

28 February 2003

The Hon Dr Geoff Gallop MLA
Premier of Western Australia

cc: The Hon Clive Brown MLA, Minister for State Development;
The Hon Dr Judy Edwards MLA, Minister for the Environment and Heritage,
Sustainability Policy Unit, Department of Premier and Cabinet

Dear Premier,

The Australian Petroleum Production & Exploration Association (APPEA) is pleased to have the opportunity to comment on the consultation draft of *The Western Australian State Sustainability Strategy: Focus on the Future*, which you released on Friday 13 September 2002. APPEA is the representative body of the oil and gas production and exploration industry in Australia.

APPEA seeks to promote a competitive basis for the development of Australia's oil and gas resources while maintaining the highest standards of safety, health and environmental management. Petroleum has become Western Australia's most valuable commodity and we believe that our industry has a great capacity to contribute significantly to sustainable development in Western Australia. Within Western Australia, the oil and gas industry is helping to produce more affordable, accessible and increasingly cleaner energy than ever before. Moreover, we are striving to produce vital oil and gas in ways that are responsible, ethical, and minimise adverse environmental effects.

The attached submission from APPEA clearly illustrates that Australia's petroleum production and exploration industry has long been contributing to the sustainable development of W.A. The key messages of our submission include:

- the need to pursue an internationally recognised concept of sustainable development over a unilaterally defined concept of sustainability;
- the need for more detailed consideration of the oil and gas industry in Western Australia and its significant contribution to the state economically, socially, environmentally and to the communities in which we operate;
- the importance of a nationally consistent approach to a national and global issue;
- our view on a flexible mechanism to put sustainable development principles into effect across a range of industry sectors; and
- the need for your government to involve all key stakeholders, including our industry in the further development of the draft Strategy.

I look forward to the continued involvement of APPEA on this important issue.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Barry Jones', with a long horizontal flourish extending to the right.

Barry Jones
Executive Director

The Australian Petroleum Production & Exploration Association

W.A. State Sustainability Strategy 'Focus on the Future'

Oil & Gas Industry Response

APPEA is the industry representative organisation for oil and gas exploration and production in Australia. APPEA promotes a competitive basis for the development of Australia's oil and gas resources while maintaining the highest standards of environmental management and safety.

APPEA and its members acknowledge the W.A. Government's commitment to sustainable development and note the recent publication of the Sustainability Strategy Consultation Draft (the draft Strategy). This paper presents APPEA's response to the draft Strategy on behalf of the Australian oil and gas industry. In support of this industry response, APPEA's member companies may also provide individual submissions, addressing specific sustainable development issues at the company, project and operations level.

The industry strongly supports the use of sustainable practices in the resources sector. In most contexts, Australian oil and gas producers already apply sustainable development principles in planning new projects and managing existing operations. APPEA and its member companies endorse many of the broad objectives outlined in the draft Strategy document. However, as a single industry association, APPEA is not in a position to comment on the broad scope of suggested initiatives. In this submission, APPEA comments on some of the principles outlined in the draft Strategy – and seeks a substantive role in the development of programs to implement those principles.

Sustainable Development and the Oil and Gas Industry

APPEA notes that the W.A. Government has adopted the term 'sustainability' instead of the now globally accepted term 'sustainable development' and has also developed its own definition of what 'sustainability' means.

APPEA disagrees with the use of the term sustainability, preferring the globally accepted term *sustainable development*. APPEA recommends that the W.A. Government also adopt the globally accepted definition of sustainable development defined by the World Business Council for Sustainable Development (WBCSD) as:

"...forms of progress that meet the needs of the present without compromising the ability of future generations to meet their need."

Sustainable development is not a new concept. The WBCSD definition, developed from Gro Harlem Brundtland's report¹ is well established, universally accepted across all continents, commercial sectors and communities and the intent of the definition is well understood by all.

¹ Our Common Future. World Commission on Environment & Development. Gro Harlem Brundtland, Oxford, 1987.

The Australian oil and gas industry has been practicing the principles of sustainable development through project development and operations for many years. APPEA and its members are strongly committed to ethical business conduct, environmental protection, community development, operational safety and economic prosperity.

APPEA believes the W.A. Government's use of the term 'sustainability' and the redefinition of sustainable development concepts are inconsistent with national initiatives, strategy and policy for sustainable development. Further, the draft Strategy report premise conflicts with globally accepted terminology and the broader community and industrial understanding of sustainable development. APPEA believes new terminology is unnecessary and in some respects, counter-productive to the continuing development of national and global understanding and acceptance of the sustainable development concept.

APPEA urges the Government to reconsider the theory of achieving sustainable development only by delivering a net benefit across the triple bottom line and meeting the needs of current and future generations.

It is often impractical to deliver net benefits to each area of the triple bottom line simultaneously - an 'all-or-nothing' approach to development. Achieving an aggregate benefit through risk management and accepting reasonable trade-offs across the triple bottom line will be far more effective and beneficial to the W.A. community, than attempting an 'all-or-nothing' net-benefit objective.

APPEA does not support the draft Strategy's definition and intention that sustainable development is achieved only when the needs of current **and** future generations are met simultaneously. Our generation cannot presume to know what the needs of future generations are. It would have been ridiculous if our forefathers had presumed to know our needs today. The industry believes that using our best efforts to meet current needs without compromising the opportunities of future generations is the most realistic approach to present day obligations.

The Oil and Gas Sector Contribution to W.A.

We believe that Australia's oil and gas industry has a great capacity to contribute significantly to sustainable development in W.A. Within W.A., the oil and gas industry is helping to produce more affordable, accessible and increasingly cleaner energy than ever before. This energy—currently 63 per cent² of the world's primary needs—is a source of heat, light, mobility and communications for billions of people around the world. Moreover, we are striving to produce vital oil and gas in ways that are responsible and ethical, within acceptable limits of environmental impact.

The Australian oil and gas industry has been operating in some of our country's most sensitive environments since the 1950's with no significant impacts due to the effective relationship with regulators and the community, both local and nationally. Our members underlying philosophy is one of continual improvement; continually reducing our ecological footprint, increasing our contribution to the national community and enhancing the economic prosperity of the nation.

² The Oil & Gas Industry – From Rio to Johannesburg & Beyond. Contributing to Sustainable Development. International Petroleum Industry Environmental Conservation Association (IPIECA), 2002.

In W.A., the oil and gas sector's economic contribution is significant. *"Petroleum has become the State's most valuable commodity, surpassing iron ore in 1994 and gold in 1996."*³ The economic contribution to W.A. is recognised by the DOIR*, *"The value of the oil and gas produced....was an unprecedented A\$9.96 billion, which makes oil and gas the single largest contributor to W.A.'s gross domestic product."*⁴ The royalty contribution to the State's treasury in 2001 – 2002 alone was approximately A\$430 million. The oil and gas sector in W.A. produces 100% of the nation's LNG and over 55% of the oil and condensate production⁵.

In this context, APPEA is pleased to note the draft Strategy objective that the W.A. Government... *"Continue to ensure that minerals and petroleum production in Western Australia remains at world best practice and the industries help to establish the standard for...[sustainable development]."*⁶

Our industry has the potential to make an even greater contribution in the future as new production and upstream or downstream processing opportunities are developed. In addition, the oil and gas industries are contributing to W.A.'s environmental priorities by establishing more efficient energy production systems. The industry's future in W.A. will be more significant than just the fuel gap role for gas production highlighted in the draft Strategy. The State's substantial oil and gas reserves will be important for long term state and national energy supplies – in addition to the manufacture of a wide variety of petroleum-based products, such as cleaner fuels, petrochemical products and fertilisers. The oil and gas sector has an overriding commitment to responsible development. On this basis, the industry focus on economic growth, safety, environmental sustainable development and strong community partnerships makes oil and gas production integral to a sustainable future in W.A.

The Oil and Gas Sector and Sustainable development.

The Strategy's scope is comprehensive and illustrates the sustainable development goals and objectives with many commercial and community examples, including some from the minerals sector. However, APPEA is disappointed that the draft Strategy does not include detailed examples of oil and gas industry sustainable development achievements

Recent examples include:

ChevronTexaco Operating in Sensitive Environments.

The ChevronTexaco operation on Barrow Island demonstrates that with proper management and planning, resource development and conservation can be mutually achieved and still deliver economic benefit to W.A. The island supports a significant range of flora and fauna, some of which is now extinct on the mainland. The island was declared a class 'A' nature reserve in 1908, recognising its importance as a conservation reserve.

³ Bill Tinapple, Director Petroleum Division, DMPR, Petroleum in Western Australia, October 2002.

* Department of Industry & Resources – formerly the separate Departments of Minerals and Petroleum Resources (DMPR) and Industry and Technology (DoIT).

⁴ A Guide to Petroleum Exploration and Production in Western Australia. DMPR, 2002.

⁵ Western Australian Oil and Gas Industry, DMPR, July 2002

⁶ Focus on the Future. The Western Australian State Sustainable development Strategy, Consultation Draft, September 2002, p.113.

The first seismic surveys were conducted on the island in 1963, the first well drilled in 1964 and the first tanker loaded in 1967. Since the 1960's, over 1000 kilometres of seismic has been recorded, over 800 wells completed, approximately 290 million barrels of oil produced, in addition to hundreds of jobs created, revenue to the State and the development of world class conservation principles and practice.

Yet, the island's full suite of native species remains intact. The conservation value of Barrow has been preserved through rigorous environmental management that has been established and continually improved over the last 40 years.

Shell Investing in Community Development.

Shell Australia provides funding for music students from W.A. Government schools to participate in collaborative music projects and assist in developing their talent. For the past 30 years country based students have been given the opportunity to participate in a unique learning experience to perform together at the Perth Concert hall. The students have a number of development sessions with a guest conductor also sponsored by Shell in the lead up to the main event.

This is a great example of Shell giving back to the community in W.A., facilitating the development of talent, where otherwise such an opportunity may not be available. This is an important opportunity for talented music students to further develop their talent, meet their peers and experience the potential for a career in music.

Woodside Investing in Local Training & Employment.

Woodside, through the Warrgamgurdi Yirdiyabura program, provides funding for training and employment opportunities for Aboriginal people within the Shire of Roebourne, in partnership with its major contractors in Karratha, other industry members, the Aboriginal community and Government agencies. Under this program, local Aboriginal people have been assisted to develop their potential so that they can compete effectively for employment within the general labour market. Fifty percent of trainees have successfully gained employment in the Pilbara.

The benefits of this program are recognised within the community. These include not only the increased opportunity for employment, but the development of individual skills and self-esteem, and providing successful, local role models for the community.

Oil and Gas Supporting the Development of Regional Communities.

The oil and gas industry in W.A. is operating in a large number of regional communities. The operations of our industry have resulted in the development of reliable energy supplies and provided significant regional development benefits throughout the state. Natural gas fuels power stations at Pt Hedland, Newman, Kalgoorlie, Geraldton, Carnarvon, Mt Keith, Leinster, Karratha and Kambalda. In these areas, natural gas provides a reliable and relatively cheap fuel when compared with traditional energy supplies that must be transported by road and rail over long distances. At the same time, significant quantities of natural gas are being reticulated to Mandurah, Kalgoorlie, Leonora and Busselton.

In addition, natural gas is providing significant opportunities for mineral processing ventures in the Pilbara and south-west of the state. Alumina, nickel and iron ore projects are customers of natural gas. The continued performance and growth of W.A.'s oil and gas industry will fuel the economic development of the state's future for the long term.

Industry Directions for Sustainable Development

The draft Strategy recognises the need for continued minerals and energy production in W.A. and acknowledges the leadership being shown by the W.A. resources sector in developing sustainable practices. Our industry supports the strategic goals of:

- maintaining high standards of responsible development;
- establishing sustainable development assessments;
- increasing community involvement;
- improving the transparency of operations and assessments;
- establishing voluntary accreditation; and
- supporting co-operative research.

However, the basic principles outlined in the draft Strategy are not totally consistent with priorities of sustainable development in the resources sector.

At an industry level the draft Strategy's definition, goals and supporting information discount three key elements of the sustainable development picture concerning oil and gas:

- safety;
- governance; and
- viability.

Safety.

Oil and gas producers regard safety as fundamental to the concept of sustainable development. The industry has made safety its first priority in building a long term future. Workers in the oil and gas industry and all other economic sectors, have the right to a safe work place. By definition, an unsafe work place in an unsustainable work place. In our view, safety is not a minor subset of community benefit or social improvement; it is a priority of sustainable development. After all, for some offshore safety incidents there would be associated social and environmental impacts.

Governance.

The Strategy calls for government leadership in the development of a sustainable future. In addition, the report highlights the need for accountability and community involvement in the process. To achieve these elements of sustainable development the draft Strategy will need to establish a context for appropriate governance in sustainable development. The obligations apply equally to business and Government. Companies must set corporate governance standards to make sustainable development part of the internal management and auditing process. The State Government must develop an effective framework for the implementation of its policies. This goes to the heart of the implementation process.

Viability.

The link between viability and sustainable development is fundamental to the potential for an effective Strategy. The goals of the draft Strategy would be difficult, if not impossible, to achieve without business viability. Therefore, the efficiency of sustainable development processes in W.A. will be critical to the chances of success. If the structures are cumbersome, bureaucratic and inefficient, return on investments will be reduced and sustainable development in the resources sector and the community will be inhibited. To achieve the kind of continuous improvement

which sustainable development implies, business will have to increase efficiency, reduce costs, manage commercial risk and maximise opportunities. The social and environmental goals of the draft Strategy depend, in part, on business viability. Therefore, return on investment should be regarded as a legitimate and important dimension of sustainable development.

Sustainable development and a National Approach

The draft Strategy is very broad in its scope, having captured the wide array of interconnected issues across the triple bottom line. In comparison to other state governments, the W.A. Government has an emerging leadership position in addressing the complexity of sustainable development.

However, it would be difficult and somewhat artificial to implement the draft Strategy in isolation from a national approach. APPEA recommends that the draft Strategy in its final form recognises that sustainable development is a national issue and as such, the implementation of the draft Strategy's long term goals, objectives and proposed actions is undertaken with a nationally uniform approach in mind. A national approach should establish linkages between all State and Commonwealth sustainable development initiatives.

We also note that off-shore oil and gas project development and operations is not addressed in the Strategy. We recommend a uniform approach across state and commonwealth waters when drafting and implementing sustainable development strategy.

APPEA seeks nationally coordinated approaches in all initiatives, such as the W.A. draft Sustainability Strategy, to ensure Australia's oil and gas industry remains internationally competitive and contributes to Australia's community and economic growth to the industry's fullest potential.

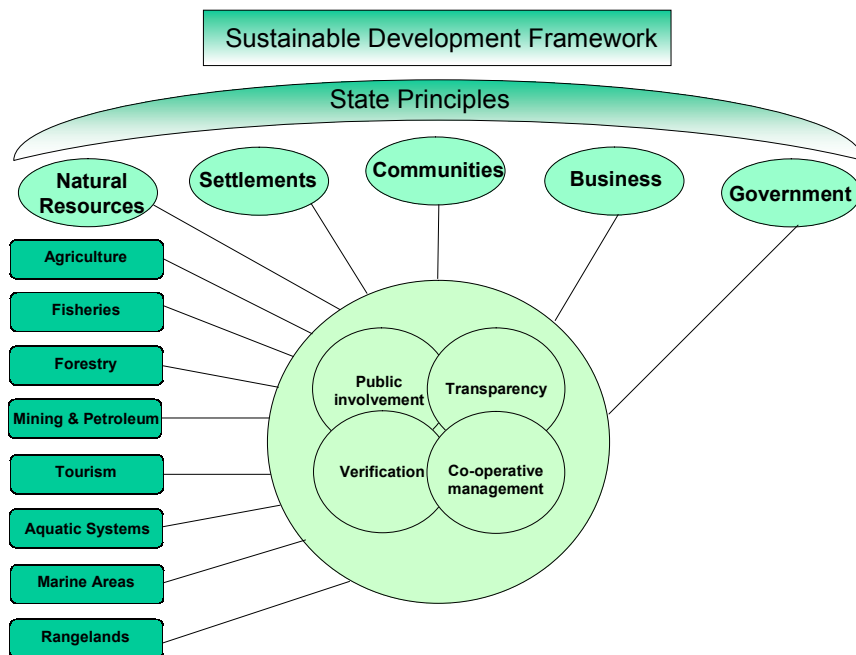
Sustainable development Operating Principles for Oil and Gas Production

APPEA notes that the Strategy includes the priority area of Sustainable Mining and Petroleum Production under the goal of Sustainable Management of Natural Resources. However, this priority area does not include the oil and gas industry within the scope of proposed actions⁷. We recommend that separately to the development of Sustainable Operating Principles for the Mining Sector, a set of Principles for the oil and gas industry are also developed.

In considering how those principles are put into effect, the following diagram outlines a model that is not only suitable for oil and gas, but other industry sectors as well. The oil and gas industry has developed a number of effective models for implementing continuous improvement programs under a co-operative management structure. The same concept could be applied to sustainable development, if the principles are put to work under the umbrella of agreed industry specific sustainable development objectives. Those principles must be compatible with a globally accepted definition and principles of sustainable development. Prudent and practical sustainable development policy and principles should be based upon a framework of risk management.

⁷ Ibid, p.114.

The essential elements of the model are:



1. **Co-operative management** – based on commitments and objectives set by Government-industry agreement. Each business takes responsibility for meeting the objectives, using technology and commercial strategies best suited to individual operations. This model provides the flexibility to get the best results, making the most of business innovation and expertise.
2. **Public involvement** – in planning, development and operation. Community representatives – including employees - have key roles in identifying issues, reviewing information and recommending improvements
3. **Transparency** - through comprehensive reporting, effective communication and public involvement.
4. **Verification** – to give the community, regulators and operators confidence that sustainable businesses are achieving their objectives and commitments.

APPEA categorically rejects any strategy for implementing sustainable development based upon a prescriptive, ‘one-size-fits-all’, target based approach. A prescriptive approach will be ineffective, costly to industry, create costly bureaucratic difficulties for government and destroy more opportunity than such an approach would create.

Sustainable Development Principles versus Prescription.

APPEA recommends the preferred approach to implementing sustainable development in W.A. is best achieved through government setting broad policy objectives (viz. the Strategy). In response to the policy objectives, each industry develops their own Sustainable Development Operating Principles, as per the previous point. Each enterprise will implement their industry Sustainable development Operating Principles relevant to its unique circumstances. Each case for sustainable development should be assessed on how a net benefit will be, or is being, delivered across the triple bottom line, according to its relevant industry principles.

APPEA's members, for example, already successfully manage their business according to a similar process. Since 1996, the oil and gas sector has developed and operates projects according to the Safety Case⁸ process. The principles of safe operations at oil and gas facilities are clearly described and each facility develops the specific operating plan (the Safety Case) on how those principles are implemented. This approach allows maximum flexibility to address site specific circumstances within practical constraints and the unique risks relevant to each facility.

APPEA's Role in Implementing the Strategy.

Perhaps the most important point in the following notes is the strong recommendation that the Government involve key stakeholders, including industry, in the implementation process.

We recommend the priority for developing the sustainable development strategy at this early stage is entirely focused on the sustainable development principles for W.A. The Strategy's 'proposed actions' and all other attendant material should be set aside until:

- an appropriate use of terminology and the globally accepted sustainable development definition is adopted; and
- sustainable development principles are developed that can support an appropriate sustainable development definition and policy.

The effectiveness of the Strategy will depend on the ability of business and community groups to put the agreed principles into practice. To have practical workable systems, the Government will have to go well beyond the standard call for submissions. We recommend business and other interest groups should be involved directly in the development of structures and systems to implement the sustainable development objectives.

APPEA would welcome the opportunity for continuing involvement in the development and implementation of the Strategy. Specifically, we seek participation in the following key activities:

1. any working group that defines the sustainable development assessment criteria and methodology for major projects;
2. any working group that develops the W.A. coastal and marine planning strategy; and
3. any taskforce examining oil vulnerability, gas transition and the hydrogen economy.

APPEA and our members will continue to contribute to the development of the W.A. Sustainability Strategy and development of the implementation plans, including the proposed Sustainability Covenants and the Regional Sustainability Plans.

⁸ The Petroleum (Submerged Lands) Act 1967 (as amended 1992) and The Management of Safety on Offshore Facilities Regulations.

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