



ConocoPhillips Australia Pty Ltd  
ABN 86 092 288 376

Level 1, 33 Park Road  
Milton, QLD, 4064  
PO Box 1243  
Milton, Qld, 4064  
Phone 61 (0) 7 3182 7302

10 August 2018

ABUE-ABUE-DITE-L-00004

Committee Secretary  
Standing Committee on Industry, Innovation, Science and Resources  
PO Box 6021  
Parliament House  
Canberra, ACT 2600

Email: [iisr.reps@aph.gov.au](mailto:iisr.reps@aph.gov.au)

Dear Sir/Madam,

**Inquiry into how the mining sector can support businesses in regional economies**

Thank you for the opportunity to provide a submission to the Standing Committee on Industry, Innovation, Science and Resources which is reporting on how the mining sector can support businesses in regional economies.

Through its affiliates in Australia ConocoPhillips Australia Pacific LNG Pty Ltd and ConocoPhillips Australia Pty Ltd (together "COPA"), ConocoPhillips is respectively a 37.5 per cent shareholder in Australian Pacific LNG ("APLNG") and the downstream operator for APLNG, a world-class business that converts coal seam gas (CSG) to liquified natural gas (LNG) in Queensland. ConocoPhillips has a long-term commitment to Queensland and during the past decade, has invested more than AUD \$18 billion, and plan to invest many billions more in the years ahead.

Headquartered in Houston, Texas, ConocoPhillips is the world's largest independent exploration and production company, based on proved reserves and production of liquid and natural gas. We currently operate in 17 countries, and in each of those countries we work closely with our local communities to identify stakeholders and work with them to understand their interests, concerns and culture. We actively solicit community feedback and collaborate with stakeholders at the local, state and federal levels to implement our commitments to community engagement.

This submission is by COPA in its capacity as operator of APLNG's LNG facility (also known as downstream) and in its capacity as a shareholder in APLNG, and will focus on the regional centre of Gladstone, where the LNG facility and employees are based.

COPA has been an active investor and employer in Queensland since 2009. We currently have 150 employees and 140 contractors in Gladstone, and at peak, in excess of 3,000 workers were involved during the construction of the LNG facility.

As downstream operator, COPA's cumulative local contribution from construction of the LNG facility and ongoing operations in Gladstone since construction began in 2011 has been significant. The below figures are specific to the downstream construction and operation, and do not include the gasfield or pipeline development.

- In Gladstone: \$823 Million



- In Queensland: \$7.32 Billion
- In Australia: \$8.51 Billion

COPA's wages (labour and technical support) for work related to APLNG since 2011 has been over \$1 Billion.

Investment in the Gladstone community has been a priority to COPA as downstream operator of APLNG. Our focus has been investing in programs and partnerships that are sustainable and provide real value for the region. Spend to date has been over \$21 Million, on education, training, business capacity building, Indigenous community development, natural resource stewardship and cultural programs. We look forward to continuing to partner with the community to grow and enhance these areas.

Through the construction phase and now in operations, we are pleased to be able to share some of the lessons learnt (as outlined below) and our key achievements.

#### **Best practices between the mining sector and businesses, especially in regards to how they can support regional communities and economies**

Developing a strong local supply chain is one of the most sustainable ways in which COPA supports regional economic development. Over many years, we have held targeted supply chain briefings on both opportunities and guidance on developing capabilities to support the gas and LNG industry. These have resulted in some local businesses taking innovative approaches to upskilling their workforce and services with a proactive long-term view.

With a strong engagement and relationship focus, COPA encourages innovative thinking and approaches to work scopes that may have been considered beyond the capability of small to medium businesses. We work to improve our performance with our contractors by joint problem-solving capability and getting alignment on values. Evidence of success in this approach has seen a local business, Xtreme Engineering, in the Gladstone region receive a global supply chain recognition award from ConocoPhillips in the execution of specific work packages. One of only ten awardees worldwide, Xtreme Engineering was recognised for their work as part of ongoing maintenance at the APLNG LNG Facility.

Planned operational shutdowns also provide opportunities to local businesses. In two maintenance shutdowns in March and April 2018 at the APLNG LNG facility, COPA, as the downstream operator, of APLNG, spent over \$5 million with Gladstone based businesses during this period. Employment also benefited, with 200 additional contractors required for the shutdowns, with 73 percent local to Gladstone. Such shutdowns, requiring similar support, will occur on a planned basis over the life of the asset.

#### **Barriers to the greater use of regional businesses in the procurement of services in the mining sector.**

In our experience, a significant barrier to the greater use of local suppliers is a reluctance to change the way they do business to meet the needs of new resource sector projects. Small to medium enterprises in regional locations often struggle to justify investment in growth opportunities, or more specifically, are risk averse. In the case of the natural gas to LNG industry, significant effort



has been made to help businesses understand gas industry standards, regulatory obligations and what competencies and accreditations are required to either work in or supply to the industry.

Further, there is often an expectation that because a potential supplier is based locally, they should be preferentially treated even when contract bids are uncompetitive or do not meet the safety standards or systems accreditation required for COPA operations. Supporting regional supply chains is a priority for our sector, but it brings with it a continuous need to educate, encourage and focus businesses to look inward on their own approach to competitive advantage and sustainable outcomes.

**Building the skills and expertise of businesses to leverage opportunities in the mining sector.**

Building skills and expertise is managed in a number of ways and should not solely be focused on a business' current capacity and capability to supply goods and services. It should also consider approaches for new and existing businesses to improve their safety performance and identify collaboration opportunities.

COPA has invested significantly in supporting regional third-party industry bodies such as the Gladstone Chamber of Commerce and Industry, and the Gladstone Engineering Alliance to work with their membership on business development opportunities – for example, business coaching, expert advice on developing capability statements, tender submissions, as well as encouraging skill-sharing through collaborative approaches to potential contracting opportunities where a combination of skill sets can result in a successful bid.

COPA continues to financially support and participate in regional supply chain expos with the aim of connecting businesses in the region. Uniquely in the Gladstone region, COPA also conducts an annual Health, Safety and Environment forum with its contractors to share best practice approaches and transfer knowledge on environmental and safety performance in the LNG industry – focused on both personal safety and process safety. These opportunities have been well received and help to upskill local businesses.

It is also critical to invest in pathways for students to move into the relevant industries. Programs like the Queensland Minerals and Energy Academy and the CQU STEM Central, help educate and encourage young students into resources careers to ensure that business like COPA, as well as suppliers and contractors have sufficient local skills to rely on.

COPA thanks the Standing Committee for this opportunity to provide our perspectives on the Inquiry. Please contact Fiona McLeod, should you require  
further information.

Yours sincerely

**Wendy King**  
President  
ConocoPhillips Australia East