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Committee Secretary
Education and Employment Legislation Committee
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600
AUSTRALIA

Dear Committee

Submission to: Fair Work Amendment (Supporting Australia's Jobs and Economic Recovery) Bill 2020 [Provisions] Inquiry

Introduction

Woodside welcomes the invitation to make a submission in relation to the Fair Work Amendment (Supporting Australia's Jobs and Economic Recovery) Bill 2020 (the Bill). While the Bill covers a number of issues, Woodside is only responding to the section of most relevance to us, being Schedule 4 Greenfields Agreements and the associated regulatory impact statement.

As noted in the Bill's Explanatory Memorandum, greenfields agreements are used extensively on major projects in industries such as construction, mining, infrastructure, and oil and gas production, with the current maximum term of the agreement four years.[1]

For greenfields agreements to be effective and fit-for-purpose in the oil and gas industry, it is critical that the nominal life of these agreements is increased in order for them to align with the schedules of the construction period.

In principle, Woodside supports the proposed changes to *the Fair Work Act 2009 (Cth)* (FW Act) as articulated in Schedule 4 of the Bill. However, for Schedule 4 of the Bill to fulfil the objectives stated by the Minister for Industrial Relations, Woodside recommends an additional amendment to the proposed wording of s.185(b)(i) and s.187(7)(b) in order to clearly define the nature of work that will be covered by an agreement, which we believe would be in the best interest of all parties.

In support of this, our submission provides an overview of Woodside, our proposed development plans, the key benefits to all parties that arise from an increase to the greenfields agreement duration period and suggested amendments to the Bill to avoid ambiguous definitions.

About Woodside

Woodside led the development of the LNG industry in Australia and is applying this same pioneering spirit to solving future energy challenges. We have a focused portfolio and are recognised for our world-class capabilities as an integrated upstream supplier of energy.

As Australia's leading LNG operator, we operated 5% of global LNG supply in 2020.

[1] Page 85, Fair Work Amendment (Supporting Australia's Jobs and Economic Recovery) Bill 2020 [Provisions] Explanatory Memorandum.

In Western Australia, we are creating an integrated LNG production hub on the Burrup Peninsula. Building on more than 30 years of operations, we are proposing to bring the offshore Scarborough and Browse gas resources through our existing assets, the Woodside-operated Pluto LNG and North West Shelf (NWS) Project. We also operate two floating production storage and offloading (FPSO) facilities, the Okha FPSO and Ngujima-Yin FPSO.

Collectively, our operated assets are renowned for their safety, reliability and efficiency and we have a strong track record in project development.

We are committed to upholding our values of integrity, respect, discipline, excellence, working sustainably and working together. Our success is driven by our people, and we aim to attract, develop and retain a diverse, high performing workforce.

Scarborough and Pluto Train 2 development

The Scarborough gas field is located approximately 400 km west-north-west Australia and contains an estimated contingent resource (2C) of 11.1 Tcf of dry gas.

Woodside is proposing to develop the Scarborough gas resource through new offshore facilities connected by an approximately 430 km pipeline to a proposed expansion of the existing Pluto LNG onshore facility (referred to as Pluto Train 2).

A final investment decision on the Scarborough and Pluto Train 2 development is targeted for H2 2021 and first LNG cargo in 2026.

Woodside expects significant long-terms benefits from the development of Scarborough and Pluto Train 2, including:

- A peak construction workforce of almost 3,200 jobs;
- Capital expenditure of ~A$16 billion in WA to 2051; and
- Boosting Australia’s Gross Domestic Project by A$125 billion by 2063.

Collectively, the Scarborough and Pluto Train 2 development supports both local operations and communities within WA, including long-term investment in education, training and jobs for decades to come.

Economic and Social Benefits of Life of Project Industrial Agreements

Our industry has a long history of investing in projects that deliver economic and social benefits to all Australians. In the past decade, the industry has invested more than $350 billion in Australia and accounts for more than 80,000 direct and indirect jobs.

Threats or the actual occurrence of industrial action presents 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 Woodside’ proposed Scarborough and Pluto Train 2 development, will involve lengthy construction periods in excess of four years.

By providing wage certainty for the full duration of a project, employers, employees and investors can make long-term decisions knowing the circumstances will not change.

Additionally, we have seen how disruptions to large scale projects as a result of enterprise bargaining agreement negotiations during project execution can have a detrimental effect on workers and communities and increase the risk to suboptimal health and safety outcomes.

Life of a Construction Project

While Woodside supports increasing the four year limit of greenfields agreements to avoid agreements expiring mid-construction, we note the proposed amendments in section 4 of Schedule 4 of the Bill limit the application of a greenfields agreement to work that “relates only to the construction of a major project”.

Woodside notes that a definition of construction does not currently exist in the FW Act, nor does the Bill propose to introduce one. Ambiguities may arise from the wording in regard to when construction ends and the next phase of a project commences.

Specific to the industry in which Woodside operates, this may concern whether the construction, hook-up and commissioning stages of a project are included as works that relate to the construction of a major project. In order for the agreements to span the construction life of a major project and meet the true intention of the proposed amendments in Schedule 4 of the Bill, the wording in s.186(5)(b)(i) and s.187(7)(b), as proposed in the Bill, should be amended as follows:

> **186(5)(b)** the date will be no more than:
>
> **(i)** if the agreement is a greenfields agreement and the FWC is satisfied that the work to be performed under the agreement principally relates to the construction of a major project – 8 years after the day the agreement will come into operation; or
>
> **187(7)** If:
>
> **(b)** the FWC is satisfied that the work to be performed under the agreement principally relates to the construction of a major project; and

Amending the proposed wording for s.186(5)(b) and s.187(7)(b) in the Bill clarifies the works that will be covered by a greenfields agreement on a major project. Increased clarity on this matter will minimise disputes as these projects transition from construction to the operational phase.

Conclusion

Woodside supports the Australian Government amending the FW Act, in accordance with Schedule 4 of the Bill, to allow an enterprise agreement to specify a nominal expiry date that matches the life of a greenfields project up to a maximum of eight years after the day the agreement will come into operation.

Additionally, so as to remove any ambiguity from the legislation, the wording in relation to the works covered by an agreement should be amended to ensure that the agreement meets its purpose of covering works principally relating to the construction of a major project.

Regards

Meg O'Neill
Executive Vice President Development and Marketing

Assumptions

The economic impact analysis outlined in this submission was undertaken on the assumption that joint venture and regulatory approvals are obtained, and commercial agreements finalised.

The study period for the economic impact assessment was 2019-2063.

All results presented are for the total share of the development and therefore include the Woodside share as well as joint venture share.

All values are reported in real Australian dollars (2018).

All estimated construction and operation spending data for the Scarborough Development was supplied by Woodside and from publicly available information. Capital expenditure includes initial construction costs, ongoing capital costs and end of life abandonment costs.

A flat USD$65 per barrel price for oil was assumed, with prices for LNG, LPG and Condensate benchmarked to this.

Reported direct taxation and royalty payments paid by Woodside and its joint venture participants include all Company Taxation, Petroleum Resources Rent Taxation (PRRT), Payroll Taxation, development specific royalty payments, Condensate Excise, and carbon payments.

A full copy of the Economic Impact Assessment (published in June 2019), assumptions and details on the methodology used to calculate the outputs is available from:
https://acilallen.com.au/uploads/media/Scarborough-Development-Summary-Brochure-1562111066_1-1612992814.pdf