ECONOMICS AND INDUSTRY
STANDING COMMITTEE

INQUIRY INTO THE ECONOMIC IMPLICATIONS
OF FLOATING LIQUEFIED NATURAL GAS OPERATIONS

TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
FRIDAY, 1 NOVEMBER 2013

SESSION TWO

Members

Mr I.C. Blayney(Chair)
Mr F.M. Logan (Deputy Chair)
Mr P.C. Tinley
Mr J. Norberger
Mr R.S. Love

Hearing commenced at 10.36 am

Mrs SHANNON BURDEU,
Manager, Economics and Tax, Chamber of Minerals and Energy, examined:

Ms NICOLE ROOCKE,
Representative, Chamber of Minerals and Energy, examined:

Mr BENJAMIN HAMMER,
Policy Adviser, Infrastructure, Chamber of Minerals and Energy, examined:

Mr ANDREW WINTER,
Manager, Infrastructure, Chamber of Minerals and Energy, examined:

The CHAIR: On behalf of the Economics and Industry Standing Committee, I thank you for your appearance before us today. The purpose of this hearing is to assist the committee in gathering evidence for its inquiry into the economic implications of FLNG. You have been provided with a copy of the committee's specific terms of reference. At this stage I would like to introduce myself and other members of the committee who are here today. I am Ian Blayney, the Chair of the committee. The Deputy Chair is Hon Francis Logan. The other member here today is Shane Love, the member for Moore.

The Economics and Industry Standing Committee is a committee of the Legislative Assembly of the Parliament of Western Australia. This hearing is a formal procedure of Parliament and therefore commands the same respect given to proceedings in the house. Even though the committee is not asking witnesses to provide evidence on oath or affirmation, it is important that you understand that any deliberate misleading of the committee may be regarded as a contempt of Parliament. This is a public hearing. Hansard will make a transcript of proceedings for the public record. If you refer to any documents during your evidence, it would assist Hansard if you would provide the full title for the record.

Before we proceed to the inquiry's specific questions for you today, I need to ask you the following questions. Have you completed the "Details of Witness" form?

The Witnesses: Yes.

The CHAIR: Do you understand the notes at the bottom of the form about giving evidence to a parliamentary committee?

The Witnesses: Yes.

The CHAIR: Did you receive and read the information for witnesses sheet provided with the "Details of Witness" form today?

The Witnesses: Yes.

The CHAIR: Do you have any questions in relation to being a witness at today's hearing?

The Witnesses: No.

The CHAIR: Do you have a short statement for us today?

Ms Roocke: I do. Thank you, Mr Chairman, and thank you to the standing committee for the invitation for the chamber to attend this hearing and to follow on from the submission that we made earlier. You have already been introduced to the team that I brought with me, who I will defer questions to throughout, depending on the direction of your questions. As you would be aware, CME provided a written submission to the inquiry and has also previously presented. The submission was developed in close consultation with our member companies. We certainly welcomed the opportunity to collaborate with them to provide input into this process. As CME is a policy organisation, the submission focused on broader industry policy perspectives rather than project-specific commercial or technical matters. CME does not engage in commercial discussions. Member companies and the individual project proponents are certainly better placed than CME to respond to any project-specific queries that you may have. I understand that you have already heard extensively from many of our exploration and production members in that regard. Where we are unable to provide information at today's hearing, we are certainly willing to take questions on notice and to be able to provide supplementary information. I guess rather than repeat what was in our original submission, I would prefer to hand over for any questions that you may require further clarification on.

Mr F.M. LOGAN: In the CME's submission, Nicole, it stated that Australia has become a high-cost LNG producer and therefore less competitive. Is that correct—is that what CME was actually driving at, "As a producer we have become a high cost" or "as a constructor of LNG facilities we have become high cost"?

Ms Roocke: Mr Logan, we have done extensive work. I will hand over to Shannon Burdeu to explore that question further. Certainly one of the issues that generally has been identified in the resource sector in Western Australia is the high-cost environment in which we operate. That led to us doing a piece of work earlier this year to explore comparatively where Australia fits in with regards to other jurisdictions. Shannon, can I please refer this question to you?

Mrs Burdeu: Yes. Thank you for the question, Mr Logan. There are a variety of different factors that play into the competitiveness of Australia as a jurisdiction, so not just for specific production operations, even not specifically to FLNG or oil and gas. It applies quite broadly across the whole sector. Ultimately, it is difficult to quantify cost drivers firsthand. Our members have indicated that imposed cost drivers, as the panel I am sure would have already heard, come to deal with approvals processes, issues around red and green tape, duplications that apply both at a state and a federal level, and also complexities around the taxation and royalties regime. Other drivers that are specific to Western Australia in resources projects include greater distances to infrastructure. We are seeing increased fuel, transport, logistics and material costs. All these factors are combined; there is certainly not any one or two factors on their own. But, broadly, all these factors increasing at such a high rate over the last number of years has severely hampered Australia's reputation as a competitive place to do business.

[10.40 am]

Mr F.M. LOGAN: Thanks, Shannon. Can I just dig down because there were lots of statements made there. For the purpose of the committee, I am trying to find out exactly what the CME means by those statements. The submission stated that we are a high-cost producer. There might be a whole series of arguments about the cost of construction of an LNG plant at Browse versus an FLNG plant, but that is a completely different issue. Those issues of, for example, Browse LNG onshore versus FLNG offshore, are a completely different proposition to LNG production. We are talking about existing plants and the cost of producing gas in those plants. How are they more expensive? How are they uncompetitive?

Mrs Burdeu: One of the key issues we are seeing with that, Mr Logan, is around productivity. Australia's productivity—this has been confirmed in the Productivity Commission's productivity update in May 2013—confirms that multi-factor productivity, which is the factor that is looked at to best represent productivity growth, in the mining industry, including oil and gas, has declined by 40 per cent in the eight years since 2003 and 2004 when we have seen production ramp up. This equates to businesses using 67 per cent more inputs to produce each individual unit of output than they did eight years ago. Looking at productivity on its own, there is a significant increase in cost of production and, again, not just the Productivity Commission but other international reports such as the World Economic Forum commenting on Australia's declining competitiveness all add weight to that argument.

Mr F.M. LOGAN: Shannon, I can accept the Productivity Commission's report. I do not particularly agree with it, but I can accept its argument. But that applied across the board to industry and across Australia. I was trying to drill down. These are your statements, so we are just trying to find out exactly what you mean by your statements that LNG production competitiveness has fallen. Those trains on the North West Shelf have been in place since 1985–86 in full production and they have been added to subsequently. As a result of the volumes of gas in Western Australia and the way those trains operate that has made Western Australia a highly attractive place to invest in LNG production as we are ramping up to become third in the world. Where are the cost increases on those trains, because they are the existing ones, that make those trains uncompetitive?

Mrs Burdeu: Mr Logan, additional costs that affect both new projects as well as existing projects are the issue I have previously mentioned. Big things are the higher cost inputs into these projects from where they were five, six, eight years ago, including issues such as fuel, transport, logistics, the cost of personnel as well. Hays global survey 2012 indicated that oil and gas projects in Australia across a range of workers from unskilled to highly skilled workers were significantly more expensive, not just in Australia, but compared to foreign jurisdictions competing for that talent. On the actual inputs going into the projects, as well as a key one of those being personnel and staff costs, we have seen significant increases on those projects that have been existing and running for a number of years.

Mr F.M. LOGAN: So we can say that the CME would put to the committee that the cost of production on the North West Shelf is less competitive than, say, Qatar, Algeria, Egypt, Trinidad. Is that what you are saying?

[10.50 am]

Ms Roocke: If I can maybe draw your attention to our submission—I am not sure if you have it in front of you—page 16 shows work done by Macquarie Equities Research and Wood Mackenzie with regard to the need for the estimated gas price rate of return across comparison projects. That indicates that projects here in Western Australia certainly do require the gas price to be higher to achieve the same rate of return. There are significant differences in the input costs here in Western Australia compared with other jurisdictions for existing projects. If you are looking at the cost, not necessarily just in producing but also in constructing projects, there are certainly parallels that are able to be drawn from other resource sector projects that are undergoing construction, not necessarily in LNG, where certainly those input costs for constructing the project are significantly higher here than elsewhere.

The CHAIR: I have seen another version of that table that shows projects in other countries on it and they are up in the same area. From memory, one of the highest-cost projects was Abadi, which was an FLNG project. If I looked at that table and I had not seen the other tables, I would conclude that all the high-cost projects were in Australia. However, the international projects are around the same cost area. It is not like we are at a higher level and they are all down there; we are all up there together. I am saying that perhaps that table creates a false picture, because there are not any other new international projects in that table.

Mr F.M. LOGAN: The point I was trying to come to, Nicole, is that when you are talking about competitiveness you have to compare like with like—LNG with LNG producer; hence, I gave those examples of other LNG producers around the world. Unless you can provide evidence to show that Woodside, as the operator, is less competitive than those other organisations, we just have to acknowledge your comment, that is all.

Ms Roocke: Certainly.

Mr R.S. LOVE: I will stay with the cost. Your submission also points to a move for cost recovery from government as being another example of increasing costs on business. I wonder what you see as a solution to that, because surely you are not expecting the taxpayer to pick up the cost of providing service to the industry generally.

Ms Roocke: Cost recovery of government services is always a contentious issue. I think over the years in a number of different areas, not necessarily just specific to the topic at hand, there has been an increased propensity to transfer costs for the provision of government services onto industry. That has certainly happened in areas to do with safety regulation as well as environmental regulation. Where those services are to provide a commercial benefit to an organisation, then there may be justification for that cost recovery to be introduced. But, in part, the conversation also needs to look at what is the public good of those government services, to what degree are those services offered by the government an actual public good and in which case should be borne by government. Certainly, in some areas, we would argue that there is a public good that is being provided by those government services, are a legislated requirement and would question the rationale for them to be operated under a cost-recovery model.

Mr R.S. LOVE: So, you are not arguing for the taxpayer to pick up the bill for providing services to the industry beyond what is being provided now?

Ms Roocke: We are propositioning that there has been an increased propensity in recent times to move to operate under a cost-recovery model, so we are not suggesting that—although we might like to reverse it in some areas—what we are requesting is that we do not want more!

Mr R.S. LOVE: It is not just your industry.

Ms Roocke: Certainly, we acknowledge the cost-constrained environment that the government is operating in in Western Australia with regard to budgets and such like. The concern is if there were to be a perception that as the industry has a capacity to pay that they should be seen to be costs to be awarded to them, when they may not be posed equally across all industry sectors.

Mr R.S. LOVE: Let us look perhaps more at the energy side of things with liquefied natural gas. What do you see as being steps that the government could take to improve the competitiveness, I suppose, of our local suppliers and the whole of our local industry, and how do you think we should go about trying to foster that along with industry?

Ms Roocke: There is certainly lots of opportunity in that regard. The piece of work that we mentioned in our submission, which unfortunately is not yet available, that is being undertaken by the Technology and Industry Advisory Council provides some pointers to that, and where there appears to be a discrepancy between industry and SMEs here in Western Australia. Part of the challenge is a lack of awareness of the full suite of potential opportunities that exist. There is certainly a propensity to focus on some of the fabrication opportunities, but there is a whole host of other services, other requirements and work required that need to go, not just in the design and construction phase but then in the operational phase. I think where there is opportunity for industry and government to work together is to be able to better articulate what those opportunities are and to be able to better understand what the capability in this state is with regard to those opportunities. Those opportunities, I think, range from acknowledging that with things like FLNG there will be a whole host of hospitality services that will be required. There is certainly the whole host of maintenance services that will be required in addition. We already have an awareness of what those additional requirements are from the existing onshore facilities. I was sitting in earlier and heard the word "pre-qualification" mentioned. I think assisting SMEs and Western Australian businesses to understand the pre-qualification requirements and the requirements that companies have, with regard to safety management systems and risk management systems, in place to be able to qualify for contracts in the first instance is, again, another area where industry and government could work together to help ensure there is a common understanding in the SMEs in that regard; but also then to be able to help support them to develop those systems so they are able to engage with the resources sector more broadly.

Mr R.S. LOVE: We are inquiring now about FLNG and turning our attention strictly to that new technology as it develops. We have heard a lot of loose talk about Perth developing as a centre of excellence and all these partnerships with industry that may develop. To be frank, I have not seen a lot on the ground at the moment, apart from the Chevron commitment, which is impressive I acknowledge. But there has been a number of other propositions put forward on how that might position Perth and Western Australia as an intellectual and engineering centre of excellence. How do you see that happening, and can you point to anything that is happening now? I have heard lots of talk, but I would like to hear someone tell me where it is actually working now. Having said that, I did preface it on FLNG, which has not happened yet, but I am referring to LNG generally, but then moving to FLNG and how that will expand.

[11.00 am]

Ms Roocke: There are certainly international hubs where LNG expertise exists and has historically existed. I think Western Australia, through the various investments that the resource sector companies have made into the universities here and with respective chairs, is starting to get recognised as a knowledge and skills hub for LNG in the Asia–Pacific region as a consequence of the North West Shelf. The aim of the centres of excellence is to leverage and expand on the existing strong skills that we have here in the state and the knowledge base that already resides in companies. Part of the challenge in establishing centres of excellence in that knowledge hub space is being able to anticipate what the knowledge needs are going to be. While not specific to the FLNG project, a piece of work that I have been involved in over the past four years has been about how we establish the research priorities in the state with regards to minerals research and then use that research priority plan to guide decisions as to where that investment in research happens. The facilitation of a similar piece of work will help us be able to more clearly articulate where that opportunity exists to create the centres of excellence, what are the technical issues and challenges that we are facing and then seek to put into place strategies to attract that capability here and be able to build that capability in the state as well.

We are not able to point to examples of centres of excellence with regards to FLNG. Shell has certainly made an indication of an investment towards the global centre for FLNG learning and research. That provides us with an opportunity to look at the expertise that we have in this state that we can leverage off and draw together to be able to focus on FLNG. It is not a completely new technology. There is already a foundation skill set here and it is about how we transfer those learnings into a different area and harness the expertise that we have.

Mr F.M. LOGAN: What does the CME think we can get out of this supposed argument that Western Australia can be a centre for LNG technology and LNG and FLNG research? Apart from universities getting a couple of chairs and some research being undertaken, what else? You know and I know that all the design work is done in the UK, some in India, some in Houston, particularly for LNG and FLNG, and the construction is done in modular components around the world, with FLNG completely 100 per cent offshore. Where is it all leading? The companies invest in research—so what? What does that lead to?

Ms Roocke: Research is certainly one of the benefits that I see we potentially get out of it. Research also brings with it the secondary effect of being able to develop university courses to create capability in this state that then can either be used in this state or potentially exported elsewhere in the world. If you look at the level of knowledge that we hold here in this state and the expertise that we have here by virtue of the existing LNG and broader resource sector happening here, we are seen as an asset to other parts of the world to address issues and problems. We have that potential opportunity to expand capability here in this state and to look at being the place in the world where if you want to have a future career in FLNG, you come to do the study here in Western Australia. By virtue of having people in the state, that then creates the opportunity for secondary businesses and consultancies to be created to support the market internationally. Research is certainly one element of it. Depending on how that research is funded and whether there is any state investment in any of those research projects and in some of that foundation research, the potential exists for the state to hold IP with regards to innovation that comes out of R&D. That is certainly something that universities and the government have looked at over time. They are working together, particularly through more minerals-oriented research, on where that potential exists but has not necessarily been utilised effectively.

Mr F.M. LOGAN: I can certainly look at the flow-on effect from investment in research in minerals, as has happened. We have strong support for the CME because the outcome of that research is applied on the ground here in Western Australia and lots of products and innovative developments have come out of that, engineered and constructed here in Western Australia and put into place in the minerals sector. Would you not agree that in all the LNG sector, particularly FLNG, we have become a hub focused around universities for research? Some courses have been created, some engineers are trained and then they will go to work in Houston, Aberdeen and Paris because that is where the work is.

Ms Roocke: Certainly, work is being done. If you bear with me, I will try to find it in the submission, so I can give you the correct reference. With regard to identification of where there is opportunity for engineering work to be undertaken, it has been identified that there are small opportunities in front-end engineering. It was a piece of work that the Department of Commerce commissioned to investigate the barriers and opportunities for local content in designing and engineering projects. It certainly identified that the local industry participation potential at the concept design and front-end engineering design phases was small and at the subsequent design phases, there were limited opportunities. I guess as a matter of time and as we build that potential, the potential exists to expand on that capability.

Mr F.M. LOGAN: And in a parallel way, the expertise and understanding is also growing in those other sectors of expertise. It certainly will not be here.

Ms Roocke: The challenge to both industry and the state government is whether we attempt to build that expertise here in Western Australia and attempt to position Western Australia as a knowledge hub. Many successive governments have had that conversation, so that potential exists. I guess it is a matter of both industry and government working together to make that investment, rather than sit and wonder whether that investment will potentially deliver a return.

Mr F.M. LOGAN: Finally, on that question, do you see that as a state government responsibility, given that with FLNG, all tax goes to the federal government?

Ms Roocke: I certainly see that it needs to be a collaborative effort. I do not just see that it is a state government responsibility. The state government certainly has a role to play. Industry certainly has a role to play in being able to establish those centres of excellence as well and lead to the establishment of a knowledge hub. Almost certainly, the federal government has a significant role to play as well. Again, drawing parallels to other pieces of work that we have been involved in, when we look at the federal government's investment in research in this state, primarily in minerals research, but if you also look across all categories of research, proportionately, Western Australia gets a far less amount of money than any of the other states of Australia—that is, federal money for research purposes. I think there is opportunity for industry and the state government to present an argument to jointly approach the federal government to try to shift some of those conversations because there is a stark difference between what we get compared with what other jurisdictions get.

[11.10 am]

The CHAIR: Western Australians probably consider that they are used as a commonwealth ATM! I just realised that you are sort of on both sides of the domestic gas argument, because you have got producers of gas who do not want a domestic reservations policy, and some, of course, of the biggest domestic gas consumers will be members of yours and are probably great fans of the domestic gas policy. So, do you have a policy on the domestic gas reservation policy?

Ms Roocke: Mr Blayney, you have certainly touched on and identified an issue. You are right; we do certainly have a broad variety of members who do transcend both sides of the argument. We have over the years had numerous conversations in this regard. I might just say a few words and then handball to my colleague Ben, who has been involved in some of these conversations in a bit more—"handball" is maybe not the right word.

The CHAIR: A hospital pass, I think it is called!

Ms Roocke: When we look at, I guess, the issue of domestic gas, we look at it in the context of energy policy, and have certainly worked with the breadth of our members to be able to identify some policy principles that should apply here in this state at a high level. They sit around the areas to do with governance, competition, security of supply and diversity, investment in infrastructure and technology, and then we have a number of elements that sit under each of those. Ben, can I just refer to you for some more commentary around this issue.

Mr Hammer: Sure. Thanks, Mr Chairman. As I guess Nicole has indicated, and as you have indicated yourself, we have got a pretty broad spread of members, including the exploration and production members and then downstream end users, and I guess there is obviously a fairly divergent perspective as to their support for the domestic gas reservation policy, and for that reason I guess we fall back to those energy policy principles, and one of the principles that we do have support for across the spread of membership perspectives is for the review of the domestic gas reservation policy in 2014–15 referred to in the strategic energy initiative. I think our members reach agreement on that point because I think they see a review as being an opportunity for there to be a transparent and quantifiable way in which we can demonstrate the reason for falling on a particular sort of policy position, whatever that may be.

Mr R.S. LOVE: That is not a very full answer.

The CHAIR: Your situation is probably a bit like ours—I mean the government's. On one hand we have got domestic people saying one thing and you have got the pure producers saying they want this. We are listening to both voices and trying to reconcile it, and you are in the same sort of position.

Ms Roocke: We certainly are in the same kind of position, and I guess that is why we have tried to identify what are the policy principles that need to be in place and how do we facilitate and enable a rational and reasonable conversation around those different elements. There have certainly been steps taken in recent times with regards to the state energy initiative to be able to articulate the state's policy in that regard. We are aware of the former Liberal government's position around domestic gas and the establishment of a review into that, and understand the new federal coalition government, I believe, is re-looking at that review and the context in which that review occurs. What we certainly think needs to happen is an acknowledgement of the cost competitiveness of projects. We certainly need to take into account the security of supply. We certainly need to look at diversity of supply as well and the investment in necessary infrastructure as well, as part of the conversation. So it is certainly, as you have acknowledged for yourselves, a difficult conversation to be able to reconcile the interests, but the breadth of our members have indicated to us that there is a commitment to engage in that conversation to be able to reach an agreed position.

The CHAIR: Sorry, did you have a question on that, Shane?

Mr R.S. LOVE: Only that I would say, as the chair has said, that the conflict is pretty stark there. But I am guessing that you would, as an organisation, acknowledge the need for secure supply of product—of energy—for the development of other industries and other members of yours in Western Australia, and to that end the domestic policy and your views would have some alignment.

Ms Roocke: We certainly do acknowledge the need for security of supply across the breadth of our membership. We also acknowledge the challenges of electricity generation in regional and remote locations in the state. For vast parts of the state there is a significant reliance on diesel as a generation fuel. In these locations in other parts of the state there is a significant reliance. A piece of work that we did was released last year with regards to our state growth outlook. For the detail of this, I might hand this to Andrew to answer. But what we do as part of our state growth outlook is seek input from our member companies with regards to what their growth demands are going to be through until 2020 in the three areas of people, energy and water, and there is certainly significant growth in the area of energy demand.

Mr R.S. LOVE: Before you do pass over, I will just raise another point that I might get you to comment on as well. We have heard of the cost pressures on mining and energy projects and the running of mining and energy projects. Would it not be that a secure, reliable and relatively inexpensive form of energy is a very strong cost advantage for Western Australia in the same way that we are seeing the United States gain a cost advantage in some of its industries through the development of shale gas and that really we need, as a community—I am talking about a business community—to consider the benefit that that brings to the whole state?

Ms Roocke: And I think it broadly brings benefits to the state, and certainly having that security of supply is important. To be able to attract the necessary investment in projects to be able to supply into the market requires an assessment by individual companies on the viability of those projects to be able to feed into Western Australia. So I certainly think it is one of those challenging areas of being able to reconcile the need for security of supply to be able to look at how do we stimulate competition in that environment, and to be able to do that, there needs to be a rate of return on projects that makes them an attractive investment destination here in Western Australia. We see the future potential, albeit that it will not be in the immediate upcoming years, for the onshore gas industry with regards to shale and tight gas to provide some of that opportunity. I note the point that was raised earlier today, I think, by Mr Logan with regards to the emerging markets up in the Canning Basin. While there is significant exploration work going on at the moment and potential happening for those projects, there is still another body of work that also has to happen with regards to how do we bring those resources to market, and to which market do they get brought towards. I think that is a much lengthier conversation as well.

The CHAIR: Andrew was going to —

[11.20 am]

Mr Winter: Yes, sure. Just briefly, as Nicole has touched on, we develop our state growth outlook every couple of years, and it is essentially a forecasting of where the resource industry is heading. It looks out to 10 to 15 years. We released our state growth outlook in November last year; we are calling it the 2013 version. We look at the key growth enablers of people, energy and water, and we also looked at infrastructure this year. In terms of energy we look at the electricity as well as natural gas in terms of supply and demand. And in the supply and demand for natural gas—I should say we commissioned PricewaterhouseCoopers to pull this together because it is based on commercial-in-confidence information from our members—we look at the supply and demand of natural gas and at the time we used the Department of Mines high supply and low supply case settings and PricewaterhouseCoopers pulls together this surveys of our members to come up with a demand profile as well. I guess what we are saying as part of the story for the resource sector is that 95 per cent of the sector is self-generation; and of that, 94 per cent is generated from natural gas. We made commentary around, as Nicole has discussed, the move over the longer term potentially or the opportunities for tight shale gas as well. So we will be updating the state growth outlook again next year and we are obviously happy to provide the committee with a copy of that once it is finalised.

Mr F.M. LOGAN: Some of your members have argued publicly as well very strongly—and these are members of CME who are mining companies and mineral processing companies—about the problems associated with supply gas, the volumes of gas and also the price of gas, particularly the price of gas, domestic gas. You were in the room when the previous organisation was here, Nicole. Do you agree with APPEA when they say that a greater supply of domestic gas, particularly put into the system through the domestic gas reserve policy, is simply nothing more than a subsidy, subsidising your members; that is, subsidising mining companies and mineral processors? Because that is what they alluded to and I have heard that personally from many upstream companies.

Ms Roocke: Mr Logan, I cannot recollect the exact words that were put by APPEA, and as has already been alluded to certainly within the CME context, the domestic gas policy is something that does generate significant angst in trying to reconcile a position. And that is where we work with our members to agree on what the policy principles that should be in place. We do not enter into conversations regarding the commercial agreements, but we do acknowledge the need for both parties trying to reconcile the difference between accessing cheap energy or energy at an efficient price as an input and reconciling the other side of the argument of the need to be able to ensure that there is a cost-reflective price that they are able to get in other markets. And I think there are other avenues that we need to pursue and that comes round to the diversity of supply, looking at alternative supply and how do we get more competition in the market to be able to enable an outcome where gas and energy can be supplied to not just the resource sector but other sectors in Western Australia at a cost-effective price. The challenge that we have here in Western Australia is the sheer distances that the gas has to travel and the cost of infrastructure that comes with that. We have spent considerable work in recent times looking at renewables as an alternative energy supply and certainly looking at things like shale and tight gas and what part do they make in the overall composition of gas supply.

The CHAIR: I have just one final question. What do you think is the likely growth in the gas supply projected over the next 10 years? Have you got any figures around that, for both domestic and Western Australian production?

Mr Winter: I guess beyond what we know in terms of in the last two years we have had Devil Creek and Macedon come on and we have Gorgon and Wheatstone coming on, beyond those sorts of what we know is happening in the market at the moment, we will keep an eye on what is happening with the IMO with the release of their gas statement of opportunities in terms of what they are projecting as supply and demand forecasts. And I guess for us it will need to consider what we use as our supply projections next year as part of our state growth outlook. So, I guess, crystal ball: not too sure beyond sort of what we already all know.

Ms Roocke: Mr Chairman, as part of the state growth outlook, we have compiled information which looks at the data from DMP with regard to domestic gas supply, and we have overlayed that with the demand data provided from our members. So we are reliant on information from DMP and IMO and utilise that information as our source information in that regard.

The CHAIR: Thanks for that. Just finally, do you actually have a domestic gas policy paper that is a public document?

Ms Roocke: We have an energy policy principle paper which we are currently revisiting with our member companies in anticipation of a review of the domestic reservation policy. So, that is something that we are certainly currently working towards, recognising that we are basically validating at the moment where there are existing energy policy principles remain relevant and are endorsed by the breadth of our membership. So, that is a process that we are currently going through at the moment and once we have completed that process, then we are certainly more than happy to be able to provide —

The CHAIR: When will that be? When will you finish that?

Mr Winter: We should finalise that before the end of the year. So, I would envisage probably within the next month or so.

The CHAIR: Okay. If you could let us have a copy of that and if you want to keep it commercially confidential, that is fine.

Mr Winter: Sure.

The CHAIR: In your submission you mentioned an infrastructure paper that you were going to release in September 2013; has that been released?

Ms Roocke: It is imminent.

Mr Winter: We have had a couple of delays with that, so it is more than likely it will be released sometime this month or finalised this month, and obviously we are happy to share the outcomes of that. As we discussed in our submission it will look at what are some of the incentives and barriers to the uptake of private sector investment in the infrastructure projects and things around sort of public–private partnerships and calling for things such as the state infrastructure plan so that we can be a bit strategic in how we sort of plan for the state's requirement for infrastructure. And so we have recommendations along those lines, but it should be released this month.

The CHAIR: Okay. I look forward to it.

Ms Roocke: And our primary motivation behind that is recognition that there is no one party at this point in time that I think has access to capital to be able to deliver on some of these major infrastructure projects, and to expect them to be delivered by any one government or by any one proponent, I think, is unrealistic, so it is about how do we create a framework and what needs to happen with a policy setting at both the state and federal level and within industry to be able to deliver on what are significant projects going forward.

The CHAIR: Okay. I would like to thank you for your evidence before the committee today. A transcript of this hearing will be forwarded to you for correction of minor errors. Any such corrections must be made and the transcript returned within 10 days from the date of the letter attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence.

We have not got through all our questions, so will it be okay if, after having gone through, we come back to you maybe with some written questions?

Ms Roocke: We would welcome the opportunity to respond to them.

The CHAIR: Thank you very much.

Hearing concluded at 11.28 am