



Local content rules are in our national interest

First published in The West Australian, 27 January 2015

The irrepressible Sir Humphrey Appleby once cautioned his long-suffering Minister, “I don’t think we need to bring the truth in at this stage.”

Fortunately Federal Labor MP Alannah MacTiernan thinks it’s time for some truth in our national energy debate with her call in these pages for Australia to “make sure we are protecting our long term national interest” in managing our natural gas resources.

But what is our national interest?

For too long we have allowed large multinational oil and gas producers to define national interest in terms of what is good for their companies’ bottom line profits.

The LNG export industry is important for Australia and has helped develop our massive offshore gas resources, albeit with significant assistance from WA taxpayers.

But Ms MacTiernan now challenges the mythology that has built up around this industry by asking why Australia, unlike other nations, doesn’t require these projects to do some or all of their engineering work locally.

It’s a fair point given the ubiquitous claims of oil and gas producers, dating back to the 1990s, that WA was set to become a “centre of excellence” for LNG project work.

The engineering and design work for the Pluto, Gorgon, Wheatstone and Ichthys projects has been carried out overseas. A State Parliamentary inquiry found this “had a dramatic impact on local content providers.”

So we are missing out on jobs in the engineering and design phase and then in the construction phase. Local content is not mandated at a Federal level and the State system is open to being gamed by the project proponents.

The advent of floating LNG technology will only exacerbate the problem.

Floating LNG projects will create thousands of jobs. Unfortunately these will be found in the shipyards of South Korea, while the engineering will be done in Paris with major module work done in places like Dubai.

So what’s really in it for WA?

Well the industry now says that Perth will become a “centre of excellence for floating LNG”. It does have a familiar ring.

As one senior public servant bluntly noted “we have heard terms like ‘oil and gas hub’ and ‘centre of excellence’ thrown around now for decades to the point where it really has become meaningless rhetoric. ... it is being offered as a palliative; as the substitute for the loss of the substantial benefits that would normally apply to an onshore operation.”

Floating LNG technology will also allow producers to export all of our gas with none of it coming to support jobs and industry in WA. Both the Federal government and Opposition support this.

In the US the Obama administration boasts of \$100billion of new job-creating projects thanks to the availability of competitively priced gas.

But as jobs wind down in our resources sector, major projects in WA remain on the drawing board as proponents can’t secure long-term supply contracts for the gas they require.

Ms MacTiernan’s concern about front-end engineering jobs is both warranted and commendable. But the previous Labor government’s 2012 Energy White Paper made it clear that “the Australian Government does not support mandated levels of local participation.”

The Abbott government’s 2014 Energy Green Paper states the “government cannot simply mandate the use of local labour and industries.”

Well yes it can, as Ms MacTiernan has shown with her examples of Canada, Norway and Korea.

Other governments are prepared to call the producers’ bluff and play hardball to get the best deal for their nations, including ensuring they have the gas they need for their domestic industry.

But as one 40-year engineering veteran lamented to last year’s Parliamentary inquiry, “It seems as if the French look after the French, the Americans look after the Americans, while Australians look after everyone else except Australians.”

We need a national energy policy that puts Australia’s national interest, not the interests of oil and gas companies, first. Let’s hope Ms MacTiernan’s timely intervention is the first step toward that outcome.

Matt Brown is the Executive Director of the DomGas Alliance, which represents major industrial users of gas in WA.