

SYNERGY — PREMIER COAL SUPPLY CONTRACT

712. Dr D.J. HONEY to the Minister for Energy:

I refer to Western Australia's current coal supply issues with Premier Coal, with which the government has an enforceable coal supply contract.

- (1) What action has the minister taken to ensure that Synergy enforces the contract?
- (2) What have been the outcomes of the minister's actions in terms of ensuring Synergy secures adequate coal supplies for this summer as per the long-term contract?

Mr W.J. JOHNSTON replied:

Before I answer that question, I will let the member know that the name of the consulting firm helping Western Power on the bushfire issue is Eco Logical Australia.

- (1)–(2) It is absolutely true that Synergy has an enforceable contract with Premier Coal, and it could sue for liquidated damages against Premier Coal for its failure to supply the contracted volumes of coal. The problem with that is that it might lead to Premier Coal going into liquidation. That is actually not in the interests of Western Australians.

We all know of the troubles with Griffin Coal. Imagine if Premier Coal had the same financial challenges as those with Griffin Coal. It would not only make the community of Collie a disaster zone, but also turn off the lights in Western Australia. That is the member's plan. No wonder he sits where he does. This is the problem. He just does not get this issue. Premier Coal is a foreign-owned private company, as is Griffin. The government of Western Australia cannot—it is not that we do not want to—seize the assets of a foreign-owned company. It is legally not possible. Let me make it clear: it is not a company because of Western Australian law; it is a company because of commonwealth law. We cannot overturn the Constitution of Australia because we do not like the outcomes that the free market in Western Australia for coal delivery is providing to us. The free market is exactly that. We do not operate any coal mines in Western Australia. We have a contract with them.

What has occurred is that Synergy has discussed the issues around that and asked Premier Coal to provide 100 000 tonnes of more coal than it would otherwise get between now and Christmas. How is Premier Coal, through its owner Yancoal, providing that additional coal? Yancoal owns Premier Coal and Yancoal is the majority owner of a company called Yancoal Australia. Yancoal Australia actually operates the Premier mine, but it is owned by Yancoal, not Yancoal Australia. Premier Coal, through its common ownership, has asked Yancoal Australia to provide two shipments of 50 000 tonnes of coal from New South Wales. That is where it is going to make up part of the short deliveries that Premier Coal is responsible for.

This is not an ideal outcome, but I just make the point: the government of Western Australia is not bringing any coal into Western Australia and neither is Synergy; it is being brought into Western Australia by Yancoal Australia that has common shareholding in and operates Premier Coal. That is a sensible outcome, because if we took action to enforce the contract that we have with Premier Coal and sought liquidated damages, that would take cash out of the business, it would make the government of Western Australia's business Synergy better off because we would have the money that we took out of Premier Coal, but the Premier business would go into financial challenge.

I note that there is a story by Dan Mercer about this issue. What I said to Dan Mercer I will say here: there is no magic wand. If we could walk down there and say, "Abracadabra", and the coal supply is returned, we would do it, but I live in the real world; I do not live in fantasy world. That is why I am working with the leadership of Synergy and Energy Policy WA and the other resources of government to get a good outcome for the people of this state. I am not playing silly politics that make no sense.