



Project life greenfields agreements

Submission to the Attorney General's Department by Woodside Energy Limited

1st November 2019

Introduction

Woodside is the pioneer of the LNG industry in Australia and the largest Australian natural gas producer. We have a global portfolio and are recognised for our world-class capabilities as an integrated upstream supplier of energy. We welcome the opportunity to respond to the Attorney-General's Department Issues Paper *"Attracting major infrastructure, resources and energy projects to increase employment – Project life greenfields agreements."*

The objective of Woodside's submission on this matter is to ensure that current regulations pertaining to enterprise agreements are fit for purpose into the future and support major construction developments in the industry. This is critical in order to facilitate positive Financial Investment Decisions (FIDs) and therefore the creation of jobs, training, revenue and security flowing from them. This can be achieved by providing increased certainty for large projects, especially in trade exposed industries and major infrastructure projects, that take longer to complete than the current four (4) year maximum term allowable for enterprise agreements. This submission makes the case for the introduction of Life of Construction Project Agreements (LCPA's) and presents a model for how this can be done with minimal changes to the Fair Work Act. The suggested model ensures continued oversight by the Fair Work Commission (FWC) and long-term protections and security for Australian workers and industry alike.

Burrup Hub

Woodside is aiming to create a regional LNG production hub on the Burrup Peninsula, where we have been safely and reliably operating for more than 30 years. Our vision for the Burrup Hub involves the proposed development of some 20 to 25 trillion cubic feet (Tcf) of gross dry gas resources from Scarborough, Browse and Pluto, relying on our existing and proven LNG facilities – Pluto LNG and the Karratha Gas Plant (KGP). The Burrup Hub would supply domestic and export markets for decades to come and ensure Australia is a key supplier to meet the emerging LNG supply gap. The hub is also intended to provide the infrastructure to process other third-party resources in the future. It has the potential to unlock and process more gas than the entire volume which has been extracted from the North West Shelf (NWS) since start-up in 1984.

The FIDs for the projects that will give rise to the Burrup Hub are approaching, with an estimated construction period spanning 2020 – 2027. Certainty around wage costs and timeframes will assist greatly in securing positive FIDs and ensuring safe and efficient execution.

Economic Benefits from the Burrup Hub

Woodside calculates that the Burrup Hub growth projects we are considering can support over 4600 direct jobs in the construction phase and sustain an average of 1,100 direct jobs in steady state operations, plus more than 4000 jobs nationally throughout the supply chain. This includes up to 460 jobs in the Karratha region during operations. Businesses in Karratha will on average benefit from over \$86 million per annum of direct localised spending required to operate the Burrup hub. We estimate that the real incomes of Australians will increase by \$370 billion of which over \$22 billion will be retained in Karratha and a further nearly \$4.8 billion in Broome. Over \$82 billion of total taxation and royalty payments is estimated to be directly paid as a result of the Burrup hub, as well as \$44 billion in indirect taxation payments. Woodside also calculates a \$414 billion boost to the national Gross Domestic Product (GDP), which is the equivalent of over 20% of Australia's current GDP.

A Life of Project Model

The proposed model is relatively straight forward and would require minimal legislative change. Woodside believes it is important this model is fair to workers, whilst preserving the roles of unions and the FWC.

The proposed LCPA's should apply to the construction, commissioning and hook-up phases of major projects (including supply chain activities), that meet or exceed the following thresholds:

- Projects budgeted in excess of \$1billion; and
- Projects engaging in excess of 2000 workers during the construction, commissioning and hook-up phases; and
- Projects being undertaken in, or supporting, trade exposed industries and major infrastructure.
- Additionally, the FWC should have power to declare a Construction Project to be a major project, where it is a nation building one, having regard to its contribution to the economic prosperity of Australia.

Agreement terms:

- LCPA's to be negotiated prior to FID by the head contractor and relevant construction unions and cover all work to be performed during the construction, commissioning and hook-up phases of the project;
- If the timeframe between concluding negotiations and FID is more than 6 months, the commencement wage rates and allowances are indexed to CPI;
- The term of the LCPA to be the term of the construction, commissioning and hook-up phases of the major project. The head contractor must disclose the estimated durations and negotiate terms to apply throughout that period.
- In the event that the phases extend beyond the estimated period, the head contractor must notify relevant unions as soon as reasonably practicable and seek to negotiate rates of pay and allowances for the extended duration(s). Such negotiations will occur without recourse to protected industrial action. Where no agreement can be reached, the FWC has power to arbitrate increases to wages and allowances for the extended duration(s). In arbitrating, the FWC must ensure the wages and allowances are consistent with CPI movements, award wage increases, industry and community standards.

Coverage

- The agreement shall apply to all contractors engaged to perform work on the project who do not already have an in-term enterprise agreement that would otherwise cover the work of the above-mentioned phases, including supply chain activities (eg. supply vessels).
- There shall be a right for relevant unions to apply to the FWC in cases where harshness or unfairness would result from the LCPA applying to any such contractors' employees. This will protect against situations where unfairness flows from applying the LCPA.

Economic and Social Benefits of Life of Project Industrial Agreements

Our industry relies on its reputation as a lucrative investment option and reliable supplier of export product. Threats or actual occurrence of industrial action present significant risks to project costs and completion timeframes, therefore impacting Australia's reputation as a world-class resources and energy provider. The current enterprise agreement framework must be reviewed to provide certainty and confidence for the next wave of investment. This objective is critically important given that future planned resources and infrastructure developments, including the proposed Woodside operated projects, will involve lengthy construction periods in excess of four (4) years.

In Woodside's view, the LCPA model will provide social and economic benefits to communities and society as a whole, increased and stable employment and security of cashflow for quiet Australians. Consumer spending is a major component of aggregate demand (60%) and economic growth.

By providing wage certainty for the full duration of a project, the willingness of workers to spend and make long term financial plans will greatly increase. Personal financial certainty and stability of employment is likely to increase consumer confidence and stimulate the local economy as well as result in a multiplier effect on the economy at the state and federal levels.

Additionally, we have seen how disruptions to large scale projects as a result of enterprise bargaining agreement negotiations during project execution can cause a detrimental effect on workers and

communities in the form of distraction on the job and a level of angst regarding the future. This mindset often leads to a rise in safety related concerns impacting not only the efficient completion of the project, but more importantly the mental health and physical safety of its workers. Fixing this unnecessary risk will enable the fostering of a safer, more positive and collaborative work culture.

Recommendation

The Australian Government should amend s.186(5) of the Fair Work Act 2009 (Cth) to allow enterprise agreements to specify a nominal expiry dates that matches the life of major projects.

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