representatives on the Ministerial Advisory Panel on Best Practice Safety Regulation. I note that especially with APPEA and to the same degree with APIA there is a high degree of turnover; however, I think that these bodies represent their industry very well and very aggressively. They put forward the views of their member bodies with vigour and with a degree of aggressivity. These bodies are very well resourced and have unlimited access, I would say, to our media. They are able to put their views across very strongly on a range of issues. They are, of course, industry bodies that have a high degree of turnover, so when it comes to industry expertise in their own ranks, I question just how able they are. They have such a high degree of turnover that I think there would be times when staff would be unaware of recent history or recent events that have perhaps led to a certain position in the development of the industry. What I note, though, with this consultation process is the absence of an engagement with the community sector. Of course, one of the most powerful parts of our community sector is our unions. I think it is a shame that there was no union consultation—it is not listed here. Perhaps the minister can correct me on this; it may just be that it is not in the notes. However, it appears that the vast reservoir of knowledge that exists within the community sector, in unions and elsewhere, was not drawn on. Therefore, we went to industry bodies but we did not go to the community sector to find out what it thinks about the approach being taken. I have no doubt this is good legislation that will do the job of ensuring we have a safety management system in place and that it will recover the costs of that. That is also a key point: we will not subsidise industry by enabling safety management to be checked through taxpayer funding; we will ensure that there is a levy on the industry that actually pays for that safety management checking that is so necessary. That is a good thing, but when it comes to the consultation around this legislation, we missed an opportunity if we did not draw on the unions.

That leads me to the classification process, which is key to all of this. The operator of a pipeline will be very concerned about the risk classification that has been applied to its pipeline. Some guidelines are being developed. They are not publicly available yet, but industry has been widely consulted on them. Industry has had a chance to review the safety guidelines and look at the sorts of things that will be used to determine pipeline classification. A pipeline with a nominal bore width greater than 140 millimetres and a combined length of fewer than 25 kilometres will be in the pipeline classification category F. There is a list of classification categories and I think it is quite likely that with industry and bureaucracy expertise, we probably have determined the right level of classification for the most part. Another key thing is that the classification links up with a simple formula that is used to multiply a unit cost that is then used to determine a quarterly levy amount. That is how the sum is arrived at. I think it would have been beneficial to have cast the net a little further and sought the expertise of others who may not be directly employed by the industry at the moment, or be employed by a government agency involved in safety management. To have gone further could have been beneficial to this process.

The whole notion of cost recovery when it comes to the monitoring of safety in this case is very interesting. When we have a very wealthy industry such as the petroleum industry, cost recovery makes perfect sense. But I have concerns, and I note other speakers have also mentioned this. The geothermal sector offers so much. It has an amazing potential to be the provider of baseload energy into the future. With the right technological developments, we will have an amazing opportunity in Western Australia and Australia to rely on geothermal as a steady provider of baseload energy. There are very exciting opportunities there. It would be terrible if we were to treat geothermal in such a way that would make it possible for geothermal electricity generation to be hampered in some way at this early stage of its life. I would be concerned if we were to apply stricter standards to the geothermal sector or standards that other sectors that are in a very profitable phase can manage but the geothermal sector would struggle with at this early stage. I believe that the way the classification system is set up at the moment would help us get around that problem. I hope the minister can confirm for me that the geothermal sector will not be endangered in any way by onerous requirements that would be perfectly suitable for the petroleum sector but perhaps just too expensive or so imposing on the geothermal sector that it could turn a geothermal project into a project that is no longer viable. That would be a real shame.

The philosophy around cost recovery when it comes to the resources sector makes perfect sense. I think we could apply cost recovery to many other areas but we do not at the moment. I note, for example, that there is no cost recovery for the environmental assessment of major projects. The industry receives a massive subsidy when it nominates a project for formal assessment or applies to the Environmental Protection Authority for some form of

assessment that may lead to a formal assessment and that company gets the attention of the Environmental Protection Authority for free. It does not have to pay for the officer time involved or the community sector's engagement in the various processes involved in environmental impact assessment. For the sake of consistency, I maintain that we should be applying to environmental assessment the same sorts of standards that we apply to safety assessment. That would involve a cost-recovery process that would ensure that those who are involved in environmental impact assessments, be they in government or the community sector, are paid for their expertise and involvement. There are complexities around that. We would have to be at arm's length to ensure that a company that has put its proposal for assessment does not pay its way through that assessment and that the company has no influence over those who are involved in the assessment process. It seems that we are able to achieve that arm's length when it comes to safety so it should be equally possible to achieve that when it comes to environmental assessment.

Mr W.R. Marmion: Does that play into the hands of the people who have more capital? You are proposing that if you are a large mining company, it is not an imposition to pay but if you are a small prospector or somebody wanting to clear a bit of land on your farm, it may be an imposition. I am throwing that out as another complication.

Mr C.J. TALLENTIRE: Principally, I am talking about those major projects that go through the formal assessment process. They are usually projects put forward by companies with enormous capital resources. The 40 to 50 formal assessments that the minister would be aware of that go through the EPA's books each year are seldom, if ever, conducted by minor players. We are talking about very wealthy organisations involved in those huge projects. They would be perfectly comfortable paying funds into a fund that could be used to pay for the services of the EPA but perhaps, more importantly, a fund that would be administered by the EPA that would be distributed to those in the community sector who are engaged in the formal assessment process. That would ensure that we have a higher quality of contribution from those third parties that are engaged in the assessment process at the moment. They would be in a position to conduct research to commission specialists. If it is to do with a dredging operation, for example, those specialists would conduct the modelling or do the sediment core sampling that might provide information on nutrient flows in a particular area. All sorts of things could be done that are presently done but only by the proponent and they are limited by the budgets of the proponents when they are prepared to do those. I know that some very good scientific information comes through that assessment process but it would be better if it was conducted by a third party and not conducted by an organisation that has a direct interest in seeing a particular project approved in the most expeditious way. The idea of cost recovery is a very interesting one. I am pleased to see it here. We can discuss further how it needs to be applied in other sectors.

I do not think I need to make the case for a good petroleum and geothermal energy safety levy arrangement. We know that things do go wrong. We have seen problems. Previous speakers have touched on the Montara issue in which a wellhead leaked from early August 2009 until mid-November 2009. That was an appallingly long time for something to be leaking oil and hydrocarbons into the ocean. It was totally unacceptable. We have seen the events in the Gulf of Mexico. We know about the events that occurred at Varanus Island and the cost to our industry. We have to make sure that we maintain the highest of standards and we need to have the money to do that. We need to have the technical expertise. One of the key points of this legislation is to make sure that we have the necessary funds to be able to pay those officers working in this area a salary that is commensurate with their skill level but also one that is part of what is being called an industry competitive package. We have to make sure that they are able to receive a salary package that is competitive with what they would receive if they were to go into the private sector. This is all about the competitive nature of employment in the resources sector—the poaching, as others have mentioned, that goes on in the resources sector where employees are very quickly bought by another company and they move on continually. The real loser is the government sector, which has people who are trained up, at great expense in most cases, and then poached by industry. If we can guard against that in some way through this cost-recovery arrangement, a levy system and the quarantining of the funds that are raised through the levy in a fund that is then used for the payment of the salary packages for those involved in this safety management approach, that will be a good thing. That is very necessary. I look forward to hearing that we are not seeing people lost at the terrible rate that is currently occurring. Too often employees are trained and then lost to industry. We lose their expertise in a very short space of time.

There is a further issue that I wanted to touch on; that is, the definitional issue of when a project or a piece of industry is going to come under this legislation and when it is going to come under other major hazardous site legislation. I think we need some clarity on that. I would appreciate it if the minister could clarify when this legislation applies. For example, why would this legislation not apply to Woodside's Pluto project on the Burrup Peninsula or the joint venture facility?

Sitting suspended from 6.00 to 7.00 pm

MR C.J. TALLENTIRE: Before the dinner break I was raising the issue of the situations in which the Petroleum and Geothermal Energy Safety Levies Bill 2011 and the Petroleum and Geothermal Energy Safety Levies Amendment Bill 2011 will apply. We have hazardous and dangerous goods and dangerous sites legislation that covers the major gas plants such as the Karratha–Burrup Woodside joint venture facility, and we know those sites are protected by different pieces of safety legislation, but there are some grey areas. It will sometimes be unclear, from what I have seen, when this legislation will apply.

Leaving that issue aside, I will quickly touch on the issue of the penalties, which strike me as being rather meagre. I am told that these penalties are consistent with the sorts of penalties that one finds in other mining and petroleum bills, but I think that simply means that we need to be looking again at the penalties in those other pieces of legislation. A penalty of $20 000 will be imposed if someone ignores a direction given under clause 18(1)(a). That means that if a person is directed to give information and fails to answer a question, a $20 000 penalty can be imposed. If false or misleading information is given, a maximum penalty of $20 000 can be imposed.

Ms J.M. Freeman: Maximum.

Mr C.J. TALLENTIRE: I thank the member for Nollamara; these are maximum penalties.

I think when we are dealing with big amounts of many millions of dollars, as we can well imagine given the involvement of the petroleum industry, penalties of $20 000 are not sufficient. The bill details that if the penalties are not paid on time, ongoing interest will be charged; but it is not compounding interest, it is only simple interest. I think that sort of thing suggests that the negotiators who work for the Australian Pipeline Industry Association and other industry bodies have done their job of lobbying hard for the most minimal penalties to apply to this sector. I do not think that is good enough; we should be seeing the toughest of penalties. Also, we need to weigh up what the costs are—when these things go wrong there are massive costs involved in the clean-up—and who actually pays those costs? We have seen with things like the Montara case and the problems at Varanus Island that the costs involved—the costs to the community—are absolutely enormous. I close my remarks there.

MS J.M. FREEMAN (Nollamara) [7.04 pm]: I rise to briefly make a contribution to the second reading debate on the Petroleum and Geothermal Energy Safety Levies Bill 2011 and the Petroleum and Geothermal Energy Safety Levies Amendment Bill 2011. I note that the bills will result in a taxing act, and I would like the minister to confirm that despite it being a levy system, the purpose of this bill is to provide the department with a taxing capacity by way of the collection of the levy.

I want to talk about our expectations of this levy and how it will increase resources and safety in the industry. To begin, I will provide a bit of a foundation around not so much safety management systems, but the safety case and safety case levies that will be applied, and what exactly a safety case is, because I think Parliament needs to have an understanding of what a safety case is. For the Parliament's benefit, the safety case regime came about after the *Piper Alpha* disaster in 1988, which was, and still is, the biggest ever oil rig disaster. It happened off the coast of Scotland, and 167 people died. As I understand it, most of those people died because they sought refuge in the accommodation part of the rig, thinking it was separate, but there was no capacity to stop smoke coming into that area. Those people died, as I understand, because of quite a few reasons, one of which was smoke inhalation. Massive amounts of smoke are generated in oil rig fires.

The safety case regime is a risk-management system based on a goal-setting system, which has stated objectives, and with a focus on prevention, not simply risk. It is a bit different from a systems management system. There is a pretty broad view of what a safety case constitutes, and the National Offshore Petroleum Safety Authority has outlined what it believes a safety case to be. Fundamentally, a safety case is operator produced; it is very much focused on employer production–employer operator, because many people on these rigs do different types of work. A safety case identifies technical and managerial operations, and there is workforce involvement in safety management. It sets performance standards, and I think one of the fundamentals of a safety case regime is that there must be proper scrutiny by a regulator that licenses and enforces on the basis of a safety case.

A safety case regime is quite different from the occupational safety and health regime we may find in the day-to-day places most of us have worked in. Safety case is quite different. An operator must compile almost a plan for prevention, not simply a risk-based analysis. On that basis, the safety case then lets the operator run the process, and it relies on the regulator coming in to license and enforce. It is almost self-regulatory in the way it operates, but I believe that a good safety case regime absolutely needs the proper scrutiny of a regulator that licenses and enforces. As I understand, the purpose of these bills is to collect a safety levy to properly resource a regulator to both license and enforce.

How do we know that the safety case regime—this almost self-regulatory aspect of the petroleum and geothermal energy safety area—actually operates and works well? There has often been debate in the mining industry that safety case should be introduced, and some years ago the Ritter report assessed that and did not recommend a safety case regime. So, how do we know it actually works, and what fundamentals should be delivered by the levy to ensure that the safety case does work? For me, it is enforcement and tripartite arrangements, both in safety case regimes and safety management systems. Kathryn Heiler put together a paper in March 2006 headed "Is the Australian Mining Industry Ready for a Safety Case Regime?", which was working paper 45 of the National Research Centre for Occupational Health and Safety Regulation. I have great respect for Kathryn. In my role at UnionsWA, I had the opportunity to work with Kathryn on some of the reviews that had occurred in occupational safety and health on safety cases. In looking at the objective evidence of the effectiveness of a safety case regime, she said in her paper —

> Arguably, it appears that there are more assertions about the effectiveness of a SCR than hard evidence.

We can look at some examples such as the Esso Longford explosion, which had a massive impact on businesses throughout Victoria. What happened at Esso Longford was that an alarm kept going off, but because the engineers said that this was not the fault of the safety case system but a fault of the alarm, the operators ignored the alarm. I understand the problem was to do with condensation and freezing of a particular pipe. Bang; it blew up! There were potential hazards and problems. The engineers were completely offsite; they were nowhere near Longford—they were housed in the middle of Melbourne. The engineers kept saying not to fuss and not to worry. I have probably simplified that a bit, minister, but that explosion had a massive impact on the economy and the operation of businesses in that state. Those systems were let down by a corporate culture. The balance between the safety systems was really undermined, as I understand it, by an overreliance on engineering safety and hazard away. I see that the minister has been given a piece of paper, so I might be wrong; Esso Longford might have been a safety management system.

Mr W.R. Marmion: I haven't got that bit of paper yet; I am writing the answer to that one.

Ms J.M. FREEMAN: It does not really matter. I am using it as an example. It is a concern to me that there is this idea that we can rely on these companies to self-regulate their operations because they have the expertise and capacity to do so and that we simply need to just keep an eye on them. I want to talk to the minister about making sure that resources are available to ensure that these safety cases work and that they operate to meet the objective that we want to achieve, which is safe workplaces. Basically, we want to make sure that these operations continue to produce because of their impact on the general economy. Esso Longford is a Victorian example. The Varanus Island incident is another example. I refer to an article in WAtoday of 8 August 2011. As I understand it, a letter was sent off. I will not ask questions about the letter, but I understand that the National Offshore Petroleum Safety Authority has questioned Apache Energy's adherence to its safety case. I also understand that the government is seeking prosecutions against the company. I would think that that would be because it had not adhered to its safety case. Again, we come down to the question of how effective the whole idea of a safety case is. The member for Gosnells raised the Montara oil spill. The federal minister stated in his press release following the release in November 2010 of the investigation report into that incident that —

> "At the heart of this matter is the failure of the operator and the failure of the regulator to adhere to this regime.

And by that he means the safety case regime. It is not enough for us to raise levies on the basis of saying that this will work. We need to think about the resources that are needed to ensure that safety case is an effective way of ensuring safety in our industries.

Going back to Kathryn Heiler's paper, she quotes a report of the English equivalent of WorkSafe, stating —

> A recent meta-analysis undertaken by VECTRA Group Ltd for the HSE (2003) … stated … that "overall there are disappointingly few attempts at objective research". The report also stated that of the potential 156 reports with relevance, only 6 could be considered original analysis or research. The majority of papers located were "considered by the project team to be expressive of company personal opinions or dealt with the overall approach to preparing and managing the safety case".

She basically went on to say that there is effectively no evidence about the impact of safety cases either in their effectiveness or over time. Her paper continued —

> … one study cited covering offshore regulation … and a number of interview surveys. It concluded that "this may reflect the difficulty in isolating any possible effects of SCR from other factors that may affect safety performance".

What I want to ask the minister is: how will the levy ensure that the safety cases and even the safety management systems that are being approved will be effective? My question is not simply about the regulatory aspect of it but also research. How are we going to research? How are we going to fund research? How are we actually going to drill down and make sure that we have an understanding that this is an effective way to regulate our industry? Research is vital.

In my view, enforcement is the key to safety; the enforcement of the regulations is a fundamental aspect of safety. There is debate in the industry about the role of the regulator, especially when it comes to WorkSafe, and whether the regulator is an educator or has a proactive role in enforcement. It is my view that although there is an education aspect to it, the most important aspect is enforcement. Back in my early days as a contract cleaning organiser, the contract cleaner companies I worked with wanted to pay the award and wanted a fair playing field. They were trying to ensure that they complied with all the rules. They wanted to ensure that they were competing on a level playing field and they wanted that through enforcement. I am speaking about this from the perspective of not just workers, who need enforcement because they want safe places to work, but also employers, who want enforcement to ensure that there is a level playing field of costs and what is expected of them. That can come only by ensuring that we enforce what is required to ensure safe workplaces. It is my view that safety case is not the answer—vigilance is.

Enforcement without research really undermines the investigation. It is really difficult for the inspectors to assess a safety case, because, frankly, it is goal setting. Often it is about judgements; it is the call of the operator about those judgements. It has a self-regulatory aspect. It is not enough to just rely on the industry knowledge of an inspector, as good as that can be and as necessary as that is in the industry. We need research on the sorts of mechanisms that are needed to ensure proper processes. The regime being used in the petroleum and geothermal energy area is so complex that without the resourcing of those people who have to enforce the regulations, through research and proper updating on the latest way of doing safety cases in this very big industry, we will be letting ourselves down in delivering the objectives of this bill. Part of ensuring that enforcement happens and that we have the research, background, understanding and knowledge to deliver an effective safety case regime, and for that matter a safety management system, given the objective of health and safety in the workplace, is the tripartite arrangements that are the foundation of our occupational health and safety systems in Western Australia and Australia generally. Those tripartite arrangements are absolutely pivotal, and any regulation of this industry should ensure that the workers' voices and practical experiences are heard over that of the system specialists. I come back to Longford. The Esso Longford gas explosion is exactly the example we can use in this case. A technician on the ground was telling the engineers, "Mate, I think this thing is giving off a system warning." But the engineers said, "No, no; our processes have engineered out all the risks. It is fine; it is a fault of the alarm." They said it was a fault of the alarm system, and it was not. Therefore, tripartite arrangements have to be regulated for any safety case, safety case review, enforcement of safety case or any case that requires an inspector; and workplace involvement must be a part of what we expect. The involvement of the people on the ground who see and experience the events of their workplaces is very much an integral part of safety case regime, and very much a part of the enforcement process.

In addition to the tripartite arrangements on the ground, arrangements for representation to and input in safety case development and management are imperative; however, appropriate funding is needed. The levy should not just be about increasing the wages of inspectors; it should also be about appropriate funding for participation of unions and workers' representatives in tripartite arrangements to ensure a fully informed and full capacity global look at what is going on so that we get what we want—which is what safety case regimes are all about. In saying that, although I believe it would be a good thing to increase inspectors' wages—clearly the wages and conditions of people working in the industry are a difficulty because people leave the industry for more lucrative positions—frankly, I do not think that will happen, because I do not think we can match what people earn out there. We have to face the fact that we are the training ground for them before they leave. It is about resourcing the industry and safety, which includes researching what is going on and resourcing tripartite arrangements with appropriate funding for the inclusion of workers' representatives.

In closing, this legislation is to be applauded. I think the industry needs to be levied, and this legislation reflects what happens 20 kilometres beyond our shores where the National Offshore Petroleum Safety Authority kicks in. I could be —

Mr W.R. Marmion: It probably is up there. It is outside the three-mile limit, which goes out past Barrow Island.

[Member's time extended.]

Ms J.M. FREEMAN: Three miles—what is that in proper language?

Mr W.R. Marmion: It is three by 1.6, which —

Ms J.M. FREEMAN: Whatever!

Mr W.R. Marmion: — is 4.8 or five kilometres.

Ms J.M. FREEMAN: It is five kilometres; I always thought that it was 20 kilometres.

Mr W.R. Marmion: It is five kilometres on a normal coastline, but when you hit islands like Barrow Island, a line is drawn out there, so it would 20 kilometres or more out there. It is variable.

Ms J.M. FREEMAN: Yes. As I understand it, this is not new to the industry. I will however say—I am sorry—that I think the government is being recalcitrant and obstructionist in failing to determine what is best for the industry, which is what the rest of the country is doing—namely, recognising that the industry is already regulated by NOPSA—and to extend the regulations across the board to not include these two areas. Although I have not read the report, I understand that was a difficulty in the case of Varanus Island. It seems that blind Freddy could see that when different people regulate different parts, there will always be tension and difficulties. I think the minister is—what is the saying?—cutting off his foot to spite his leg.

Mr A. Krsticevic: Cutting your nose off to spite your face.

Ms J.M. FREEMAN: I think the minister is cutting off his nose to spite his face. Thank you, member for Carine, I needed assistance with the analogy. He is being deliberately obstructionist. Earlier today, the minister stood and told the house that he could not introduce the container deposit legislation because, frankly, he wanted to wait for the feds. But in an important area such as safety, the minister is happy to put workers' lives at risk because he wants to hold on to some sort of framework in which he can keep his bit of the patch. I think that in this day and age it is just silly for the government to do that, given that very, very specialist people are needed to regulate and enforce areas in this international industry. This legislation will go down in history as a turning point that was really obstructionist, was about party politics and posturing and gave nothing to either industry or workers. Frankly, it is the same with the harmonisation of health and safety policies across Australia. I have worked with those companies and those industries. They want harmonisation as much as the workers want it. Harmonisation is about companies knowing and being able to manage their occupational health and safety in a way that meets their objectives for the safety of workers and the effectiveness of their businesses to deliver outcomes that are both safe and productive. When the government protects its patch and basically says, "We can't do that", it is doing it at the cost of workers and at the cost of business.

MR W.R. MARMION (Nedlands — Minister for Environment) [7.25 pm] — in reply: I will try to get through my second reading reply on the Petroleum and Geothermal Energy Safety Levies Bill 2011 and the Petroleum and Geothermal Energy Safety Levies Amendment Bill 2011 while protecting my voice.

I thank the member for Rockingham for his contribution to the second reading debate. He supports the legislation and went through a fair bit of how it works and gave us a bit of a run-through on the fact sheet. The first point he made was about his support for the user-pays system. From what he was saying, I believe that he supports the principle in this particular case because he believes industry has the capacity to fund it.

The member for Rockingham questioned how the system will work and how the levy will be applied, which was probably explained a little by the member for Cannington. Members should have seen the brochure, but to give a bit of a rundown, there will be a system whereby certain parameters are listed, and the member for Gosnells read out a few of them. This is only a guideline because the regulations will be more specific, but the parameters will include pipeline diameter; in the case of a drilling operation, the depth of drilling; the number of people required to inspect a safety case or a safety management system; and the number of people accommodated on site. They are the sorts of parameters, and obviously the higher up the scale, the higher the classification and, obviously, the higher the levy that will have to be paid. The member for Rockingham also asked why the amount of production would not be used as a measure. It sounds logical; that is, the more produced, the higher the levy to be paid. However, I am advised that would be an excise rather than a tax and was therefore discounted. Another suggestion of the member for Rockingham was to base it on the hours worked. The problem with that in the petroleum industry is that the number of hours worked is not necessarily a good indicator of the scale of a project because some areas of the industry do not have many workers. They are the reasons those two parameters do not form part of the way the levy will be constructed.

Mr M. McGowan: I also mentioned the distance and the difficulty of getting there.

Mr W.R. MARMION: The proposed system is very close to the current National Offshore Petroleum Safety Authority system, and is being discussed with industry and the ministerial advisory panel, which included union representation. Basically, people are reasonably comfortable with the draft model and that is why it has been put in place.

The member for Rockingham also made a good point about geothermal energy and the need to support that. My information is that no geothermal operations are covered by this bill now, but, I think, 16 prospective geothermal operations could come on line down the track.

The last thing the member for Rockingham wanted to know was whether there would be a disincentive by having geothermal energy. The other point on that is that geothermal energy is much less risky. Therefore, when we do the parameters, it will work out that the levy will not be as expensive as other operations. The advice I have is that geothermal energy operations will come in with a low levy on the parameters. That was a good point raised by the member for Rockingham.

The member for Cannington also supports the industry funding of the regulation and supports the safety case model. The member made the point that the safety case model was not supported by the previous government. I was not around at that time so I cannot comment on that. The member for Cannington was correct when he suggested that we will raise about $4.7 million. From the briefing he received, the member had a pretty good understanding of how that would be calculated. The member was correct about how this funding model works.

The member for Cannington also talked about the Varanus Island gas explosion and the Dampier to Bunbury pipeline. He suggested that the National Offshore Petroleum Safety Authority is going onshore in a lot of states. The advice I have is that only one state has conferred state waters and that is Tasmania. My advisers have told me that is the current —

Ms J.M. Freeman interjected.

Mr W.R. MARMION: No, we are not talking about onshore; we are talking about in the waters. The advice I have is that NOPSA is not going onshore, but it is moving into the state waters in Tasmania.

Ms J.M. Freeman interjected.

The DEPUTY SPEAKER: Member for Nollamara, if you want to take part in the debate, go back to your seat, please.

Ms J.M. Freeman: Is it going onshore anywhere?

Mr W.R. MARMION: That is what the note says. One adviser is nodding and the other is shaking his head, but they are both saying the same thing—only offshore.

Ms J.M. Freeman: I will go back and look.

Mr W.R. MARMION: The member for Cannington is not in the chamber, but to answer his question, Mondarra gas is part of the APA Group and it would be charged the levy. The member strongly supports Wheatstone and, indeed, this bill will capture all the domestic gas pipelines. He made a point about the importance of domestic gas to Western Australia. The member also talked about fraccing and how the shale gas in Western Australia is different from the coal seam gas in the eastern states. He mentioned that geothermal energy provides an opportunity for baseload power in Western Australia. Like the member for Rockingham, the member for Cannington wants to make sure that we continue to support geothermal energy as a future energy source.

The member for Victoria Park supports the legislation and gave us a very good rundown on his trip to Japan. I agree with the point he made at the end of his half hour that overseas trips are good for professional development; he obviously learned a fair bit from his trip to Japan.

The member for Gosnells agreed that we need the very best in safety, obviously, to make sure our oil and gas industry is very safe. Classification, cost recovery and consultation were the three themes mentioned by the member. The member mentioned an absence of consultation with the unions and that there would be benefits if consultation took place. The member for Gosnell's comments covered a bit of what the member for Nollamara said. I agree with those points. From personal experience as an engineer, I know that the people on the ground know what is going on and we need to use their valuable experience and advice in developing any plan. Those people can give good advice, particularly on safety. In terms of direct consultation, I can say that UnionsWA was involved in the advisory team. Mr Gary Wood apparently made an outstanding contribution to the advisory team.

The member for Gosnells also mentioned turnover at the Australian Petroleum Production and Exploration Association and Australian Pipeline Industry Association. Apparently the representatives have not changed during the process that has been gone through to develop this bill. The member for Gosnells has a good idea of how the classification process works. I think the member summed it up quite well. How the member outlined the process is pretty close to how it works. Obviously, it is only a draft at the moment and it will be put into regulation. The member for Gosnells supports cost recovery. Again, he also made the point—it is a common theme—that we do not want to discourage the development of the geothermal industry, and the member would be concerned if this bill did that. As I explained when I followed up on the questions from the member for

Rockingham, at the moment no-one would be covered by the bill, but perhaps down the track when people do safety cases or management plans, those would need to be approved and there may be a levy fee. That will be at the lower end because they are less risky than petroleum operations.

The member for Gosnells mentioned the Montara oil spill and the importance of having a proper safety regime in place. He was correct that the levy will assist in paying higher salaries to people for their expertise so that those people do not go to the private sector. The member for Nollamara suggested that we may not be able to get enough to do that, but that is certainly the intention. The member for Gosnells also mentioned penalties. The penalty for individuals is $20 000. My understanding is that that is multiplied by five for corporations. Therefore, the penalty is $100 000 for a corporation, which is considerably more. The member asked a very good question; it was a very tricky one because we had to analyse this in some detail. The member asked when this legislation will apply in terms of the product in the pipe. "Hazardous goods" covers LNG, but the actual definition—I will get it reasonably close—of "petroleum" is —

(a) any naturally occurring hydrocarbon, whether in a gaseous, liquid or solid state

Petroleum is a naturally occurring product. LNG is frozen, so it is not naturally occurring. We will not be running LNG down the pipeline because we would need the pipe to be kept frozen. That was quite a good question. I think that was the last point to which the member for Gosnells needed a response.

I do not profess to have the member for Nollamara's great knowledge on occupational health and safety —

Ms J.M. Freeman: It is not great. There are many people who have greater knowledge than I have. By the way, it was a recent Productivity Commission report that recommended that NOPSA —

Mr W.R. MARMION: Okay, I am sure it has. To answer the member for Nollamara's first question, this bill is a taxing bill. The member has a very good understanding of what a safety case is; she probably has a better knowledge of it than most people in Parliament have. I think the member is absolutely right and she made a number of comments about how good safety cases are and referred to a friend of hers called Kathryn —

Ms J.M. Freeman: Not how good they are; I never said they were great.

Mr W.R. MARMION: There is a question mark after that: "how good safety cases are"—question mark. The member questioned whether safety cases are good and referred to her friend Kathryn.

Ms J.M. Freeman: She is not a friend.

Mr W.R. MARMION: She wrote a paper and referred to the effectiveness of safety cases based on the research that has been done.

All we are doing now is whatever is in place at the Department of Mines and Petroleum, it is still rolling with that; that is, safety cases. I will refer to my notes. I have been advised that it is up to industry to make sure they are ahead of the game and doing good safety cases.

Ms J.M. Freeman: But my point was that without research into its effectiveness and without the capacity to do that research, the enforcement of that will be undermined because they are such complex documents.

Mr W.R. MARMION: The evidence is that since the safety cases have been brought in—if I read my notes—it shows there have not been disasters. That is what I have been advised.

Ms J.M. Freeman: There have not been 167 deaths. The death in 1988 —

Mr W.R. MARMION: Was there a safety case involved then?

Ms J.M. Freeman: No. That was the reason the safety case was brought in.

Mr W.R. MARMION: Yes, I know. Since safety cases have been brought in in WA, that is the advice I have.

Ms J.M. Freeman: That was in Scotland.

Mr W.R. MARMION: I know it was in Scotland. This bill is referring to safety cases in Western Australia.

Ms J.M. Freeman: There have been no deaths of any type?

Mr W.R. MARMION: In relation to an explosion.

Ms J.M. Freeman: There have been no deaths in relation to a catastrophe.

Mr W.R. MARMION: Correct.

Ms J.M. Freeman: I would agree with the minister there have been no deaths in relation to catastrophes.

Mr W.R. MARMION: Correct; that is the point.

Ms J.M. Freeman: There may be long-term injuries. Those people who went back onto Montara, there were questions about health implications for them.

Mr W.R. MARMION: In terms of trying to get an answer to how will the money be spent to prove that the safety case method works, I have been advised that the levy will provide funding for the necessary skill and number of staff, so at least there will be people in DMP who have that. The onus is on the company to do the research with respect to new technologies conforming to the safety case, and the regulator will regulate these systems. That is the process we have in place, but I take the member's point.

Ms J.M. Freeman: How can the regulator regulate those systems without being able to do its own independent research? It is like saying we rely on a tobacco company to say it has done research to say that smoking is safe and healthy.

Mr W.R. MARMION: I disagree. The member is saying that the regulator has to do its own research. Surely we can get papers or research that has been done overseas and use that.

Ms J.M. Freeman: WorkSafe does. It does codes of practice on how to do safety management systems. It does research into the effectiveness of those sorts of things. WorkSafe certainly has that arm. I would think mine safety does as well.

Mr W.R. MARMION: The people from DMP will be taking those points on board. If there is a way to make things better—because that is what it is all about—I am sure DMP will make things better. I commend the bill to the house. I look forward to going to the other bill.

Question put and passed.

Bill (Petroleum and Geothermal Energy Safety Levies Bill 2011) read a second time.

Leave denied to proceed forthwith to third reading.