

Gladstone Liquefied Natural Gas project

Coordinator-General's change report on Local Industry Participation Plan

March 2013

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1. Introduction

The *Gladstone Liquefied Natural Gas - GLNG Project: Coordinator-General's evaluation report for an environmental impact statement* (Coordinator-General's report) was released in May 2010, pursuant to section 35 of the *State Development and Public Works Organisation Act 1971* (Qld) (SDPWO Act).

The proponent for the Gladstone Liquefied Natural Gas (GLNG) project is an unincorporated joint venture between Santos and PETRONAS. Santos and PETRONAS respectively have a 60 per cent and 40 per cent participating interest in the project. The proponent is referred to as Santos GLNG in this change report.

1.1 Legislative provision for change report

In March 2013, the proponent applied to the Coordinator-General to assess a proposed change to a project, under Division 3A, section 35B, of the SDPWO Act. In accordance with section 35C of the SDPWO Act, the Coordinator-General has evaluated the effects of the proposed change, its effects on the project and any other related matters, and prepared this Coordinator-General's change report.

2. Public notification

In accordance with section 35G of the SDPWO Act, the Coordinator-General must decide whether or not the proponent is required to publicly notify the proposed change application and any effects on the project.

The proposed change does neither materially affect the obligations contained in the relevant conditions nor require complex evaluation. Accordingly, it is the view of the Coordinator-General that the proposed change did not warrant public consideration and the request for project change was not publicly notified prior to evaluating the change application.

3. The proposed change

Santos GLNG has requested the withdrawal of Condition 15, Part 3 – Social Impact (Appendix 1), of the *Coordinator-General's Report on the Gladstone Liquefied Natural Gas—(GLNG) project*, dated May 2010. Santos proposes that in place of the condition they will commit to adopt the Queensland Resources Council Resources and Energy Sector Code of Practice for Local Content.

The change seeks to maintain consistency with government policy and the practices of other proponents seeking similar changes, and make reporting arrangements more efficient. The condition reads as follows:

Condition 15—Local industry and participation program

The proponent is required to develop a Local Industry and Participation Program which is consistent with the principles of the Queensland Government's Local Industry Policy and associated Guidelines.

- (a) The Local Industry and Participation Program must:
 - (i) ensure potential local suppliers are provided with information in an equitable and timely manner
 - (ii) encourage local businesses to bid on potential contracts, and assess requirements to meet project demands
 - (iii) adopt design and procurement strategies to maximise local participation
 - (iv) ensure local firms are provided with opportunities to supply under the same terms, standards and conditions as interstate or overseas businesses
 - (v) ensure contracts are awarded on the basis of the most competitive proposal, which includes due consideration of non-cost factors such as reliability, maintainability, servicing requirements.
- (b) ensure the program incorporates performance measurements and feedback mechanisms.
- (c) provide support and job opportunities to vulnerable groups in the community including being culturally responsive to cultural needs.
- (d) the design and implementation of the Local Industry Procurement and Participation Program is required to provide equal employment opportunities to the community and to adopt employment strategies which support job opportunities for local business participation.
- (e) the Local Industry Procurement and Participation is required to develop responses to local, regional and state-wide employment needs and employment opportunities in response to the impacts of this project on the region, and the cumulative impacts of the emerging LNG industry on the region.
- (f) the proponent is required to design and implement of the Local Industry Procurement and Participation Program in consultation with the Department of Employment, Education, Economic Development and Innovation (DEEDI), and any relevant regional or industry organisation with similar aims for local business participation.
- (g) the proponent must ensure that the Local Industry Procurement and Participation Program is linked to the Social Impact Management Plan (SIMP), community investment program funding principles and other related initiatives to consider options for mitigating loss of skills to the LNG industry
- (h) the Local Industry Procurement and Participation Program is required to provide not less than six monthly progress reports to the Regional Community Consultative Committees (RCCCs).

4. Evaluation of the change request

4.1. Current progress on local content initiatives

Santos GLNG has developed and implemented a local industry participation plan which was approved as meeting the requirements of the Local Industry Participation Plan. Since that time, Santos GLNG has continued to implement the local industry participation plan and the proponent is due to report in April 2013.

4.2. Current Queensland Government policy and Code of Practice for Local Content

The Coordinator-General's *Terms of Reference* for future resource projects undergoing *Environmental Impact Statement* states in Section 7.2.1:

The assessment of economic impacts should outline strategies to encourage participation by local industry and the local workforce, including strategies for ensuring local suppliers of goods and services receive full, fair and reasonable opportunity to tender for work throughout the life of the project. Private sector projects are asked to commit to adopting the Queensland Resources and Energy Sector Code of Practice for Local Content 2013, administered by Queensland Resources Council (Code of Practice for Local Content).

Since May 2012, I have not conditioned project proponents under the SDPWO Act to submit a Local Industry Participation Plan. In addition, if a proponent commits to adopt the Code of Practice for Local Content, I will acknowledge the proponent's commitment and recommend that it be adopted.

Santos GLNG's current conditioning (Condition 15, above) is inconsistent with this current practice, and an amendment to the condition will bring it into line with current arrangements.

4.3. Current conditions and Code of Practice for Local Content requirements

Requirements under the Code of Practice for Local Content are consistent with outcomes sought under conditions set by the former Coordinator-General in May 2010. These include providing full, fair and reasonable opportunity for local industry to compete for the supply of goods and services for coordinated projects under the SDPWO Act and projects assessed under the *Environmental Protection Act 1994*, through the Department of Environment and Heritage Protection.

The Queensland Government and industry have a shared aim to see project proponents commit to engaging proactively with capable local suppliers.

The Code of Practice for Local Content asks proponents to adopt practical local content strategies to ensure there is early engagement with Queensland industry, and inclusive procurement practices and provides for guidance and support for proponents to deliver effective strategies.

5. Conclusion

Pursuant to section 35I of the SDPWO Act, my conclusions from the evaluation of the Santos GLNG application for project change, dated 7 March 2013, are below.

I have determined that the proposed change does not materially affect the specific obligations in Condition 15 - Local industry and participation program.

I have decided to withdraw the condition as Santos GLNG has committed to adopt the Code of Practice for Local Content, which is consistent with outcomes sought under the conditioning in May 2010.

I note the Santos GLNG's commitment to adopt the Code of Practice for Local Content and it is expected that this commitment will be fully implemented.

5.1. Revised conditions and recommendations

Conditions and recommendations made in this report are made pursuant to section 35I(2) of the SDPWO Act.

I conclude that Condition 15—Local industry and participation program Part 3 – Social Impact (Appendix 1), should be withdrawn, and a new recommendation 3 – Local Content be inserted in Part 3 – Social Impact (Appendix 1). The recommendation is:

Recommendation 3 – Local Content

'The proponent is to adopt the Queensland Resources and Energy Sector Code of Practice for Local Content 2013, administered by the Queensland Resources Council.'

5.2. Distribution of change report

Pursuant to section 35J of the SDPWO Act, a copy of this report will be given to the proponent, and a copy will be made available at: www.dsdip.qld.gov.au/coordinator-general

As per section 35K of the SDPWO Act, the Coordinator-General's report on the EIS for the project, and the Coordinator-General's change reports, both have effect for the project. However, if the reports conflict, the Coordinator-General's change report prevails to the extent of any inconsistency.



Barry Broe
Coordinator-General

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