



# **WOODSIDE ENERGY LTD.**

**Focus on the Future  
A Submission in Relation to  
The Western Australian State Sustainability Strategy  
(consultation draft)**

**February 2003**



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## EXECUTIVE SUMMARY

The following submission, prepared by Woodside Energy Ltd. is a response to The Western Australian State Sustainability Strategy: Focus on the Future, consultation draft (draft strategy).

Woodside supports the concept of sustainability. However, the Company believes that the document goes beyond strategy and pre-empts consultation in the premature development of detailed recommendations. We are keen to consult with the Government, other industry and the community to develop an effective implementation model.

Woodside also believes that the key principles outlined in the draft strategy require some modification, suggests that the sustainability principles should be broadened to place more emphasis on safety, effective governance structures and business viability.

In addition, the Company is opposed to the notion that sustainability involves the simultaneous achievement of environmental, social and economic improvements. In practice, sustainability will depend on achieving a net overall benefit once all of the essential environmental, social, economic and safety factors have been considered.

The Company is concerned that the requirement for a sustainability assessment which largely overlaps existing approval requirements, will add significantly to an already cumbersome approvals process, in contradiction to the intent of the Keating Review.

This submission outlines a formula to put sustainability principles into practice. The proposal takes into account the following factors:

- Strategies by their nature should focus on planning around the big picture. Robust strategies give the direction for decision-making at the working level.
- Development of natural resources in WA in a responsible and sustainable way is a complex balance of many issues that cannot be easily legislated or regulated.
- Government should encourage the development of broad principles or aspirations, but how individuals, companies, communities and governments meet these aspirations should be dependent on the individual circumstances and businesses. This process is supported in the draft strategy.

These concepts formed the basis of the petroleum industry's very successful Offshore Safety Case Regime established in Australia in 1996. The central feature of the program is the development of operation-specific objectives based on negotiated agreements between companies and relevant Government agencies.

Using the key elements of the safety case regime, Woodside recommends the development of an implementation model focused on two key areas identified in the draft report:

- Sustainability covenants
- Sustainability assessments.

Development and operations would be based on four priorities:

- **Co-operative management** – to meet commitments and objectives set by joint Government-industry agreement. Individual businesses would be responsible for using the most appropriate technical and commercial strategies to meet the objectives.
- **Public involvement** – in planning development and operations.
- **Transparency** – through comprehensive reporting, effective communication and public involvement.
- **Verification** – to give the community, regulators and operators confidence that sustainable businesses are achieving their objectives and commitments.

Petroleum producers would welcome the opportunity to work with Government to build on these priorities to establish an effective sustainability implementation model.

***Sustainability - a better quality of life for everyone, now and for generations to come***  
***UK Office of Sustainable Development***

## 1.0 INTRODUCTION

This submission has been prepared by Woodside Energy Ltd. in response to the draft strategy. The comments in this paper cover the broad principles of sustainability and their application to the petroleum industry. In addition, this submission outlines proposals for the implementation of some elements of the strategy in the resources sector. The aim is to develop a workable formula for the application of sustainability principles to continuing operations and new project assessments. The industry contends that the implementation proposals are relevant to a wide range of business and community groups in Western Australia.

This submission is not an endorsement or a detailed critique of the draft strategy. The conceptual nature and scope of the report, covering a large range of Western Australian issues, makes it unrealistic for a single company or an industry group to respond to the full detail of the strategy recommendations.

In its present form, the draft strategy is not a typical strategy document. The contents make up an extensive review of initiatives, issues and philosophies associated with sustainability in Western Australia. However, the material does not amount to an overall direction for decision-making at a working level. The report itself identifies the need for considerably more planning work before many of the principal objectives can be implemented.

In this context, this submission's comments deal with the principles and possible implementation programs for sustainability in the petroleum sector.

Woodside believes it is imperative that the Government involve key stakeholders, including industry, in the implementation process. The effectiveness of the strategy will depend on the ability of business and community groups to put the principles into practice. To develop practical, workable systems business and other interest groups should be involved directly in the development of structures and systems to implement the sustainability objectives.

## 2.0 THE COMPANY

Woodside Energy Ltd. is Australia's largest independent oil and gas exploration and production company. It is also the operator of Australia's largest resource development, the North West Shelf Venture in Western Australia.

Woodside has extensive production and exploration interests in Australia, including the North West Shelf, the Timor Sea, and the Otway and Gippsland Basins in southern Victoria. It also has interests in Mauritania, Algeria, the Gulf of Mexico and Papua New Guinea.

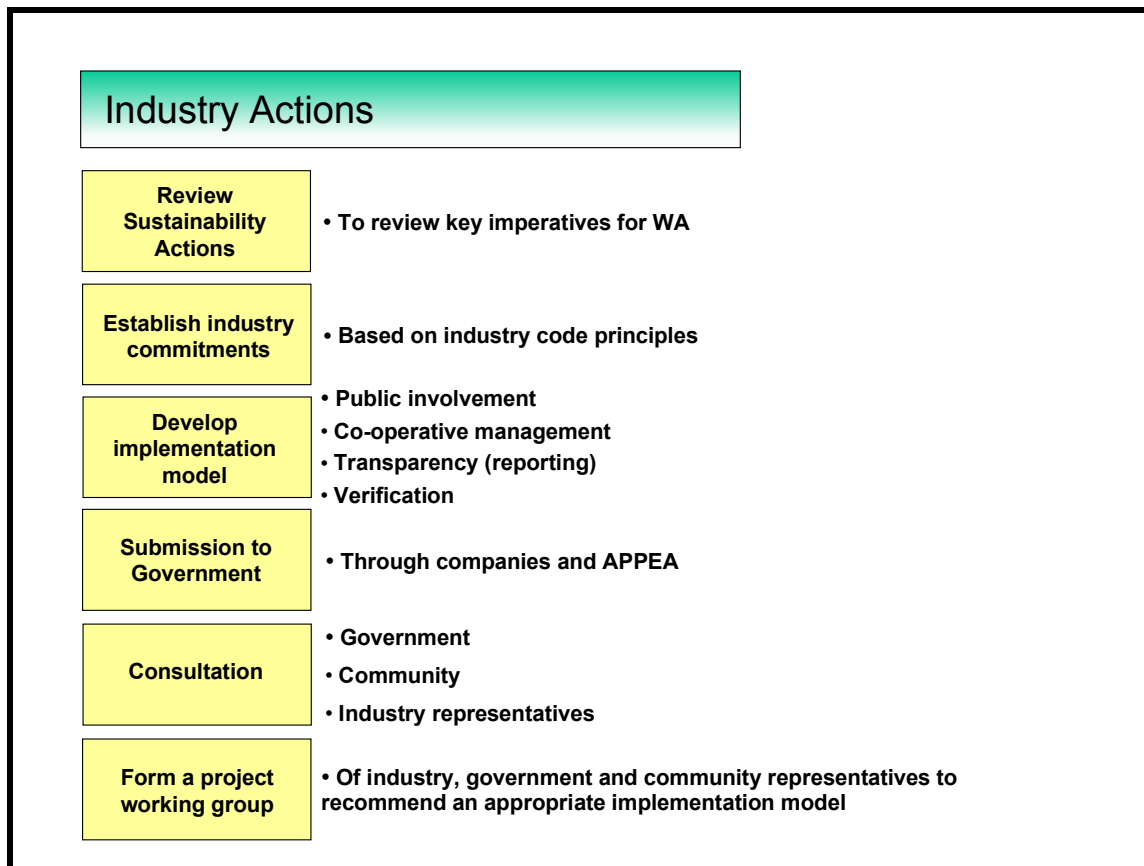
Woodside strongly supports the concept of sustainability in the resources sector and the Company is keen to work with the Government to ensure the development of efficient and effective processes. In this context, the Company has developed a conceptual implementation model that has the informal support of a number of other resource companies.

As part of the petroleum industry, Woodside is a major contributor to Australia's economy and community. The 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 Western Australia's environmental priorities by establishing more efficient energy production systems.

Woodside supports the Australian Petroleum Production & Exploration Association (APPEA) view that industry's future in Western Australia will be more significant than 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 global energy supplies – in addition to the manufacture of a wide variety of petroleum-based products, such as clean fuels, petrochemical products and fertilisers. The petroleum sector has an overriding commitment to responsible development. On this basis, the industry focuses on economic growth, safety, environmental sustainability and strong community partnerships making petroleum production integral to a sustainable future in Western Australia.

### 3.0 PROPOSED INDUSTRY PROGRAM

In working to develop a sustainable future, Woodside is proposing an implementation model to put some of the agreed principles into practice. The Company hopes to involve other business and community representatives to develop a process that is relevant to a wide variety of interest groups. The priorities are listed below:



### 4.0 DIRECTIONS FOR SUSTAINABILITY

As a number of industry submissions have noted, the draft strategy recognises the need for continued minerals and energy production in Western Australia. In addition, the report acknowledges the leadership being shown by the Western Australian minerals and petroleum sectors in developing sustainable practices. The industry supports the strategic goals of:

- Maintaining high standards of responsible development

- Establishing sustainability assessments
- Increasing community involvement
- improving the transparency of operations and assessments
- Establishing voluntary accreditation
- Supporting co-operative research

Existing Western Australian producers would welcome the draft strategy showing encouragement for increased minerals and petroleum processing in the State, particularly processing, which would use the best technology and contribute to more sustainable production on a global scale. Woodside also recognises the desirability of increasing the use of renewable energy.

## 5.0 SUSTAINABILITY PRINCIPLES

The basic principles outlined in the draft strategy are not totally consistent with priorities of sustainable development in the resources sector. The draft strategy describes sustainability as meeting the needs of current and future generations through simultaneous environmental, social and economic improvement.

### 5.1 Simultaneous Benefit

Specifically, the draft strategy defines sustainability as:

*“challenging and visionary. It implies, for example, that an activity that only addresses two of the dimensions simultaneously (say provides social and economic gains but trades off the environment) is ultimately not sustainable.”*

In Woodside's view, this definition is unrealistic. Progress and overall benefit to society involve balanced development and inevitable compromise. It is difficult to see how any major resource project could proceed without some negative impact on the environment. Unless the assessment is based on contrived justifications the project would fail the sustainability test. It is far more important that all of the essential environmental, social, economic and safety factors are considered and evaluated. An activity would be sustainable if the proponents could demonstrate a net overall benefit.

It is difficult to understand the need for a Western Australian-specific definition, when the original concept of “meeting the needs of the present without compromising the ability of future generations to meet their own needs” is almost universally recognised and supported. If the concept needs updating, then the succinct UK Office of Sustainability interpretation of “a better quality of life for everyone – now and for generations to come” would seem to be more appropriate.

Compared to other global sustainability initiatives, the Western Australian view of sustainability is strongly focussed on a narrow social and environmental paradigm.

The draft strategy outlines six sustainability goals:

- Government leadership
- Participation in global sustainability challenges
- Environmental protection and sustainable management of natural resources
- Planning for improved human settlement

- Support for community participation in sustainable development, and
- Business benefits from sustainability initiatives

Woodside, in common with APPEA and other petroleum producers, believes that the principles of sustainability should be broadened to increase the emphasis on three key areas:

- Safety
- Governance
- Viability

### **5.2 Safety**

Oil and gas producers regard safety as fundamental to the concept of sustainability. The industry has made safety its first priority in building a long-term future. Workers in the petroleum industry – and all other economic sectors, have a right to a safe work place. By definition, an unsafe work-place is an unsustainable work place. Safety is not a minor subset of community benefit or social improvement; it is a pillar of sustainability.

### **5.3 Governance**

The draft strategy covers the issue of governance without identifying a process for putting management systems in place. The industry considers the development of a governance structure will be the first essential step to a sustainable future. The obligations apply equally to business and Government. Major companies must set corporate governance standards to make sustainability 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.

### **5.4 Viability**

The link between viability and sustainability is fundamental to the potential of an effective strategy. The goals of the strategy would be difficult, if not impossible, to achieve without business profitability. Therefore, the efficiency of sustainability processes in Western Australia will be critical to the chances of success. If the structures are cumbersome, bureaucratic and inefficient, profitability will be reduced and sustainability in the resources sector will be inhibited. To achieve the kind of continuous improvement which sustainability implies, business will have to increase efficiency, reduce costs, manage commercial risk and maximise opportunities. The social and environmental goals of the sustainability strategy depend, in part, on profitability. Therefore, profit should be regarded as a legitimate and important dimension of sustainability.

## **6.0 RESPONSIBILITIES OF INDUSTRY AND GOVERNMENT**

Sustainability covenants and assessments could have profound implications for the way major resource companies conduct their businesses in Western Australia. The proposals will influence the development and operation of projects underpinning the State's economy. For the concepts to be effective and efficient, the implementation should take account of the following factors:

- Strategies by their nature should focus on planning around the big picture. Robust strategies give overall direction for decision-making at the working level.
- Development of natural resources in WA in a responsible and sustainable way is a complex balance of many issues that cannot be easily legislated or regulated.
- The development of broad principles or aspirations should be encouraged by



Government, but how individuals, companies, communities and governments meet these aspirations should be dependent on the individual circumstances and businesses. This process is supported in the draft strategy.

These concepts are consistent with a number of established industry programs emphasising:

- A commitment to continuous improvement
- Public involvement and accountability
- Third party verification, and
- A flexible non-prescriptive approach to development and operations

This formula leaves the companies free to develop the most efficient and relevant strategies for their operations. More significantly, it taps the initiative and the expertise of the businesses involved.

## **7.0 THE IMPLEMENTATION MODEL**

In considering a workable model for sustainability, petroleum producers recognise that the formula should be applicable to other business and community interest groups. Using the framework outlined in the draft strategy, four essential factors emerge in developing sustainable operations.

### **7.1 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

### **7.2 Public involvement**

In planning, development and operation. Community representatives (including employees) have key roles in identifying issues, reviewing information and recommending improvements

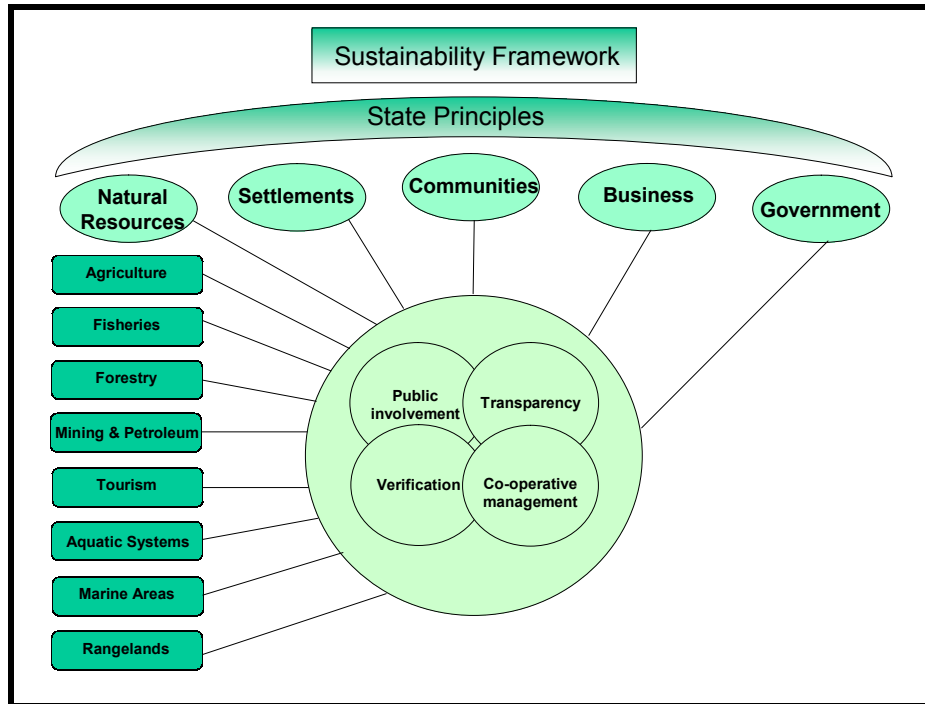
### **7.3 Transparency**

Through comprehensive reporting, effective communication and public involvement

### **7.4 Verification**

To give the community, regulators and operators confidence that sustainable businesses are achieving their objectives and commitments

The model outlined in the following diagram would be relevant to many business and community sectors.



## 8.0 EFFECTIVE IMPLEMENTATION

The oil and gas sector can contribute to the implementation of the draft strategy, with an initial focus on two key areas identified in the draft strategy:

- Sustainability covenants
- Sustainability assessments

### 8.1 Sustainability Covenants

The proposed sustainability covenants outlined in the draft strategy are voluntary agreements between the Government and companies or industry associations that are based on examples from the Netherlands and Australia.

The existing covenants have three key factors in common:

- The broad objectives are set by Government and industry
- The industry (or individual company) chooses the mix of technological, economic and planning measures it will use to achieve the result
- Companies which commit to covenants are exempted from more prescriptive regulation applying to other organisations

However, there is no specific formula for a covenant. Woodside would be keen to develop a process, which best suits local circumstances. Woodside's favoured option would be based on the very successful Offshore Safety Case Regime, established in 1996. The central feature of the program is the development of operation-specific objectives based on negotiated agreements between companies and relevant Government agencies.

The safety case regime is based on an acceptance that the direct responsibility for the ongoing management of safety is the responsibility of the operators and not the regulator, whose key function is to provide guidance as to the safety objectives to be

achieved. The operators can achieve those objectives by developing systems and procedures that best suit their needs and agreeing these with the regulator. This "safety case" then forms the rules by which the operation of the facility is governed.

Key elements of the safety case regime include:

- Risk assessment
- Management strategies
- Monitoring
- Ongoing audits or verification
- Workforce participation

The programs are based on a co-regulatory guidance document that sets both the standards to be achieved and the mechanism for achieving them.

A safety case serves two main purposes:

- To give the regulator confidence that the operator has the ability, commitment and resources to properly assess and effectively control risks to the health and safety of staff and the general public
- To provide a comprehensive working document against which the operator and the regulator can check that the accepted risk control measures and safety management systems have been properly put into place and continue to operate in the way in which they are intended

Applying the same principles to the broader issue of sustainability, the Government and individual companies or industry groups would agree to a set of overriding commitments.

These would cover:

- Safety programs
- Environmental management objectives
- Economic and community benefits
- Consultation
- Communication

The objectives would be based on a demonstration of continuous improvement, rather than prescriptive limits or arbitrary benchmarks. Each company would be responsible for the operating and commercial strategies required to achieve the agreed results.

Progress toward meeting the targets would be measured and reported on a regular basis. These reports would be subject to independent verification.

## **8.2 Sustainability assessments**

Sustainability assessments, as proposed in the draft, would be used to evaluate the potential environmental, social and economic impacts of proposed developments.

To be effective, sustainability assessment will have to be an efficient, simultaneous whole-of-government approach to project evaluation. The process will not be successful if the Government simply adds economic and social layers of assessment to the existing environmental approval process.

This becomes particularly important in dealing with issues such as greenhouse gas emissions. Assessing greenhouse gas production in an exclusively environmental context would defeat one of the fundamental objectives of sustainability. On this basis, a sound assessment would review the economic, environmental and social implications of greenhouse gas production in considering a project application.

The first sustainability assessment has been developed on an informal basis for the Gorgon Gas Development at Barrow Island. The Gorgon process was established to deal with circumstances unique to the Barrow Island project. It has since been adopted by a number of Government agencies as an example of the process to be used for future assessments. In broad terms, Woodside supports the holistic approach to identifying and assessing the issues relevant to the project. However, the concept has yet to be tested as a practical and effective formula for business as a whole. In Woodside's view, a sound assessment process should be:

- Effective – to manage all of the key issues
- Clear – to ensure that the process is easy to understand
- Consultative – to involve the community in decision-making
- Efficient – to allow for timely and economic planning
- Flexible – to make the assessments relevant to the projects

One of the most important elements of efficiency in the approval process is the consolidation of the assessments. Neither community nor business interests are served by a complex sequence of procedures and reviews. Wherever possible, assessments should be part of a single logical process. If multiple assessments are unavoidable, the reviews should be managed concurrently.

At present, the State Government is implementing a reform program for Western Australia's project approval process. Many of the reforms have broad industry support. However, there are serious concerns about a move towards less flexible and more rigid assessment of selected major projects. Industry would strongly oppose the introduction of more prescriptive and bureaucratic requirements for sustainability assessments.

If the Government were to accept the validity of a partnership approach to sustainability, the assessments could be modified to suit specific proposals. On this basis:

- The initial proposals – drawing on input from developers, Government and community groups - would identify the potential safety, environmental, social and economic issues.
- The project plans developed by the proponents would show how the issues should be addressed; what studies would be needed and how the community would be consulted.
- The proponents and the Government would agree to a set of objectives and commitments.
- A resulting sustainability report would be subject to public review.
- The Government would then reject or approve the project with necessary conditions or adjustments

The concept would be a modified version of the present environmental assessment process, with an emphasis on agreed commitments, public participation and effective

reporting. The framework and capability to review safety, social and economic information would be developed jointly by Government, industry and community groups.

### 8.3 Commitments and objectives

The basis for effective industry-generated sustainability programs is a set of agreed commitments that identify the goals and requirements for success. Effective programs developed during the past decade have been built on a number of common principles, including:

- **Accountability** – to demonstrate responsibility in the way businesses are developed and operated
- **Consultation** – involving communities in planning and production
- **Communication** – to establish trust and transparency
- **Environmental management** – including the priorities of conservation and biodiversity protection
- **Risk management** – of environmental, safety, social and economic factors
- **Continuous improvement** – based on unit production and clearly identified performance objectives
- **Product stewardship** – as part of the corporate responsibility for upstream and downstream activities
- **Social responsibility** – generating sustainable community benefits
- **Viability** – the foundation stone for any kind of sustainability

### 8.4 Development of an implementation model

Many of the State's leading resource producers would welcome the opportunity to work with the State Government and community representatives to develop sustainability implementation programs.

We would encourage that the next step would be the establishment of a project working group. This group could involve representatives of the Sustainability Policy Unit, the Environmental Protection Authority, Department of Industry and Resources, the conservation movement, APPEA and Western Australian petroleum producers. The group would examine:

- Successful examples of sustainability in the resources sector
- Key issues to be addressed in developing effective new processes
- Appropriate levels of flexibility and self-management
- Public participation
- Safeguards for the community (including reporting and verification)
- Government structures and regulatory requirements
- An implementation process and timetable

The group would make recommendations to the State Government on an efficient and effective formula for the implementation of sustainability principles to the resources sector. The concepts could be adapted for use in other areas as a blueprint for putting principles into practice. The initiative would make a valuable contribution to the sustainability strategy.