



Paddy Crumlin - National Secretary | Mick Doleman - Deputy National Secretary  
Ian Bray and Warren Smith - Assistant National Secretaries

Reference No: 13/9/3/03014

*Friday 30 August 2013*

Mr Ian Blayney, MLA  
Chairman  
Economics & Industry Standing Committee  
Legislative Assembly  
Parliament of Western Australia  
Parliament House  
Harvest Terrace  
PERTH WA 6000

Dear Mr Blayney,

**COMMITTEE INQUIRY INTO THE ECONOMIC IMPLICATIONS OF FLOATING LIQUEFIED NATURAL GAS OPERATIONS**

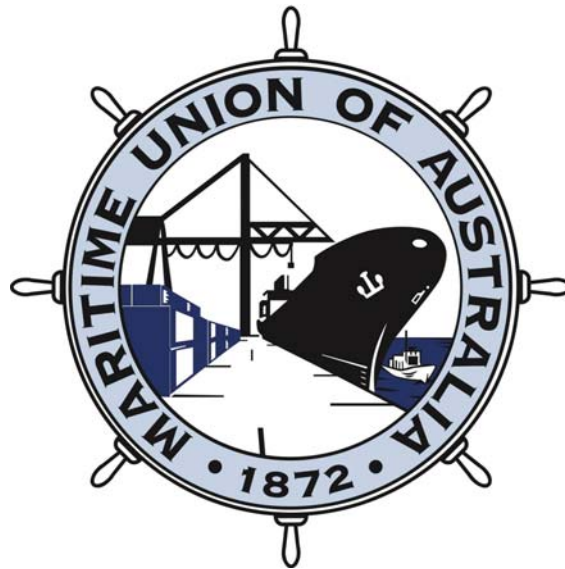
Please find attached The Maritime Union of Australia's submission to the abovementioned Inquiry. If the Committee requires any further information we would be pleased to assist.

We look forward to being advised when the Committee tables its report.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Paddy Crumlin', is written over a light blue horizontal line.

**Paddy Crumlin  
National Secretary  
Maritime Union of Australia**



**MARITIME UNION OF AUSTRALIA (MUA)**

**SUBMISSION TO  
WESTERN AUSTRALIAN PARLIAMENT  
*LEGISLATIVE ASSEMBLY***

**ECONOMICS & INDUSTRY STANDING  
COMMITTEE**

***COMMITTEE INQUIRY INTO  
THE ECONOMIC IMPLICATIONS OF FLOATING  
LIQUEFIED NATURAL GAS OPERATIONS***

**31 AUGUST, 2013**

## **1. Introduction**

- 1.1 To date governments and the broader community are yet to fully grasp the implications of **Floating Liquefied Natural Gas (FLNG)** operations. It is time they did so.
- 1.2 For this reason, the MUA welcomes the decision by the Economics & Industry Standing Committee of the Legislative Assembly of the Parliament of Western Australia to inquire into the economic implications of FLNG operations.
- 1.3 Furthermore, the MUA welcomes the opportunity to make a submission to the Inquiry.
- 1.4 There are many factors involved with FLNG operations and its impact on the Western Australian economy. This submission will concentrate on employment, state income, energy supply and safety.

## **2. The Maritime Union of Australia**

- 2.1 The Maritime Union of Australia (MUA) represents over 16,000 workers in the shipping, offshore oil and gas, stevedoring, port services and diving sectors of the Australian maritime industry.
- 2.2 In the offshore oil and gas industry, MUA members work in a variety of occupations. This includes on vessels supporting offshore oil and gas exploration including drill rigs and seismic vessels. In offshore oil and gas construction projects this includes pipe-layers, cable-layers, rock-dumpers, dredges, accommodation vessels and support vessels. In, and during, offshore oil and gas production this consists of Floating Production Storage and Offloading vessels, Floating Storage and Offloading vessels and other support vessels.
- 2.3 MUA members also work on vessels engaged in international Liquefied Natural Gas transportation.

## **3. The Maritime Union of Australia's Position on FLNG Operations**

- 3.1 The intent of this submission is to identify factors, such as the current strategies adopted by the offshore oil and gas industry and likely to be exacerbated by FLNG, which would significantly remove Australian jobs and undermine Australian employment laws.
- 3.2 It is the MUA's firm position that untested FLNG operations, as distinct from pipelining gas for land-based production, will have a negative economic impact upon the maritime industry, including for MUA members.
- 3.3 For the wider Western Australia economy and community, FLNG will lead to the loss of thousands of current and potential jobs.

- 3.4 It is the MUA's position that onshore processing must be the norm to maximise:
- The economic benefit for Western Australia and the wider Australian economy
  - Employment retention and employment opportunities for Australian workers.

## 4. The Context of FLNG Operations

- 4.1 Multinational oil and gas companies have been investigating FLNG for a number of years. There are not, however, any in operation anywhere in the world.
- 4.2 Shell has indicated it intends to develop the world's first FLNG - the Prelude Project, 200 kilometres off the Western Australia coast. According to Shell its proposed FLNG Prelude Project:
- Will be 488m long and 74m wide and when fully loaded will weigh around 600,000 tonnes - roughly six times as much as the largest aircraft carrier
  - Will be the largest floating structure in the world
  - Once constructed it will be towed to location where it will be permanently moored by four groups of massive mooring chains in 250m-deep water
  - Is expected to stay moored for 25 years and is expected to produce at least 3.6 million tonnes of LNG per year, as well as Liquid Petroleum Gas and condensate for export.
- 4.3 Shell's FLNG Prelude Project is currently being constructed in South Korea. This of course has already led to the loss of Australian high-end engineering and construction jobs.
- 4.4 The capital costs for Shell's FLNG Prelude Project are estimated to be in the order of \$12 billion. This money will be spent overseas with no economic benefit for the economy of Western Australia.
- 4.5 It is the position of the MUA that locating the proposed Shell FLNG Prelude Project (in this case 200 kilometres offshore), as well as the other proposed FLNGs, cuts out local workers, cuts out local content and cuts out employment laws. And the MUA strongly opposes these developments.
- 4.6 Furthermore, in April this year, the Woodside-lead consortium, which includes Shell, abandoned its plans for an onshore plant for Browse Basin gas at James Price Point, in favour of offshore FLNG. Woodside is planning three FLNG projects off the Western Australian Kimberley coast, with each expected to be similar in scale to Shell's \$12 billion Prelude Project.
- 4.7 Other companies, including the Chevron Corporation have FLNG projects on the drawing board.

## **5. Employment**

- 5.1 Employment opportunities will be significantly cut if FLNG projects are established instead of onshore processing. Hardest hit will be local and regional Western Australia, as there will be substantial job losses.
- 5.2 If FLNG projects go ahead the following marine employment areas/jobs will disappear: surveys and inspections, dredging, trench digging, diving, pipe laying, ancillary support work (small boats), harbour towage, stevedoring/providoring (quayside), moorings, remedial repair and maintenance, pipe inspections, pilotage, pilot boat and all associated marine qualifications and positions.
- 5.3 If FLNG projects go ahead the following non-marine employment areas/jobs will also disappear: construction workers, earth works, process work, security, transport of product, land-side pipe construction and construction of wharves and port expansions.
- 5.4 Also of great concern to the MUA is the fact that under current laws, unregulated overseas temporary labour is likely to be used on FLNGs.

## **6. Indigenous Employment**

- 6.1 FLNG will also have a negative impact on indigenous employment, as there are no guarantees indigenous people will be employed on FLNGs.
- 6.2 This means there will be fewer opportunities for indigenous training and upskilling.
- 6.3 The Woodside decision to abandon its \$40 billion James Price Point Gas Hub, in favour of FLNG, means the \$1.5 billion package for the Jabirr and Goolarabooloo peoples no longer exists. A large part of the negotiated package provided for indigenous employment and training. This dumping of the indigenous package is a severe outcome for the Jabirr and Goolarabooloo peoples, who live in very difficult circumstances.

## **7. Impact of FLNG on the Western Australian Economy**

- 7.1 The loss of direct onshore gas processing jobs for Western Australia, due to FLNG, will be exacerbated as there will be a loss of 'indirect jobs'. It is generally accepted that for a single resource job three other jobs are created in other industries, including manufacturing, retail (eg supermarkets), hospitality and other support services.
- 7.2 Just taking the Browse Hub as an example, the loss of 8000 potential direct jobs and 24,000 potential indirect jobs, using the 3:1 multiplier, is of great concern. Even if a conservative approach is taken, and it is assumed 12,000 potential indirect jobs will be lost, due to the cancellation of the Browse Hub, this means 20,000 potential jobs will be lost.

This clearly will have a significant impact on the Western Australian Government's revenue base, as well as the Western Australian Gross State Product.

## **8. Guaranteeing Cost Energy Supply**

- 8.1 The transition of energy companies to FLNG will not guarantee the Western Australian Government, industry and consumers, any commitment whatsoever towards energy reserves. It will not even guarantee purchase of the gas as most of it will be pre sold prior to project development.
- 8.2 High energy users will have no certainty of cost efficient energy for their operations. This has the potential to severely jeopardise their operations and thereby vastly reducing job security and job growth.
- 8.3 Mining companies, such as ALCOA, will be forced to consider their futures in Western Australia if cost efficient methods of sourcing energy are not available to them.

## **9. Safety**

- 9.1 It is of considerable concern to the MUA that FLNG technology is to date untested as there are no such facilities operating anywhere in the world.
- 9.2 Also FLNG, being an untested new technology, is not covered by existing safety regulations, codes and standards. On this basis alone the MUA opposes FLNG.
- 9.3 Additionally, the MUA has grave concern about the ability of a FLNG facility to respond to an emergency given the remote areas where FLNGs are proposed to be located. This is a major concern given that the safety of the workforce and the safe evacuation of the workforce must be the key consideration in the event of a significant incident that could pose a risk to workers.
- 9.4 In fact, the MUA has significant concerns as to the motives of industry, by adopting the FLNG model, to move the entire operation away from shore-based legislative obligations, such as the WA Occupational Safety and Health Act, 1984 and towards the self-regulatory regime that underpins the Offshore Petroleum Greenhouse Gas Storage Act, 2006 (OPGGSA).

This situation will further:

- Reduce the capacity of union representatives to gain access to union members in the workplace in the event of an accident, or more importantly, fatalities such as the incident that occurred on the drill rig Stena Clyde in Bass Strait in 2012.
- Aggravate the non-transparent safety management system in the form of the 'Safety Case' that underpins the OPGGSA. The MUA submits there is no real consultation currently between industry operators and unions, as well as elected HSRs, in the development and operation of safety cases in the industry. A Safety Management System, or Safety Case, developed in this way for proposed FLNGs - regarded as the biggest floating facility in the world - is of the utmost concern to the MUA.

## 10. Conclusion

- 10.1 For the reasons detailed above, the MUA maintains that the untested FLNG technology should be rejected by the Western Australian Government and, indeed, the Australian Government.
- 10.2 FLNG, as distinct from onshore processing, will inevitably erode employment opportunities, including for indigenous people and encourage the use of unregulated overseas temporary labour.
- 10.3 FLNG will also have a deleterious impact on the Western Australian Government's revenue base, as well as businesses servicing the Western Australian resource sector. Furthermore, FLNG will not guarantee efficient energy supply for Western Australia.

This situation will therefore have an overall negative impact on the Western Australian economy.

- 10.4 Furthermore, the MUA asks that the Western Australia Government undertake an analysis of available data to better understand the proposed operation of FLNG and the impact FLNG will no doubt have on the workforce and local communities. Upon the completion of the analysis, the MUA would ask that the Western Australia Government disseminate the information as widely as possible.