COLLIE COAL (GRIFFIN) AGREEMENT AMENDMENT BILL 2023

Second Reading

Resumed from an earlier stage of the sitting.

HON DR STEVE THOMAS (South West — Leader of the Opposition) [5.07 pm]: Surprisingly enough, we are back to the debate on the Collie Coal (Griffin) Agreement Amendment Bill 2023. Members might have noticed that, as I have been doing quite often in recent months, I have been asking questions about Griffin Coal. The minister tries very hard to get answers, which is great. I am trying to do this in the spirit of harmonious bipartisanship, because it is very hard to blame the current government for the position in which Griffin Coal finds itself, particularly as in the first short contribution I managed to make before we were so rudely interrupted by question time, I managed to describe the history going back to 2010–11. I do not want to do a full recap, because we have very limited time for a very important issue. We had got to the point at which Griffin Coal, under then owner Rick Stowe, was losing massive amounts of money—in the order of $30 a tonne over the tonnage that it was sending out, bearing in mind that at that point, it was largely going to his own power station, Bluewaters. Ultimately, some contracts were then signed with other operators, most significantly what was then Worsley Alumina, which became part of South32. If the minister is happy, I will just call it Worsley Alumina, because that is what we got used to over time. It dropped down to 2.5 million tonnes, but it was still losing $30 a tonne. It is not very complicated. That is about $75 million a year of losses happening as it was transferred. We just got to the point in the discussion where we recognised that a company losing $75 million a year was sold to an Indian investment or infrastructure company for $750 million. That was obviously, dare I say, an insane purchase. It was absolutely nuts. None of us could believe that a company would pay $750 million for an Australian coal company that might have been worth perhaps $75 million, but such was the persuasiveness of Brian Burke and Julian Grill—and perhaps Normie Marlborough—that they managed to get the company to purchase it for that sort of price. It was absolutely astounding. It was based on export, of course, and they were going to be sending out massive amounts of coal through the port of Bunbury. It was a multibillion-dollar plan that was mooted around 2011, 2012, 2013. This was still being discussed throughout the south west, because obviously the contracts that Lanco Infratech inherited when it purchased Griffin Coal were massive loss-makers, and that was not about to change. Bear in mind, the terms were long-term contracts. Export was the solution. The problems with export out of Western Australia are multiple. The first is that Collie coal, whilst it is reasonably low in contaminants— a reasonably low sulphur and low ash coal—it is also a low calorific coal. It is what we call sub-bituminous. It has a lesser energy component than coals found in New South Wales and Queensland for example —the sort of coal that potentially was imported in recent months to try to keep the lights on, which I will come back to in a bit as well. Collie coal operates at about 19 gigajoules a tonne. That is mid-range between brown coal, which comes out of Victoria at 10 or 11 gigajoules a tonne, and the high energy coals that come out of New South Wales and Queensland that run at more like 30 gigajoules a tonne. It is twice as good as brown coal out of Victoria, but it is only two-thirds of the calorific value of what is genuinely export coal.

I note that the Queensland government today announced a massive surplus, so I guess the timing was right to retire Scrooge McDuck, because the Queensland government has announced a bigger surplus than any that Western Australia has had. I think it is in the order of $9 billion worth of budget surplus, based entirely upon the coal industry. Whilst we had iron ore, we average ours out. We have $2.6 billion surpluses in a row, so we are probably still winning over time, but Queensland now has the highest. I can no longer say that Western Australia has the highest budget surplus in one year of any state in the history of Australia. It is now running second and third. I guess we are no longer number one. Maybe the former Premier saw that coming and it encouraged him to jump off before he lost his number one title.

Hon Darren West: If we want a big surplus, we need a Labor government.

Hon Dr STEVE THOMAS: No, if we want a big surplus, we need a big resources sector.

Hon Kyle McGinn: Has the Liberal government done a surplus in the last few decades?

Hon Dr STEVE THOMAS: This government had very little to do with the size of the surplus, as much as it would like to convince everybody that that was the case. We simply need a big resources sector and that is what happened in Queensland. They had a massive amount of coal exports —

Hon Kyle McGinn: Why haven't they had one for the last three years?

Hon Dr STEVE THOMAS: In Queensland?

Hon Kyle McGinn: What's changed?

Hon Dr STEVE THOMAS: Because of the invasion in Ukraine, the price of gas sky-rocketed, and the cost of energy went through the roof. Bear in mind, there was an issue with coal going into China because of some tension in the room. Basically, when the gas flow from Russia stops going into the rest of Europe, there is a massive requirement for energy. Queensland coal is now going out throughout Asia, Europe and everywhere else. Countries are again building coal-fired power stations because there is an issue around gas. In the same way the WA Labor government did not cause the dam to collapse in Brazil or develop COVID to drive up the iron ore price, the Queensland government did not foment the invasion of Ukraine. In each case, those governments were the lucky recipient of the circumstances that were developed around the world. Now, you know: it is good luck. That was fine, with massive budget surpluses, but Western Australia is based on iron ore. It is certainly not based on coal, because our coal has a very limited capacity for export, which is what the Lanco proposal was all about. It was losing $75 billion a year in the domestic marketplace. The only way it could turn a profit was to export, and it had a large number of generation units in India that could potentially use the coal. Of course, Collie coal is not the easiest to export. It is a lower calorific coal. It has also, in terms of economics, become much more problematic, and that is what the companies are finding now. When I first got involved in the coal industry, 20 or 30 years ago, whenever it was, the strip ratio was something like to four to one. In the simplest terms, knock off four metres of overburden for a metre seam of coal—or more likely two and a half metres for a 50 or 60-centimetre seam of coal. The latest version of that is at least 16 to one, and in many cases of the current seams, it is over 20 to one. So, what is that? A lot more overburden has to be put off. It has become a lot more expensive. From the period of time when the Carpenter and Gallop Labor governments dropped the price of iron ore by half, from $65 to $30-odd a tonne—let us say half —

Hon Stephen Dawson: Iron ore or coal?

Hon Dr STEVE THOMAS: Sorry. Coal. Did I say iron ore?

Hon Stephen Dawson: Yes.

Hon Dr STEVE THOMAS: Sorry. Apologies. Obviously, I should not get distracted by members of the government over there. That is the problem. It is a deliberate plot to distract me from my work.

Hon Dan Caddy: It's too easy.

Hon Dr Sally Talbot: It's not hard.

Hon Kyle McGinn: This is the most silent I've been in a long time.

Hon Dr STEVE THOMAS: Yes. Coal went from $60 to $30—let us say $33 to $35 a tonne. At the same time, the strip ratio has exploded. Guess what happens? The industry becomes even more uneconomic. If it could not meet the production price at a strip ratio of five to one, it is not going to do it at 15 or 20 to one. There are significant cost blowout issues that continue. I am not seeking to table this, but for the minister's interest—and I used to follow this quite closely—I pulled out a couple of quick documents indicating how much Lanco was losing. I picked the 2013–14 financial year for no particular reason, apart from it was a good example of the early stages of Lanco's management of Griffin Coal, when the $75 million losses had not changed significantly. It might interest the minister to know that I met regularly with Griffin Coal during that period of time from when they first took over in 2011, all the way through to 2016, probably. I was meeting with Griffin Coal regularly, because I took the view that they deserved a chance to try to survive. Others in that government at the time had taken the view that the sooner Griffin Coal died, the better. I was of the view that it deserved a chance to survive, but the only way it survived was through a significant restructure of its workforce. There was a reason Griffin Coal had a significantly different financial output or cost structure from Premier Coal. Premier Coal had done its restructure at that point. As it went through the process of trying to get its price down from the $63 or $65 it was getting—costing them $42 or $43—to that $30-odd a tonne, it restructured its workforce and tried to make itself as efficient as possible. Griffin did not. Whether Griffin decided not to because it was the heartland of the union movement in Collie, who is to stay? But it never restructured its workforce and never tried to make itself more efficient.

We can tell that because Griffin Coal continued to lose an equivalent amount of money all the way through the management of Lanco Infratech, largely. So the minister can see these documents, in 2013–14 the earnings before interest, taxes, depreciation and amortisation—EBITDA—was a $76 million loss. The table shows Indian crore, Indian rupee and Australian dollars at the top. It also paid interest and finance charges of another $21 million. Just on the cost of getting the coal out of the ground and delivering it, it lost $76 million that year. The second document gives a quarter-by-quarter breakdown. In each quarter, it was losing—$17 million, $16 million, $22.5 million and $11.5 million. If we look at 2014–15, it starts to get worse not better. There was no improvement in the ability of Griffin Coal to get coal out of the ground. There was no productivity; if anything, it probably went the other way. There was no restructure of the workforce. Lanco was then still operating as a parent company and one of the steps it tried was simply to bring in a contractor over the top of its current workforce to try to make changes. Carna Contracting came in, which was a contracting group based in Waroona. I went and met with Harry Carna and said, "Here are the issues as I understand them. Your cost structure fails completely. You're going to get $30-odd a tonne for your coal. The current price is costing them in the high sixties, so you're losing $30 a tonne." I had done the calculations for the minister from the annual report of 2013–14. It was almost right on a loss of $30 a tonne for every tonne, based on 2.5 million tonnes. I said, "You have this cost structure in place that doesn't work and you're about to put yourself over the top of that." Like a lot of people who come in on these jobs, I think he assumed he would make such significant changes in workplace management that it would suddenly become efficient, but it all ended in tears. There were court cases and eventually Carna Contracting went broke as well. This company has a long history of insolvency, shall we say. It did not work because there was no reframing of the cost structure of Griffin Coal. Carna Contracting came, and it went! The workforce just continued along, continuing to lose $75 million a year.

Hon Stephen Dawson: I'm not sure the workforce lost the $75 million a year.

Hon Dr STEVE THOMAS: No, sorry. It kept the same workforce but the company continued to lose $75 million a year. Where do we get to in more recent history? We are going to run out of time for what I think is a really interesting story of how not to do things. In recent times, the losses continued. In the meantime, Lanco Infratech went broke. It does not exist anymore. In India, it was wound up. Bear in mind that Lanco Infratech did not fund either the purchase or the ongoing losses of Griffin Coal from within its own resources. It was all debt-funded by a conglomerate of banks that was led by and largely dominated by ICICI Bank in India, but also throughout Asia. When Lanco Infratech went bust, ICICI Bank largely became the predominant creditor. It had managed to pay some of its local suppliers but there was a major debt owed to ICICI Bank. Interestingly, through those later periods of Lanco's management, I can tell members that businesses throughout Collie would wait for the cheques to clear before they sent the materials that were being purchased into the Griffin mine site. That was whether it was fuel, steel or whatever because they did not want to run on credit with that company. It was immensely problematic and it remains, to some degree, an issue. It was absolutely the case that they would not send their supplies in until the cheque had cleared because that was the reputation that had developed. Sadly, it was all put down to Lanco Infratech and Indian managers of a coal mine in Australia. That was somewhat unfair because I think Lanco Infratech came in with good intentions but did not understand what it had purchased. I think it was, dare I say it, highly misled about the earning capacity and the value of the asset that it had purchased.

Last year, when receivers and administrators were finally appointed, the company was in a dire position. What was that position? It was in debt to the tune of $1.445 billion. How did I get that figure? I took the $600-plus million purchase price and then added $75 million a year of losses for 10 years, which is probably $750 million in losses over 10 years. That adds up to $1.3 billion. It does not take much interest to get to $1.44 billion. Of that $1.44-odd billion, only between $50 million and $100 million was owed to local creditors. ICICI Bank ultimately held the majority of the debt until the administrators and receivers were put in place and then they shifted that onto a debt management company in Melbourne, which I suspect is the next step in the process. ICICI Bank has written off the value of that debt—about $1.44-odd billion.

I suspect, and I have said in this chamber before, that the ultimate resolution around ICICI Bank is when this company goes belly up. There has been an indication—in fact, the government has suggested—it has been effectively trading insolvent for a period. It is simply being propped up by ICICI, which has basically said it is not going to prop it up anymore. There has to be an end point, I would have thought. It may not happen the way people think but I will come to that in a minute. I suspect that, ultimately, when the whole house of cards falls over, a number of vice presidents at ICICI Bank will definitely be sacked and may spend some time in prison for the decisions that they have taken in this case over the last 10 years. There might be the odd government official in India who follows suit. It has been difficult to get India interested in what is happening in Western Australia. They do not really care much about the mine, Griffin Coal and Collie, but they are starting to care about what is happening at ICICI Bank. I suspect that will be the trigger, at some point, for some significant action. In the meantime, those vice presidents and government officials are obviously trying drag this out as long as possible so that they can avoid the consequences for as long as possible. Western Australia, Griffin Coal and Collie in particular, but the south west more generally, are suffering as a result of that.

The ultimate solution to this problem is not one that is within the government's capacity to provide because the only long-term solution is when ICICI Bank completely writes off the process. The trading entity that still holds Griffin Coal in theory, which we found out in question time, I think is known as Griffin International. We will do this in the Committee of the Whole stage, minister. It is a Griffin-based company. I will find it. We will go through it in some detail. Unfortunately, I have far too many notes.

Hon Stephen Dawson: Honourable member, I didn't keep a copy of the answer I provided today.

Hon Dr STEVE THOMAS: I have a copy here. We will find it in the fullness of time, minister. At some point, in my view, that company will go belly up. When it does, there will be an opportunity for the government to step in and there will be an opportunity for Bluewaters to step in. Nobody wants to run a coal mine in Collie at the moment. I do not think that either company of the group wants to step in. I understand that the Minister for Energy does not want to step in. I understand that Bluewaters does not want to step in. Bear in mind that if they step in, they are currently stepping into a company that barely runs. There is a reason that we continue to go through this process of having to pour money into this company. Nobody wants to step in to fix this. I understand that the government is a little bit limited, because it has to work in the commercial environment. While an existing contract is in place, and it has legal standing, it is very difficult for the government simply to step in and attempt to fix the problem. Ultimately, in my view, it is going to have to act, because the alternative is simply to drag this out. I do not know how long this will drag out for, but bear in mind that the government will be closing a power station every 18 months on average over the next five years. It has closed Muja 5, it will close Muja 6 next year, and Muja 7 and 8 and Collie A will all go between 2026 and 2029. Three more Muja units and the Collie unit will go by 2029 and there is also potentially Bluewaters, because there is talk that Bluewaters will not survive either.

At this stage, Griffin Coal supplies Bluewaters and Worsley and a couple of minor contracts and it has been unable to provide even a secure version of that. It has not been able to meet its contractual obligations partly, it is claiming, because of weather events. In reality, if we looked very carefully, we would discover that a well-financed, well-run and well-equipped unit would probably be able to supply Bluewaters and Worsley adequately. One of the issues is its inability to provide those things. I have some sympathy because it is in a diabolical financial situation. That is why the government has decided to throw some money at it. I thought it was hilarious that on 20 December last year, in the lead-up to Christmas, in the hope that nobody would notice, the government put out a press release saying that it would have to throw some money at Griffin Coal, otherwise it would go under. Fair enough. How much? It could not tell us as it was commercial-in-confidence. Hang on a minute. A month later, it must have had another look at it and thought that it looked a bit dodgy so it decided to tell us. It was $19.5 million. Earlier this year, I asked how much of that had been acquitted. Funnily enough, as the question was lodged, the then Minister for State Development, Jobs and Trade, the new Premier, stood in the other place and said that the government had acquitted $7.3 million. Most of that was to be spent on a piece of equipment—a large excavator. Excavators are pretty big units and pretty expensive; they cost a lot of money. Such is the standard of repair of equipment at Griffin Coal that $7.3 million of renovations is not even going to get close.

I was not surprised today to see a continuation of this. I lodged a question at nine o'clock this morning. Funnily enough, the Premier, who is also the Minister for State and Industry Development, Jobs and Trade, gave another statement in the lower house. I should try to continue with that habit and see whether I can nudge him along a bit. He said that an additional $15.9 million had been drawn down. In the answer to today's question, we discovered that $9.7 million was drawn down on 31 May, on top of the $7.3 million in March 2023 that was largely for the excavator, and a further $6.2 million has recently been approved for drawdown, despite being asked what it was being spent on—there was no answer to that. Once again, the gold-standard transparency has slipped down the ankle to be tripped over. We are back down to coal-standard transparency. Simply, when we add up the original $7.3 million and the new $15.9 million, which has now been broken down, we get $23.2 million. That is more than the $19.5 million that was announced originally. Obviously, we have exceeded the amount of money that the government had to be dragged to the table to tell us it was going to spend to help Griffin survive: "We can't do it." "Yes, we can. It's over $19.5 million." Currently, it is over $23 million, and it will continue. That is almost as funny as the argument between the then Premier, the then Minister for State Development, Jobs and Trade, and the Minister for Energy while trying to work out whether the money was going to be recouped. It was announced and the Minister for Energy said that that was okay and that Griffin Coal would pay back the money. The then Premier said the next day that there was probably no chance the government would ever get it back and, in fact, it would probably have to put in more. It turns out that he was right. Maybe members should have kept him on a bit longer. The former Premier said that the government was not going to get it back.

I have asked a series of questions in the house. I keep trying to get an answer. If the government is going to recoup it, how is it going to recoup it? I have had all sorts of weird answers. One of the answers was that whoever takes over from Griffin Coal will hopefully be in a better position to pay back that money. Really? Suddenly, the economics of the coalfield are going to change, are they? Griffin is going to be able to get it out of the ground for $30 a tonne, because the price has gone up a little bit since those days. Bear in mind that the state is subsidising Premier Coal's $30-odd a tonne, because that was uneconomic, and it is now getting $45 a tonne. If it becomes an issue, the state will effectively be taking a share of Premier Coal because we are so desperate to keep the lights on. We are desperate enough to pay $100 million or significantly more to import some coal from New South Wales. I thought that was a fantastic little effort as well—that is doing it lots of good in Collie! The government is effectively saying that someone will come along and take over from Griffin and maybe they will be able to pay it back. The cost structure has not changed. The only way they will be able to pay it back is if there is a significant increase in the price of coal, and that means that someone will have to pay for it. Who will pay for that? Until 2029, the energy users in Western Australia will have to pay for that, because there are not many other ways that the government can get it back. Assuming that the government was honest in telling us that there is a potential to recoup this cost, it has to be from higher prices. But then there is an issue there, because it is going to apply higher prices at a time when it is closing coal-fired power stations. The government has current contracts; current contracts exist. It cannot do much about the price for the time being, unless perhaps this company does finally collapse. But once its collapses, is the government going to be able to sell it or move it on in a condition that it can make any more money out of it? The answer is almost certainly no, because that is the cost of getting it out of the ground. The cost of production is the cost of production, and that is what Wesfarmers did not realise way back in 2005 with an insane contract offer. The cost of production has not changed significantly, so there is still a massive cost.

Where does that bring us to today? The state agreement act for Griffin Coal will expire in two weeks. It is currently held by a company that effectively holds no significant assets and has $1.44 billion worth of debt associated with it, even though it is being held in a debt-holding company. It is continuing to lose money hand over fist every day it operates. It is probably still losing $30 a tonne for every tonne of coal it gets out of the ground. It cannot afford to spend the money it needs to on maintaining its fleet or its equipment or even the roads and the drainage that is found in a coalmine, because it has finally started raining in the south west. That is what happened last year when it got a bit wet. Its equipment could not keep the mine dry enough to take coal out of it. All those things currently still apply and the only difference is that it has got worse, not better. What solution is currently being proposed? The proposal is to extend the life of the state agreement act for 12 months, with a possible 12-month extension after that. Why do we have state agreement acts? I miss the days of Hon Robin Chapple railing against state agreement acts. They are terrible things, but they go in place because we are trying to set up some degree of surety and security for companies involved in significant projects. That is why they exist. Companies involved in a 10-year, 20-year, 30-year or 50-year project require a degree of certainty. I think they have their place. They have perhaps been overused or inappropriately used on occasions, but they have their place and are there to provide longer term security. That is why they exist. Here we are talking about a state agreement act that we will potentially extend for 12 months with a possible extension of a year after that for a company that continues to go broke in an industry that the government is ultimately shutting down in seven years.

We need to look at this debate with a little honesty. We are looking at an industry that the government is intending to close. The government wants to close it over the next six years. I think the government will probably be doing very well to close it over the next 12 years, because under its current modelling its energy transition does not work. We do not have time for that debate today; that is a debate for a whole other day. They are the good debates we really want to get into.

Hon Stephen Dawson: You might.

Hon Dr STEVE THOMAS: That is right; I do.

That is what is going on. We could have a 12-month extension. I have asked a number of questions about state agreement act negotiations. In particular, I asked: What is the government looking for that does not give it a sense of security about either extending it a significant amount of time, or ending it? Where are we? We are at the point at which we need to recognise that this government will dribble out state agreement act extensions until this particular company dies and there is no more significant demand for coal that ultimately, I suspect, will have to go back to a single coalmining company. Premier Coal might be able to pick up the contract for Worsley and those other small contracts on top of a reducing contract for Synergy, bearing in mind that all those Muja units are closing up, including the 200-megawatt unit 5 last year, another 200 megawatts next year, and then another 700 megawatts in that 2026–28 period. They will all be disappearing. This is about trying to keep the lights on. The problem the government has is that its transition plan will not keep the lights on. It is all happening too fast. Under the government's current plan, by 2035 there might be a chance of transitioning to renewables and keeping the lights on, but it cannot do it under its current model. There is not enough money or capacity in the system. The plan to add 4 400 megawatt hours of batteries and another 400 megawatts of wind just will not cut it. It has not even considered the upgrades required in the distribution system. That will not work. In the meantime, there is this issue around Griffin Coal, which cannot survive economically. It has to go belly up at some point and the current system and the current government just seem to be assisting it to do so. I am going to run out of time; we will have to do a bit of committee stage to try to pull out some of these things, but we are at the stage whereby this government will have to continue to prop up Griffin Coal. It was going to be $19.5 million. The current $23-and-a-bit million dollars will end up significantly higher than that. This company will need to be propped until it dies, and the government will have to keep forking out taxpayer money as a part of that process.

As part of the negotiating process for the extension of the state agreement act, Griffin Coal was supposed to provide a range of data, especially mine plans, for its intended activity. When we set up a state agreement, those mining plans are meant to be 15-year plans. In the original state agreement act, that was meant to be planning for a 15-year period. That 15 years' worth of mining plans gains some security to the state in relation to its needs et cetera. I am interested to know exactly what mine plan the government has managed to get out of Griffin Coal in the negotiations for the one plus one-year extension of this state agreement, because if there is a significant regional mining plan, the government might have done this differently. In my view, this will be the first real test of the new Premier and whether he is interested in gold standard transparency, as he seems to indicate. He is saying that transparency is an important thing. Let us find out how transparent, because the new Premier is also the Minister for State and Industry Development, Jobs and Trade. Let us see if he is genuinely interested in transparency. What sort of mining plan was on the table when the government decided to give a one plus one-year extension to the state agreement act? What assurances was Griffin Coal able to give the government about its capacity to get the coal out of the ground that was required, in particular by Bluewaters power station, bearing in mind that unit 2 supplies the south west interconnected system? What sort of negotiations went on?

Members will remember that I asked a lot of questions about the negotiations for this extension. Apparently the government does not take any notes—not a single note of all the meetings. It has met with ICICI Bank, it has met with Griffin, it has met with Oceania Resources and I think we might get to Mr Sindhu in the committee stage of the bill and work out with which bit of the whole process he actually owns. In all those meetings with state development happening with the players around Griffin Coal, not a single note was taken. Nobody can refer me to any substantive part of any debate. The discussions were general in nature and something like this: the government said, "Oh, dear; would you generally like a year's extension?" Griffin said, "Okay, well I generally think that might get us to the next point but we do not really know what that looks like". The government then said, "Well, we will take that as a general intent then, but we will not take minutes, we won't write it down or say anything about it, because we are desperate we will present this 12-month plus 12-month extension and try to kick the can down the road a bit." I am interested to know what the government thinks it will look like after 12 months and 12 months after that. Is Griffin Coal still going to be operational? I suspect it potentially might be. When we get to the committee stage I might ask: If Griffin Coal, based in Singapore—the current entity that does not own anything of significance but still in theory owns Griffin Coal—manages to pay its bills, will it stay there until a major collapse happens in the not-too-distant future? How will the government manage this process? Holy mackerel, it is a shemozzle. It is not a shemozzle of the government's making. The government did not create this mess, it inherited it, but it is a mess that it has to do something about. Let us have a discussion about what might genuinely happen in the not-too-distant future.

HON STEPHEN DAWSON (Mining and Pastoral — Minister for Emergency Services) [5.48 pm] — in reply: I thank the honourable member for his contribution this afternoon. I did not hear him say the words that he was supporting the Collie Coal (Griffin) Agreement Amendment Bill 2023, but I understand that he is.

Hon Dr Steve Thomas: I got very busy on the history, but I support the bill.

Hon STEPHEN DAWSON: I thank the member for his indication of his support of the bill before us. This is a bill to amend the Collie Coal (Griffin) Agreement Act 1979, known as the Griffin state agreement. The state agreement is for the mining and development of certain coal reserves in the Collie basin and its rehabilitation. The bill provides for a continued mining of coal from the Ewington mine until 30 June 2024 through a 12 months' extension to the Griffin state agreement. Without this extension, the state agreement, coal mining leases and Griffin's primary statutory approvals will expire, with the likely outcome being that the mining at Ewington mine will cease with an immediate impact on coal supply. Continued coal production from Griffin's operations will ensure the continuity of supply to the Bluewaters power station, which feeds electricity into the south west interconnected system. The ratification of this bill by Parliament will allow Griffin to continue to operate beyond 30 June 2023. This amendment is consistent with the government's commitments under the Collie Just Transition policy to manage the transition away from coal.

I thank Hon Dr Steve Thomas for his contribution. It is an incredibly complex situation, as I think the honourable member alluded to or mentioned. We are working with Griffin and its customers towards finding a sustainable solution, but time is needed to attain energy security. The government has been very clear on its position. It will not put the state's energy system at risk, and that is why this extension is very important. The variation will help to ensure the continuity of coal supply during the extension period, and allow more time for the government to identify a longer term solution for the operation of the Griffin mine, which will ensure an orderly transition out of coal-fired power. Without this extension, the state's and Griffin's primary statutory approvals will expire, with the likely outcome being, as I said, that mining at Ewington mine will cease with an immediate impact on coal supply. We do not want to and in fact we cannot put our energy system at risk, and so the extension will allow us the opportunity to continue to find an equitable solution.

Hon Dr Steve Thomas did not ask too many questions, but there were couple that he asked that I will seek to provide an answer to. Does Griffin have a current mine plan? Griffin has current approved mine plans in place that are extended by clause 11A(1) of the variation agreement in schedule 2. However, the variation agreement also requires the submission of a new additional proposal within three months of the variation date. The intention of these new additional proposals is to supplement and refine current approved proposals, again extended by clause 11A(1), to the extent that current activities contained in the new additional proposal are in addition, or different, to the existing approved proposals as deemed extended as to relevant time frames.

Do we think that the current mine plan is satisfactory? The current mine plan is largely still consistent with Griffin's current operations, and the government considers that it is appropriate to extend these mine plans until 30 June 2024. However, to ensure that the mine plans remain consistent with activities planned during this extension period, the variation agreement requires that Griffin submits any new additional proposal within three months of the variation date as I indicated. It is intended that this new additional proposal will be tailored to the operations to being undertaken through to 30 June 2024.

Regarding security and state agreement acts, this bill is only intended to provide security until a sustainable solution can be found. Once we have the sustainable solution, we will review the state agreement term; and, if not, it will lapse.

It is important, honourable member, to acknowledge that this is a state agreement from 1979.

Hon Dr Steve Thomas: Even I'm struggling to blame you guys for it.

Hon STEPHEN DAWSON: Yes. As the honourable member pointed out, these days the use of state agreements is not as common as they might have been in that era.

What is the government looking for? The government is looking for a sustainable model for mining that is funded by customers paying a fair price. That is what we would like to get out of this. In terms of what the government is looking for that gives confidence for a longer term extension, we are looking for a commercial agreement for a sustainable coal price. That is what we are looking for. There is some work ahead. As the member has indicated, and as I have admitted to, we find ourselves in a complex situation. These are important industries, because, of course, as the member alluded to, it is Worsley Alumina, Griffin and Bluewaters.

Hon Dr Steve Thomas: A few other little minor ones, too.

Hon STEPHEN DAWSON: Yes, but there are about 2 000 direct jobs associated with the various projects that I have mentioned, probably including some of the ones that the member is alluding to. They are 2 000 reasonably well-paid jobs. I am doing a back-of-envelope calculation and in the member's electorate most of those 2 000 jobs would be at $120 000 a year, if we were thinking of a base. That is about $240 million annually, which is a significant contribution to the economy in the south west of the state. Saying that, though, the priority for us at this stage is energy security, but keeping jobs in the south west is important.

Hon Dr Steve Thomas: You'd be interested to know that the mining sector in the south west is as big as the Kalgoorlie mining sector, but people don't realise that.

Hon STEPHEN DAWSON: I am not surprised. It is growing industry. People forget that there are gold and other things in the south west as well.

This bill is an interim solution while the longer term solution is worked on. Hon Dr Steve Thomas said that the ultimate solution is not one within the government's control. We are certainly working with the various stakeholders to see whether a solution can be found. We believe this legislation is an important piece of legislation to enable the various parties to continue to negotiate and to work closely together to see whether we can keep the energy security over the next few years that we are seeking.

With that, we have already indicated that we will go into committee, so I commend the bill to the house.

Question put and passed.

Bill read a second time.

Committee

The Chair of Committees (Hon Martin Aldridge) in the chair; Hon Stephen Dawson (Minister for Emergency Services) in charge of the bill.

Clause 1: Short title —

Hon Dr STEVE THOMAS: I do not intend to spend the whole night on the committee stage of the bill. We may end up spending a fair bit of time on clause 1 because much of the information on the technical parts of the clauses is probably a bit limited, so I just give that indication now. It might seem like clause 1 is dragging out, but the other bits will not last very long.

The minister will also be pleased to know that I discovered the answer given to me by the minister representing the Minister for State and Industry Development, Jobs and Trade—a fine fellow that he is, so it must be correct! It states —

> The current single shareholder of Griffin Coal is Lanco Resources Australia Pty Ltd.

Anything with Lanco on it obviously has a question mark around it; however, we might start there. Given that it is the sole shareholder of Griffin Coal, with debt that is associated through a fairly complex business model, is the minister in the position to give us an update? I have, for example, the administrator's and liquidator's combined list of creditors. It is couple of months old now. Is the minister aware of an updated list? Is the minister in the position to give us an update on Griffin Coal? I want to break down Griffin Coal's ownership structure a little bit before we start.

The CHAIR: Members, noting the time, I shall leave the chair until the ringing of the bells.

Sitting suspended from 6.00 to 7.00 pm

Hon STEPHEN DAWSON: Before we broke for dinner, the honourable member asked whether we had an updated list of creditors. I have consulted with my advisers. We do not, so the one that the member has previously seen is the one that we have seen.

Hon Dr STEVE THOMAS: Let us run through the basics of the agreement. The agreement is between the Premier—by the time it gets signed, it might be the new Premier, I do not know whether the government needs to amend that or not; that is something for the administrators to sort out—and the Griffin Coal Mining Company Pty Ltd. I think I know how this works, but can the minister explain to the house precisely who the contract is with on behalf of the Griffin Coal Mining Company Pty Ltd, a company that is all but trading insolvent, according to the advice that the government has given the opposition over the last few months?

Hon STEPHEN DAWSON: I will deal with the first issue first. The variation agreement was made on 4 May, so it is factually and temporarily correct. The second part of the answer is that the contract is with Griffin Coal Mining Company Pty Ltd. That is the corporate legal entity, albeit it has receivers appointed at the moment, but the contract is with them. That company had the original state agreement from 1979.

Hon Dr STEVE THOMAS: I just want to explore that a little bit. Who would the government hold to account for a breach of the state agreement, for example? We will come to administration versus receivership and the various powers as the minister and, more importantly, his advisers understand, but as an individual who is the ultimate authority, who speaks for the Griffin Coal Mining Company Pty Ltd, and who would stand on the chopping block, as it were, if something were to go wrong?

Hon STEPHEN DAWSON: The liability is with the corporate entity rather than the receivers themselves.

Hon Dr STEVE THOMAS: Given that the minister has informed us previously that the current single shareholder of Griffin Coal is Lanco Resources Australia Pty Ltd, who in that company has been consulted as part of this process and what role did they play?

Hon STEPHEN DAWSON: We are not engaged with Lanco Resources Australia Pty Ltd. We have engaged with the Griffin entity, which in this case is the receivers. I am advised that the receivers have all the proper approvals in place on behalf of the creditors to engage with the state on this extension.

Hon Dr STEVE THOMAS: Is it the government's understanding that whomever represents Lanco Resources Australia Pty Ltd, which, from memory, is not registered in Australia; I have a feeling it is registered in Singapore or Asia —

Hon Stephen Dawson: By way of interjection, it is a Pty Ltd, so I understand that it is an Australian entity, which, in turn, is owned by the Singaporean entity.

Hon Dr STEVE THOMAS: That is why it gets very complicated. They are very good at hiding ownership, but we will come to that. Is it the minister's understanding that no control or authority is held by Lanco Resources Australia Pty Ltd over the Griffin Coal Mining Company Pty Ltd and that all of that authority now rests with the administrators and/or receivers? Is that how it looks?

Hon STEPHEN DAWSON: That is correct.

Hon Dr STEVE THOMAS: Thank you very much. That was very helpful. Is the minister in a position to give us a rundown of the receivership versus the administration of this company? I understand that receivers were appointed by Lanco Resources Australia Pty Ltd so that no-one else could put receivers in place. Is the minister in a position to tell us who appointed the receivers and how they interact in their relationship with the administrators?

Hon STEPHEN DAWSON: Griffin was placed into receivership by its secured creditors and into liquidation by its shareholders on 13 September 2022. The liquidators have allowed the receivers to continue the business.

Hon Dr STEVE THOMAS: Is the minister aware whether that is a formal agreement under which the liquidators are allowing the administrators to continue the business? Is it by contract? Has the government seen the contract if that is the case? Is the minister aware of the provisions that might interfere with that process?

Hon STEPHEN DAWSON: I am told it is through a formal notification under the Corporations Act but we do not have copies of documents.

Hon Dr STEVE THOMAS: It might be a bit of an issue tonight that we probably are not going to have the technical detail of some of the questions. I mentioned before that, if that is the case, we will just move on in the fullness of time. I will try to explore it a little bit further if I can. The minister said before that the liquidators allowed the administrators to continue the operation of the business. The liquidator was appointed by the creditors. Was the liquidator appointed by ICICI Bank, a conglomerate of banks or by somebody else? I know that the debt has been transferred to a holding company in Melbourne, Victoria. Was the receivership initiated by that company?

Hon STEPHEN DAWSON: It was placed into liquidation by its shareholders. Those shareholders were Lanco Resources Australia Pty Ltd.

Hon Dr STEVE THOMAS: This is the tangled web of corporate structure, unfortunately. Can the minister tell us who currently holds the $1.45 billion approximately of debt, which, presumably, ultimately rests with Griffin Coal Mining Company as the contractor, even though the receivers and managers are in charge? Can the minister tell us whether that $1.45 billion of debt is still attached in any way, shape or form to Griffin Coal Mining Company? Or is it entirely attached to someone else, presumably either ICICI and its group of banks or, as I read the list of creditors—I will find it in a minute—the company to which that debt was transferred? Can the minister elucidate where it sits?

Hon STEPHEN DAWSON: We understand that it is still with Griffin Coal, but we cannot say categorically.

Hon Dr STEVE THOMAS: In terms of assisting the debate, the creditor listing of Carpenter Mine Management Pty Ltd, in liquidation, and the Griffin Coal Mining Company Pty Ltd, in liquidation—in both cases, receivers and managers have been appointed—lists $1.411 billion, with Certane CT Pty Ltd as security. I suspect that this is a transfer of debt for corporate advantage—let us call it what it is. I think the minister was saying to me that with the knowledge base we have at the moment, he is not certain why that looks like it does in the list of creditors. Is there a risk that the debt will be transferred outside the company? I would have thought that it would be maintained and connected somehow with Griffin Coal Mining Company.

Hon STEPHEN DAWSON: Obviously, it is the same amount of debt. We are not sure why Certane CT Pty Ltd is in the middle of it, but it is certainly the same debt. I am not sure of its corporate structure or how it is managing it, but we are talking about the same amount.

Hon Dr STEVE THOMAS: As much as I like to blame the government for everything, this is a corporate activity that I do not think anybody has any control over. I have printed off the page that lists that company, so perhaps one of the clerks could pick it up off the printer at some point. It usually takes about three days to print off the things that I try to print, but we will see whether we can give the minister a copy of it so that he is aware of that company. It is an interesting transferral of debt. I looked up Certane CT Pty Ltd and it looks to be a company that manages finance problems. I find the transfer of debt to that company a bit interesting. Obviously, corporates and individuals alike like to walk away from debt whenever they possibly can. We will pass that information to the minister so that he is aware of it. As I discussed in my contribution to the second reading debate, the debt was run up through the purchase of Griffin Coal and the annual operating losses. Lanco Infratech Ltd dropped in $75 million a year, effectively, to keep the doors open and the coal being extracted, but it has now written down its debt; it has written off its debt. The debt still exists in theory in the books of the Griffin Coal Mining Company, but, on the creditors list, it effectively has been transferred to Certane CT. I have had these arguments with the Department of State Development over many years. I went to war with Steve Woods for a while and with Geoff Woodward over many years over other issues around Collie. I think it is worth the government having a look at this and being aware of it, because I think a little bit of corporate risk is involved in that process. We will get that document to the minister to have a look at.

I will get to a substantive question; that was a little aside. This is just more for information. In the negotiations the government had discussions with the various creditors; we think they are creditors now, because the debt may have shifted, but we know from questions in Parliament that the government had discussions with ICICI Bank, presumably as the lead of a conglomerate of other banks. We also know that the government had discussions with an interesting company that we will get to in a bit called Oceania Resources Pty Ltd, and Mr Dev Sindhu, who seems to be the main operator there.

If we start with ICICI Bank, I presume that the administrators and liquidators have no capacity to call on ICICI Bank to fund any further debt or operating losses that occur as Griffin continues. Can we just check that? While the minister does that, I might see if that printout has come; I am not running away!

Hon STEPHEN DAWSON: The receivers can ask the banks to provide more funding, honourable member, but it is my understanding that further funding from the banks is not forthcoming, so although it can be asked for, the receivers cannot make the banks provide it. I have a list of the key lenders for the member's information. We are advised that Griffin's key creditors consist of ICICI Bank; the mining resources company Oceania Resources; the three Indian state-owned banks, Exim Bank, Indian Overseas Bank and Bank of Baroda; and we understand that Bluewaters power station has also loaned money to Griffin, so it is a complicated web.

Hon Dr STEVE THOMAS: I think "complicated" is an understatement, minister; it is immensely complex. I have just sent the minister the document that lists Certane CT Pty Ltd, care of Norton Rose Fulbright Australia, GPO box 4592, Melbourne, Victoria, 3001. The debt advised is $1 411 294 028. I am not sure what the $28 is for; it is probably the postage. However, that would appear to be what the liquidators and administrators have put in place. We now have this group of banks that can be asked for additional funds. I think it is unlikely that they are going to provide any additional funds from here; I think they have probably decided that they have put in as much as they are going to. Astoundingly, they have put in $1.4 billion for a company that is probably worth $75 million. However, in relation to the other companies that the government has been involved in negotiations with, the minister mentioned that Oceania Resources is a creditor. Has it played an active role in the negotiations for the extension of the state agreement?

Hon STEPHEN DAWSON: The short answer is no; it has not played an active role in the negotiations. We know that the receivers consult with the four banks—ICICI Bank and the other banks I mentioned—and also Oceania Resources. In fact, as the member is aware from questions in this place, the Minister for State and Industry Development, Jobs and Trade has met with representatives of ICICI Bank and Oceania Resources. The negotiations are undertaken entirely with the receivers, obviously on the understanding that they are talking with and have agreement from the various creditors.

Hon Dr STEVE THOMAS: From an authority perspective, I understand the statement that it is entirely done with the receivers, except that the Minister for State and Industry Development, Jobs and Trade has met with both ICICI Bank and Oceania Resources. I note from the media—I have not confirmed this personally, but the statement has been made—that Oceania Resources holds a higher authority over assets than the banks do. Can the minister confirm that Oceania Resources has primacy in the hierarchy of debt that sits over this company?

Hon STEPHEN DAWSON: We understand that it is the higher ranking creditor, but we do not have the details.

Hon Dr STEVE THOMAS: Thank you for confirming that. At some point, it might be worth the government trying to find out why it is a higher ranking creditor than a bank that is, in theory, owed $1.4 billion and has, effectively, subsidised the losses of this company for a decade. I think that would be interesting, especially given that the Minister for State and Industry Development, Jobs and Trade has met with Mr Dev Sindhu, who is the principal of Oceania Resources in Australia. The minister may not be able to tell me this because he is not the responsible minister, but can he tell me the rationale for the minister meeting with Oceania Resources? Was that at the request of Oceania Resources? Presumably, it requested a meeting and he acquiesced and conceded to one.

Hon STEPHEN DAWSON: I am told that both ICICI Bank and Oceania Resources asked for meetings with the minister, but I am further told that we consulted with the receivers to find out whom they thought we should meet with on this issue.

Hon Dr STEVE THOMAS: I would have liked to be a fly on the wall in those meetings. That might be a question that I have not quite worked out how to frame yet, so I may have to come to that in the third reading debate. If that is roughly the structure of the company, what is the structure of the asset that we are talking about? The last time I looked, Griffin Coal had an asset of about one billion tonnes of unmined coal, which I think is divided between the Collie seams and Wilga. The question probably is how much of that is economically viable coal versus coal that just exists in the ground, because if it is losing $30 a tonne getting it out, there does not seem to be a lot of point. The minister may not have those numbers with him, but is he in a position to tell us what that coal asset looks like?

Hon STEPHEN DAWSON: We do know they have substantial reserves on them, but we do not know the economics of those. I was just saying to the advisers that we cannot say that tomorrow a new innovation or new technology is going to come out that suddenly makes it easier to extract coal from Collie. I know as innovation minister there are amazing people doing extraordinary things in Western Australia. It does not exist now, but the economies of scale may change if a new technology comes out. We know it is substantial but we cannot say how much it is worth.

Hon Dr STEVE THOMAS: I love the minister's optimism. It is right up there with the minister's optimism for renewable energy transition, but, anyway, God loves optimists.

Hon Stephen Dawson: Let us not get on to political parties' policies about that.

Hon Dr STEVE THOMAS: Yes, God loves optimists. I am happy to talk about mine, that is fine. Anyway, I love the minister's optimism about that. We are not really sure what the resource is. A more important question about the potential operation of the Collie coal mining company is the level and standard of equipment that this company has. Has the government sought to extend the state agreement act or, as part of its bail out handouts, which the Premier; Minister for State and Industry Development, Jobs and Trade announced again today—presumably because he received a question on it this morning. Has the minister sought a value on the plant and equipment of the company, for example, to give assurance that we are not throwing good money after bad and extending a state agreement for a company that probably cannot get the coal out of the ground anyway?

Hon STEPHEN DAWSON: No. We do not know what the current stock, for the want of a better word, or equipment is currently worth. As a result of requests from the receivers, an amount was spent on fixing equipment at the facility, like the excavator the member mentioned previously, to enable them to extract coal. It is fair to say it has been a distressed company for a period of time and it is likely that the equipment was not maintained to the same standard as other miners would maintain it across the state, so we have not got a clear understanding of what it is worth.

Hon Dr STEVE THOMAS: I would have thought that would be a useful tool to have. It might be across government, rather than specifically in the Department of State Development —

Hon Stephen Dawson: By way of interjection, I imagine the receivers would know the value of the various equipment, plant and stock that is there, but we are not aware of it.

Hon Dr STEVE THOMAS: They might not be quite so keen to tell me, necessarily. I do not get to sit at a desk and pepper them with questions, as much as I think that would be a fairly useful tool to have. I suspect we are not necessarily seeing all the processes.

I asked a question in, I think, February. I will find the answer when I sit down, hopefully. I asked —

> Has Griffin Coal been trading while insolvent or been suspected by the government for trading while insolvent in the last five years?

The answer I received was that they thought that it had been potentially trading whilst insolvent since the middle of last year. Is the minister in a position to confirm that that is still the government's position?

Hon STEPHEN DAWSON: The appointed liquidator of Griffin Coal released a report on 13 December 2022 that indicated it was its view that Griffin may have been insolvent as of 30 September 2022. The liquidator said that. We do not have a view that is contrary to that.

Hon Dr STEVE THOMAS: I think the minister gave that answer to the question I asked in February. He said that from September 2022 Griffin Coal potentially had been trading whilst insolvent. Is the government going to investigate whether Griffin Coal is actually trading whilst insolvent, and when will the government look to make a decision on that or is it simply going to leave it to the corporate regulator to work out whether that is the case?

Hon STEPHEN DAWSON: Honourable member, it really is a matter for the corporate regulator. That is the commonwealth in this case.

Hon Dr STEVE THOMAS: Unfortunately, it is very hard to know, is it not? We find ourselves in a situation in which we will potentially extend the state agreement for one year with a potential second year to a company that potentially has, according to an independent report, been trading whilst insolvent since September last year. What parameters does the government want to see in the next 12 months to reassure itself it can extend the state agreement for another year? What does the government expect Griffin Coal will deliver that will allow for that extension?

Hon STEPHEN DAWSON: Honourable member, it is up to the Minister for State and Industry Development, Jobs and Trade whether it will be extended for a further 12 months. Certainly, as I mentioned earlier, there are things Griffin will need to do, particularly in the first three months, that essentially lead to a new mine plan. Obviously, that will potentially give confidence to the minister to make a further decision. I am also advised that the company being in receivership gives it a more robust corporate framework than being insolvent or trading while insolvent.

Hon Dr STEVE THOMAS: Perhaps receivership gives a more stringent oversight, which, I guess, is where we are trying to get to. The minister raises an interesting point, which is my next group of questions about what needs to happen. In the first three months of this extension, it is expected that the Griffin Coal Mining Co Pty Ltd—as represented by the administrators/liquidators—will deliver certain things, in particular a mine plan. First off, why was it unable to deliver a mine plan in advance of the state agreement expiring? I know we have been aware of this for some months, because I have been asking questions about it for some months. It would appear that the Griffin Coal Mining Company has been unable to deliver an adequate mine plan—and I am talking about a 12-month mine plan, not the 15-year plan it would have had to do with the original state agreement. It has been unable to deliver a 12-month mine plan. I would have thought that would be immensely concerning. Does the minister have any idea why it has been unable to do what I would have thought should have been almost automatic?

Hon STEPHEN DAWSON: It has a mine plan in place until 30 June this year, so one exists. We are aware that the receivers have been using consultants to work on a new mine plan. Once the mine plan has been formulated, the state is then required to assess that mine plan. All that work takes a period of time. Although they have to do certain things in those first three months and give us that information in the first three months, it may well take the state future months—whether it is three, six or whatever—to actually assess that mine plan. That 12-month period allows for the future mine planning to take place. I also mentioned earlier on that as a result of the bill before us, we are extending their existing mine plan for 12 months. This other body of work will be done in that period of time.

Hon Dr STEVE THOMAS: This is interesting. The government has presumably viewed a mine plan that was perfectly reasonable up until 30 June. When was the last time the government assessed the mine plan of the Griffin Coal Mining Company? We might start with that.

Hon STEPHEN DAWSON: I am told it was 2020.

Hon Dr STEVE THOMAS: I do not suppose the minister could give us whether it was early or late 2020. No? Just 2020. That is okay. Do not have heart failure over it. That mine plan is, effectively, at most, three years old.

Was that a mine plan for three years? Normally, a mine plan might last a reasonable amount of time. Does the minister have any idea how long that mine plan was for?

Hon STEPHEN DAWSON: I am of the understanding that that mine plan was from 2020 until 30 June, the end of the current state agreement date. The minister would not be in a position to agree or approve a mine plan that extended past that end date of 30 June.

Hon Dr STEVE THOMAS: We are getting there. On the assumption that Griffin Coal Mining Company wants to continue operating, has it advised the government that it has been working on the next mine plan and given an assessment of how far it is through that? On the assumption it were to continue, one cannot imagine its mine plan went to 30 June 2023 and in the first half of 2023 it was not already working on its next mine plan. Do we know how far through it has progressed with that?

Hon STEPHEN DAWSON: We are told that the mine planning is pretty well progressed. When the receivers took over, it started a new mine planning process. I am told it is advanced. As I indicated previously, as a result of the bill before us, it has a three-month period to have that finished detail to us for the assessment and approval to take place.

Hon Dr STEVE THOMAS: Has the government seen the pastoral mine plan? Do we have any rough indication of what it looks like, or is the government waiting for the final document before it does an assessment of it?

Hon STEPHEN DAWSON: We have been briefed by the receivers on progress on the mine plan. We have not had a copy of it and it has not given us something. We will not get a final document until it is ready to be submitted, which will be in three months from 30 June.

Hon Dr STEVE THOMAS: Is that then a hard border, as it were—the line in the sand? If the government does not get a formal mine plan three months after 30 June, what would be the next step?

Hon STEPHEN DAWSON: It is our expectation that it will have it done in that three-month period. As I have said, we have extended the current mine plan for 12 months, from June 2023 to 2024. The expectation is that it would submit a new mine plan and that process, hopefully that assessment, or whether a change is required, will all be dealt with in that 12-month period. Technically, if it has not done it within that three-month period, it would be in breach of the state agreement.

Hon Dr STEVE THOMAS: That raises an interesting point in itself, which I am sure the minister would be as interested in as I am. If the state agreement act was not extended by legislation, which we are about to do tonight, of course it has to go to the other place —

Hon Stephen Dawson: I live in hope, but it has to go to the other place.

Hon Dr STEVE THOMAS: Yes. It will get through tonight and then go off to the other place and we will see what happens there. It will not be my fault at that point! If it does not go through, my understanding is that there is capacity for Griffin Coal Mining Company to continue to mine coal even if the state agreement act were not extended. Is that the case? Would it automatically shut down or is there an opportunity for the government to extend the existing operations for a time with the existing contract?

Hon STEPHEN DAWSON: If the state agreements are not extended, the authority to mine disappears and the tenements essentially disappear because the coal licences expire too.

Hon Dr STEVE THOMAS: So it would actually be the end of mining at that point. That is interesting. It is nice to have that confirmed. Thank you very much.

Does the negotiation around the state agreement act impact on the contract price for coal or is that completely separate? This is a state agreement that allows the Griffin Coal Mining Company to mine coal. It used to have contracts with the equivalent of Synergy, Verve Energy, but now it has contracts with Bluewaters and others. Is there a register anywhere within the debate between the government and the Griffin Coal Mining Company on price?

Hon STEPHEN DAWSON: No, there is nothing in the state agreement act that dictates the price of coal.

Hon Dr STEVE THOMAS: I thought that was the case.

I want to bring the minister back to a comment that he made. I tried to write it down as quickly as I could, which makes it almost impossible to read. The minister said in his second reading response that he was looking for a sustainable model based on consumers paying a fair price, or words to that effect. It would appear from the answer that he just gave to the chamber that although he may look for that, there is nothing in the state agreement that the government can use to force that to happen. That appears to be an entirely contractual matter between whoever holds the state agreement—in this case, for the next year at least, the Griffin Coal Mining Company—and whoever it is contracted with. Can I just confirm therefore that in terms of the state agreement, there is zero capacity to influence the price, despite the fact that the government might be looking for a fair price for coal?

Hon STEPHEN DAWSON: Although there is nothing in the state agreement act that stipulates the price of coal, we are encouraging the various parties involved to negotiate to pay a fair price for the coal that is being dug up out of Collie. The agreement act itself does not but the government can encourage that through other means or dialogue or round tables or whatever.

Hon Dr STEVE THOMAS: I was going to ask about the means. The minister was very careful and gentle with that. Obviously, we do not like government leaning on corporations, so I am sure we would never go down that path. However, if the greatest issue that the coalfields face in Western Australia is viability—ultimately that is the issue—potentially the minister is at least partly right in that a fair price for coal is an important part of the debate and negotiation. Apart from Synergy, I am not sure how the government would influence that because I think it is a matter of contract law and it would have to provide a company with a pretty good incentive to pay more than the price it contracted for.

If I could just diverge for a moment, this comes back to the original contract that Griffin Coal—or Griffin Energy, originally, if we go back far enough—signed with Ric Stowe as Bluewaters energy. It becomes an issue around the contracting. How would the minister calculate a fair price, given that two companies are competing? It is hard to see too many companies that make any significant profit out of coal, not just the companies that are mining it. Synergy is not providing the government with the massive dividend in the budget. I know because I read the budget papers. The government is not making a lot of money out of Synergy, so I do not know how much the government will put the price up unless it will start to pass that through to consumers—bear in mind that Synergy is only taking coal from Premier Coal anyway; it is not taking Griffin coal. The issue, therefore, is if we are dealing with issues of contract law, how do we calculate what is likely to be a fair price? Is it just matter of the government saying to the private purchasers of coal: “Can you push up the prices as high as you can economically manage? Can you push the price up to your pain point because that is what keeps the coal industry alive?”

How does the government calculate what price it needs to get to, and how does it influence the price to get there?

Hon STEPHEN DAWSON: The member is correct in the sense that it is a matter of contracts. However, we expect that the customers will pay a fair coal price that reflects the true cost of production. The member already knows that what is being paid is less than what it costs to produce. Therefore, a fair price paid for coal mined by Griffin Coal will be determined by the commercial parties and, obviously, will not be set by government. The customers for this coal now rely on this coal. If the coal is not there anymore, it creates other problems for them. We know that people need to have it. We know what it costs to produce. We think that a fair price is a lot closer than what is being paid now and what it costs to extract the coal from the ground in Collie.

Hon Dr STEVE THOMAS: If you feel an urge to put a number on it, do not let me stand in your way. I am happy for the minister to throw one of those out there. I promise not to hold him too closely to it. I might try this then and see how we go. Minister, is Synergy paying a fair market price for coal from Premier Coal? Is that perhaps how we define a fair market price for coal?

Hon STEPHEN DAWSON: As the honourable member would be aware, I am here tonight to talk about Griffin and the Griffin state agreement. I am not at liberty to say, or indeed the right person to ask, as to whether Synergy is paying a fair price to another coal producer.

Hon Dr STEVE THOMAS: I thought one of the minister’s advisers might be feeling brave tonight, but that is not the case, unfortunately.

Hon Stephen Dawson: Brave, not foolhardy.

Hon Dr STEVE THOMAS: Okay. I live and hope. I am an optimist as well, apparently.

So we are not necessarily going to be able to define a fair price—that would be really useful.

Hon Stephen Dawson: By way of interjection, there is no definition. But, as I have said, the receivers have now got contractors working out the cost of production et cetera. Once that is ascertained and once that is known, the expectation would be that the customers would be paying for at least what it costs to extract the coal from the ground.

Hon Dr STEVE THOMAS: Yes, okay. Look, that is not an unreasonable position to take, particularly if the government is a free marketeer. It is nice to see the government swinging a little bit to the right; I am always trying to encourage that as best I can.

Hon Stephen Dawson: The sensible centre.

Hon Dr STEVE THOMAS: As far right as the minister can stretch. Anyway, we will see where we get to.

What is the fallback position if, for example, the opposition decides to use its massive numbers in the house to block the bill? I suspect that it is slightly more likely that between now and 30 June that Griffin Coal will go belly up, with the administrators saying, “There is nowhere else. The money is not coming in from ICICI Bank or Oceania Resources anymore. The debts are enough. We are sending six vice-presidents and government officials off to prison. We have ended it." If that happens, what is the government's fallback position? How will it manage the coalfields and the need to supply coal, particularly to Bluewaters power station—I keep calling it Worsley Alumina, I am dating myself with that—or South32? How will the government manage a crisis if it were to eventuate in the near future?

Hon STEPHEN DAWSON: As I said, we have been quite clear on our position that we do not want to put the state energy system at risk. As I have previously said, if this bill were not to pass, the powers to mine or the leases that are currently available to be mined would not be available anymore. What would that do? It would put the energy system and the 2 000 jobs that we spoke about previously at risk. If the opposition uses its numbers to stop the passage of this bill, jobs and the energy system will be at risk as a result.

Hon Dr STEVE THOMAS: The government also has step-in rights for Griffin Coal as well as Bluewaters power station. As I understand, if the Griffin Coal Mining Company were to collapse, there are step-in rights that currently exist. First off, can the minister explain whether I am correct that step-in rights do exist on behalf of the state government and then explain what they would look like and how they would be enacted if required?

Hon STEPHEN DAWSON: The state does not have step-in rights. Bluewaters may have step-in rights in certain circumstances, but the state does not.

Hon Dr STEVE THOMAS: That is interesting because we have had debates before that indicated that the state also had step-in rights. I have commented publicly when the government has not wanted to use its step-in rights and I have said that I agree. Hon Bill Johnston and I were of one mind with that one; neither of us would want the state running a coal mine. It is interesting that the suggestion is that there are no step-in rights. That is something that we might test with a question to the energy minister at some point.

There may not be step-in rights relating to the state agreement act, but there might be if the Griffin Coal Mining Company cannot fulfil its contracts, particularly to Synergy. We might just check that out at a later stage. There might be some advice the minister can table. He might be absolutely right that there are no step-in rights, but it is something that has been up for debate previously.

Of course, the alternative is that Bluewaters has step-in rights, but I presume that those would be more likely to be imposed on a failure to deliver, of which there actually was last year. My understanding is that in the winter of last year, Griffin was unable to provide the level of coal in its contract because of wet weather and being unable to extract water from the mine—which is a constant process, because there is a lot of water that gets shifted out of the coal mine. If that were to happen again this year, I think we are saying that Bluewaters could step in, but the state government could not. I therefore presume that the state agreement has no oversight over whether the actual coal is being supplied. Bluewaters has a right to mine, but it has to meet a coalmine plan that presumably has some variation. If it has a coalmine plan that it is not meeting on top of not meeting its contracted coal and obligations under the state agreement act, can I therefore assume that it is the failure to meet the contract that takes priority in terms of how the government steps forward from there?

Hon STEPHEN DAWSON: Just to clarify, we do not have any step-in rights under the state agreement act, so that is clear. There could be the potential to declare a state of emergency under the Fuel, Energy and Power Resources Act 1972, and we would then have to direct all sorts of agencies and people to do all sorts of things, so it is quite complicated and convoluted. Certainly, there is nothing under this state agreement act that would allow us to step in.

Hon Dr Steve Thomas: It would be far simpler if you did not have to step in and wanted Bluewaters to step in, which the Minister for Energy and I always agreed is a far better outcome anyway.

Hon STEPHEN DAWSON: Sorry, I did not get the rest of the question.

Hon Dr STEVE THOMAS: I will come back to that. We presume, therefore, that if the government were going to step in and had the power to step in, it would be under Energy; it would be a contract with Synergy rather than anything under the state agreement act. I might let the minister answer.

Hon STEPHEN DAWSON: The previously mentioned Fuel, Energy and Power Resources Act 1972 would allow the state to declare emergency regulations. Section 47 states —

> (1) Where a state of emergency is declared under this Part and continues to subsist, the Governor, for the purposes of —
>
> (a) providing or securing supplies and services required by the community, or any substantial portion of the community; or
>
> (b) preventing supplies or services being disposed of in a manner prejudicial to the attainment of the objects of this Part, may make emergency regulations not inconsistent with this Part.

The regulations would then potentially allow us to direct entities, including private companies, to do certain things. We would also be required to compensate them to do that, but we could under this act make those regulations.

That would allow us to dictate or keep that operation going. It is quite a convoluted process that requires approval by Parliament. It is not us directing Synergy to do something; it is using powers in the act.

Hon Dr STEVE THOMAS: It sounds a very unwieldy process.

Hon Stephen Dawson: It would be a very last resort.

Hon Dr STEVE THOMAS: Do not speak too soon, we never know. We might get there.

I think we are getting close to the end. We will definitely get there. There is now a subsidy process, in effect, or a bailout process for Griffin Coal. The intent was originally to put in $19.5 million. More than that has been put in now. Can the minister give us a breakdown? The answer I got to my question today was quite instructive. The original $7.3 million we asked about back in March was largely to fund the repair of an excavator. They are very big units that cost a lot of money so reparation of them is very expensive. There was also a contract to prepare the mine for winter. A sum of $9.7 million in drawdown was added to the receiver's amounts on 31 May. Is there any chance of telling us what that is being spent on?

Hon STEPHEN DAWSON: I understand that $9.7 million is the difference between the revenue from coal sales and the cost of production.

Hon Dr STEVE THOMAS: That is interesting. The question referred to the drawdown following an amendment to the financial assistance agreement to allow for the provision of funding to support continued mining operation for the period 1 March to 30 June 2023. Is that $9.7 million therefore the difference in revenue and expenditure from 1 March to 30 June? That is a four-month period.

Hon STEPHEN DAWSON: I am told that the $9.7 million was for the period from 1 March to the end of May. As was indicated in the answer, a further amount has been drawn down since that date. This is just about when bills came in, so I cannot say what the bills were. The cost of production may well have been from equipment being fixed or whatever else.

Hon Dr Steve Thomas: It is hard to break down.

Hon STEPHEN DAWSON: I do not have the details for anything further than that, but they are the payments for those dates and those periods of time.

Hon Dr STEVE THOMAS: It is probably a bit much to ask for that level of detail in a committee debate, but I suspect the minister might expect a question either without or with notice for a further breakdown of that in the future at some point. Just call me Nostradamus; I suspect it might occur.

Hon Stephen Dawson: My advisers are on notice.

Hon Dr STEVE THOMAS: I will not ask for that tonight necessarily, but it will be interesting to break that down.

I suspect, as has been accurately said by various ministers in the past, there is not much choice but to prop up this company. Obviously, we are beyond the $19.5 million originally announced. Is there a budget for how much will go in before this company gets its act together or do we continue to subsidise its losses until something happens? I will place my concern on the table now; I think it is an area in which the Minister for Energy and I might have some agreement. This company may be on its knees and at death's door for years to come unless something precipitates its demise. Are we potentially drip-feeding it a bit of intravenous cash, as it were, and keeping it alive longer than it might otherwise be kept alive? My concern is that we are propping it up because the state wants to keep the lights on. I have been very good and not asked the minister about the cost of importing coal, because I think that was Synergy, not state development, but it might be worth a question in a minute just to test the waters.

There is a concern that we continue to drip-feed this company, and there does not seem to be an end point to that process. Has a budget been identified for maintaining this company; and, if so, for how long will that budget last?

Hon STEPHEN DAWSON: The only figures I have are the figures that have already been disclosed to the honourable member today and that are on the public record. However, I will say again that we want to—in the member's words—keep the lights on, but this is about energy security for the state and indeed those other companies that rely on power from coal. As I have previously said, at least 2 000 jobs are associated with the various companies that buy coal from Griffin. It is about keeping the lights on and keeping people employed, and the figures that have been disclosed are the figures I have.

Hon Dr STEVE THOMAS: I am not casting aspersions that the government is deliberately keeping secrets. It would be nice to have more information, and I think we will probably chase that out in the fullness of time. I suspect that the debate over keeping the lights on might continue for some years to come. The minister is right; a lot of jobs are involved in this, and at least for the next two years, the vast majority of them are in my electorate, whilst my electorate still exists, before the government takes away all the boundaries.

Hon Stephen Dawson: And then they will still be in your electorate, because they are in Western Australia.

Hon Dr STEVE THOMAS: Yes; very true, I suppose. It is not necessarily much comfort, but it is true. It is like waiting in the specialist's surgery for the advice you do not want to hear. It might be accurate but it does not make you feel any better.

That being the case, part of that question was: is there actually a budget within the Department of State Development for this?

Hon Stephen Dawson: I answered that. The figures that I have —

Hon Dr STEVE THOMAS: There is not any specific budget for it; it is not set, anyway. Can the minister tell us the cost of importing coal from Newcastle?

Hon STEPHEN DAWSON: I cannot.

Hon Dr STEVE THOMAS: I told the deputy chair that I am an optimist! It is always worth a try.

The hard part is all the things that we do not know—the difficulties—and part of being in opposition is trying to get as much of that information as we can.

The other question I asked today to which the minister replied was about the Treasury appointing Ad Astra Corporate Advisory to assist with the discussions. Can the minister tell me, apart from organising meetings to get people together, does Ad Astra have an analysis role? What precisely is it doing to assist?

Hon STEPHEN DAWSON: It is obviously providing advice to government, but it is also doing commercial facilitation between the customers and Griffin. Essentially, it is acting as a middleman. I am sorry to use that gendered language. It is working to understand all sides and suggest a way forward.

Hon Dr STEVE THOMAS: I am resisting the urge to call it a modern-day Brian Burke, because I am sure that was his role in the original sale of Griffin Coal to Lanco Infratech, but we do not necessarily need to work down that far.

Just to check the last couple of bits, in the overall time frame, there is a year plus a year's extension; after that, hopefully, we will have some sort of resolution and see what that looks like. I thought that the original state agreement act was either 21 or 25 years with an equivalent extension. Was that what the original state agreement looked like? I think it was from 1989.

Hon Stephen Dawson: It was 1979.

Hon Dr STEVE THOMAS: In 2023, it will be 44 years, so it must have been within that time frame. The current act is the Collie Coal (Griffin) State Agreement Act 1979. I think that started operating right at the end of 1979. From memory—the minister's advisers might be able to tell us—the term granted for the coal mining lease was either 21 or 25 years plus an extension. There is some variation in the minister's powers for an extension, so it does not have to be an exact time frame. Can the minister tell us when the extensions were given?

Hon STEPHEN DAWSON: There have not been any extensions. There were 42 years for productive proposals. Although the act is a 1979 act, the operation was supposed to start in 1980, but it did not start until 1981, and 42 years from then, essentially, is to the end of June 2023. The mining licences were for a term of 21 years plus another 21 years. They will finish around 15 July 2023, but we are using 30 June 2023 to make it clearer. The leases may well finish two weeks after that, but the state agreement will finish at the end of June.

Hon Dr STEVE THOMAS: Is it written into the original act that it is a 42-year state agreement? Is that how we get to that number?

Hon STEPHEN DAWSON: The short answer is yes. It contemplated 42 years of productive proposals and then the mining lease itself for 21 years plus another 21 years.

Hon Dr STEVE THOMAS: I understand that the mining lease is separate, but when the minister says that the agreement contemplated 42 years —

Hon Stephen Dawson: To a maximum.

Hon Dr STEVE THOMAS: That makes sense. I am just about finished. We could move the other clauses if the minister wants to deal with them all at once. I refer to clause 7 on page 6 of the bill. Clause 6(a) of the agreement names three receivers. Given that the receivers have been named to execute this agreement as several joint receivers and managers, what would happen if those receivers were to change?

Hon STEPHEN DAWSON: It is at the time of execution. I mentioned that when the honourable member asked me about Hon Mark McGowan and that date was 4 May, which is when it was executed. We do not need to change it.

Hon Dr STEVE THOMAS: With that, minister, it is what it is. The opposition will support the bill. I am pretty comfortable to run through the seven clauses, including the schedule, and we will then get to another bill.

Clause put and passed.

Clauses 2 to 7 put and passed.

Title put and passed.

Report

Bill reported, without amendment, and the report adopted.

Third Reading

HON STEPHEN DAWSON (Mining and Pastoral — Minister for Emergency Services) [8.26 pm]: I move —

That the bill be now read a third time.

HON DR STEVE THOMAS (South West — Leader of the Opposition) [8.26 pm]: I will not be very long. I gave a commitment to the Committee of the Whole stage being between one and two hours, and if I finish in two minutes, it will be exactly an hour and a half. I think that is not too bad! The economics of the coalfields are diabolical. It is very tough to conduct a mining operation in Collie on the coalfields. At this point, I would say it is impossible to make a profit based on the current prices. Opposition members support the bill before the house today based on the fact that we do not want to contribute to a more rapid closure than is necessary. We are looking for a seemly and tidy transition to a somewhat viable coal industry—an industry that will struggle as the government transitions out of coal-fired energy and a town that will struggle because of that, I suspect, for many years to come. Having said that, there is no benefit to the town of Collie or the coal industry in having the opposition either oppose or delay the bill before the house. It will simply extend what is effectively an existing agreement. I hope that the liquidators and administrators of Griffin Coal Mining Company are able to get on with the job. I think we are all a little embarrassed that they have not been able to deliver a reasonable mine plan to date; I would have thought that would have been possible, if not probable. The reality is that it now needs to be done. The opposition supports the government in maintaining the industry, even in its dire state, until a better outcome is reached. I am sure the debate we will have over the transition of the energy system will be one in which we will catch up on lots of the argument we have started here. This bill is one that can only be commended. The opposition supports it.

Question put and passed.

Bill read a third time and transmitted to the Assembly.