

# CHAPTER 6

## Conclusions and Recommendations

### Conclusions

#### *Impact of the Varanus Island Gas Explosion*

6.1 There is no doubt that the Western Australian community faced significant problems as a result of the gas explosion. Business and industry experienced significant loss and industry failed to meet production targets due to the lack of gas supplies.

6.2 However the committee found there was no evidence as to a large impact on employment in Western Australia. This is consistent with the view expressed by business to the committee. However, while few workers have lost their jobs, it was reported that some have been stood down or required to take annual leave at times not to their convenience.

6.3 It is the committee's view that due to reliance of the community and industry in the south west of Western Australia on the Varanus Island gas facility that there was a disproportionate disruption to that part of Western Australia. Evidence was received from individuals who experienced significant dislocation to the extent that their businesses were faced with closure.

#### *Contractual Arrangements and Supply*

6.4 Based on the evidence received by the committee, no definitive conclusion can be reached in relation to the nature of contractual arrangements forced on business and industry during the gas crisis, or their status since the resumption of gas supplies from Varanus Island. A definitive conclusion was not possible due to the decision by Alinta not to appear and provide evidence to the committee. Notwithstanding this, the committee has no evidence that price gouging or unfair contracts were a feature of the market during the crisis. There is no doubt that some witnesses have a strong perception of market abuse and unconscionable conduct by market participants.

#### *Government Response*

6.5 The committee believes that the former Western Australian government responded in an adequate manner to the crisis and their management of the crisis was professional and effective. There was no evidence that the former state government acted in an improper manner or refused to release relevant facts and documents.

#### *Energy Security*

6.6 Energy supplies in Western Australia are prone to serious dislocation due to the lack of a mature, diverse and competitive market. This situation, coupled with

limited supply capabilities, leaves the Western Australian community and industry prone to severe dislocation as a result of plant or pipeline failure.

6.7 The reliance on limited sources of gas production and supply for the domestic market is a significant impediment to the continuity of supply of energy for Western Australian consumers and industry.

6.8 There is no short-term capacity to provide significant amounts of reliable and affordable supplies of alternative energy sufficient to mitigate against a similar crisis if another major gas failure is experienced.

6.9 The feasibility of developing emergency storage facilities of gas in depleted reservoirs or other repositories is limited and would not result in continuity of supply during a similar crisis.

## **Recommendations**

6.10 The committee provides the following recommendations:

### **Recommendation 1**

#### *State Government crisis coordination*

6.11 **The Western Australian Government should convene a forum comprised of gas producers, suppliers, power companies, industry groups, media outlets and community representatives to discuss and develop a range of standardised emergency response measures in the event that another gas crisis is experienced in Western Australia.**

6.12 **The forum should examine initiatives, including but not limited to, providing increased transparency and improved communication during periods of disruption to gas supply. Improved communication from government to the community and industry groups to their members would assist in the dissemination of timely and relevant information to the public and industry throughout Western Australia. In addition an analysis of the feasibility of improved contingency planning by government and the market should be undertaken.**

6.13 **The forum should also discuss the operation of the Gas Supply Coordination Committee and the Gas Supply Disruption Recovery Committee and whether there are improvements that can be made to the operation of these committees if another gas crisis eventuates. An assessment should be made of the Office of Energy priority schedule for gas supply and, whether, in hindsight, any improvements or modifications should be made to the schedule.**

## **Recommendation 2**

### *Emergency powers and the market*

6.14 The Western Australian Government should conduct an internal analysis of the effectiveness and appropriateness of the legislative framework to deal with periods of energy crisis in Western Australia. Issues such as the government's capacity to invoke emergency powers in the public interest and the effectiveness of government intervention in a market-based industry should be analysed. In particular the response to emergencies under the Energy Coordination Act 1994 (WA) and the emergencies under the Emergency Management Act 2005 (WA) legislation should be assessed for their appropriateness following the experience of the Varanus Island gas explosion crisis.

## **Recommendation 3**

### *Energy security plan*

6.15 The Western Australian Government should conduct, as soon as practicable, the review of gas security announced on 6 August 2008. The review should be conducted in coordination with the Commonwealth's National Energy Security Assessment currently being conducted by the Commonwealth Department of Resources, Energy and Tourism.

## **Recommendation 4**

### *Increasing competition in the Western Australian energy markets*

6.16 To support increased competition and provide the community with improved information the Western Australian Government should establish a permanent gas bulletin board. Any permanent gas bulletin board should include the provision of information on pipeline capacity and flows to increase the transparency of the gas market in Western Australia. The committee also recommends that the state government explore options to provide the Office of Energy with powers to examine and publish transportation figures from the Dampier Bunbury Natural Gas Pipeline and the Goldfields Gas Pipeline.

6.17 The Western Australian Government should actively engage with the alternative energy industry in Western Australia in order to progress energy diversification through increased alternative energy capacity.

6.18 The Western Australian Government should also examine whether the current market-based approach to energy supply is providing sufficient information, openness and competition to Western Australian consumers.

## **Recommendation 5**

### *Short-term contractual arrangements during a period of crisis*

**6.19** The Western Australian Government should commence discussions with energy suppliers on the need to balance the market approach with community and industry needs during a period of gas shortage. In particular, the need for improved transparency and accountability from the gas and energy industry during periods of crisis should be addressed. Given the perception of "price gouging" and unfair contracts it is in the interest of the industry and the government to examine increased transparency and accountability during periods of energy supply crisis.

## **Recommendation 6**

### *Contractors*

**6.20** The committee received evidence from several contractors in the south west who were severely affected by the gas shortage. It was reported that Centrelink are limited in the assistance they can provide to independent contractors. The Department of Human Services should undertake an investigation of these concerns.

**Senator Annette Hurley**  
**Chair**