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Chairman
Economics and Industry Standing Committee
Parliament House
Western Australia 6000

Dear Chairman

INQUIRY INTO THE ECONOMIC IMPLICATIONS OF FLOATING LNG OPERATIONS: REQUEST FOR FURTHER INFORMATION

The Department of State Development provides the following response to the questions raised in your letter of 19 February 2014.

- 1. While there is only a relatively few resource projects in the Northern Territory, the government there has identified and pursued numerous development and local content opportunities. In WA, we have many resource projects, and one would assume many more opportunities. How does WA's approach compare with that of the Northern Territory, which seems to be so successful? What lessons can WA learn from that approach?*

It is difficult to validly compare the two economies as, in Gross State Product terms, the Northern Territory is less than a tenth size of Western Australia. It is perhaps more appropriate to compare investment in Western Australia's resources sector to the rest of Australia. In 2012-13 private new capital expenditure in the Western Australian minerals and energy sector represented half of all such expenditure for Australia as a whole. This would suggest that Western Australia has been quite successful in attracting investment into the resources sector.

Further, in terms of translating private sector investment into local content opportunities, since the introduction of the Government's Local Industry Participation Framework there has been \$57 billion in publicly announced locally awarded contracts with an estimated 202,920 employment positions (direct and indirect) created or maintained.

- 2. Under the current types of agreements for retention leases, could a company such as Woodside or Shell surrender a lease if it was deemed*

by them not to be commercially viable? What, from a State perspective, is done to scrutinise a company's reports on the commercial viability of a field?

The Department of Mines and Petroleum (DMP) has advised DSD it has also been requested to respond to this question. As DMP is the agency with primary responsibility for issuing and managing State petroleum retention leases DSD refers the Committee to DMP's response.

- 3. In the Department's view, could the Prelude fields have been developed through the Inpex fields? Such arrangements would require enhanced cooperation between resource companies. What advantages do you see for the State and resource companies for an improved level of cooperation in resource development in the state?*

In principle Prelude and the Ichthys fields could have been developed in cooperation. However, in practice the competing interest and divergent development timelines of companies makes such cooperation difficult. The Committee should note that the State is constrained in the options available to it to influence the level of development cooperation for fields solely in Commonwealth waters.

It is generally accepted that greater co-operation between competing gas projects, where feasible, could help lower development costs and improve the commercial viability of the projects concerned.

- 4. If a company has determined that onshore processing is not a viable option for the development of an offshore gas field, would the State consider not renewing its retention lease so that it could be offered to other resource companies?*

The Department of Mines and Petroleum is responding to this question.

- 5. How is it determined which projects will be subject to a State Agreement? For example, we understand there is no State Agreement for the Pluto project. If State Agreements offer advantages to both the state and the project proponent, why are they not developed for all projects?*

The State uses different legal instruments and combinations depending on project circumstances. The State must assess which legal instrument would be best for the project.

For significant or complex projects, the following legal instruments may be used:

- State Agreements
- State Development Agreements
- Special acts.

The State can use leases, contracts, memorandums of understanding and protocols to supplement the above or as single vehicle to achieve a clear intended purpose.

6. *The Chamber of Minerals and Energy of Western Australia has advised the Committee of a 'long awaited bi-lateral agreement [between state and federal governments] to enable environmental approvals to be undertaken by state agencies'. Could you please provide details of this agreement and its current status?*

The Commonwealth Government has committed to a 'one stop shop' approach to streamlining the dual state and federal environmental assessment and approvals processes which presently exist.

Under the bilateral agreement the State will be accredited by the Commonwealth Minister to undertake Commonwealth approvals, under the Environmental Protection and Biodiversity Act 1999 (EPBC) Act.

At the Council of Australian Governments meeting on 13 December 2013, Western Australia and the Commonwealth signed an MOU, as a first step in streamlining approvals process.

Yours sincerely



Stephen Wood
Director General

27 February 2014