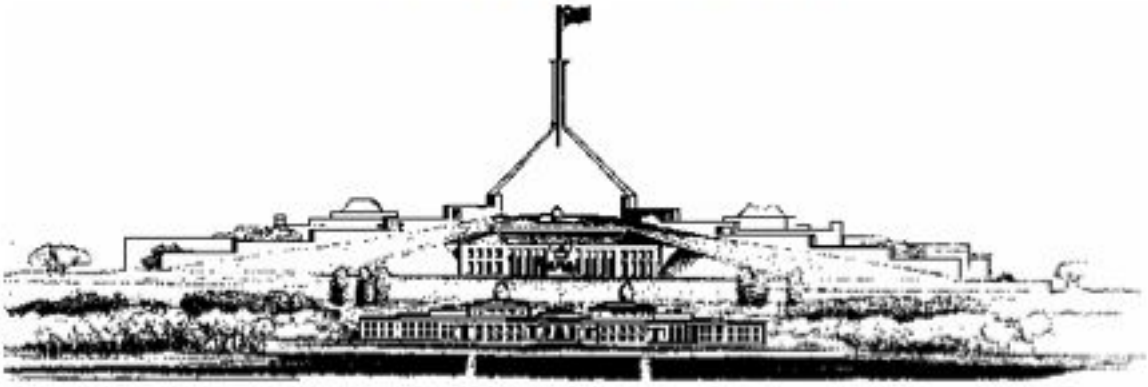
COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

ADJOURNMENT

North West Shelf: Royal Dutch Shell

SPEECH

Tuesday, 6 February 2001

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date	Tuesday, 6 February 2001	**Source**	House
Page	23956	**Proof**	No
Questioner		**Responder**	
Speaker	Cox, David, MP	**Question No.**	

Mr COX (Kingston) (10.29 pm)—Royal Dutch Shell's bid for Woodside—the operator of Australia's largest resource project—is in a league above other foreign investment applications and is a test of whether Australia has an effective foreign investment policy based on a national interest test. It is very infrequent that a major foreign investment proposal carries with it adverse economic implications that are particular to it being foreign owned. Is it in Australia's interest to entrust the development of the North West Shelf to the national oil company of another country? This world-scale project produced exports of $3.6 billion in 1999, generating government revenue—excise, royalties and company tax—of $1.6 billion. It accounts for 1.1 per cent of Australia's GDP and directly and indirectly employs 80,000 people. The development of the fourth LNG train—including a second trunkline and offshore facilities—will have a capital cost of $3 billion and will employ 2,000 people during development. Where is the precedent for a country allowing strategic control of the development of its resources to be subordinated to the other commercial interests of a foreign company?

Shell has a substantial stake in similar projects in Malaysia, Brunei and Oman, and a new one in Russia—Sakhalin Island, north of Japan—that are competitors with Australia for its Asia-Pacific liquid natural gas market. These countries will not hesitate to intervene to protect their own national interests at the expense of Australia. To maintain shareholder value, Shell must apply high hurdle rates of return across the company when considering new investments. Among world-scale LNG projects, the North West Shelf is probably one of the higher cost operations. If Shell controls alternative resources and has any reluctance to develop the North West Shelf, then we can assume that it will be much less enthusiastic about committing capital to Australian exploration than would an independent Woodside.

Australia's level of self-sufficiency in the production of petroleum is declining, so any reduction in exploration effort over our most prospective acreage is going to impact heavily on the balance of trade in a few years. Shell may argue that taking over Woodside would only give it a 33.4 per cent share of the North West Shelf and other participants could still outvote it on questions of investment. However, the position of operator it would acquire would put Shell in the driver's seat controlling the process with double its current weight in negotiations. The primary responsibility of the directors of Woodside is to advise the shareholders if the price on offer represents full value or better for the asset; it is not to determine the national interest. They could seek a white knight—Australian or foreign—who does not have the conflicting interests that Shell has and who is prepared to give the shareholders full value. At the end of the day, the Foreign Investment Review Board is there to advise the government of the day. It does not determine the national interest. Under the Foreign Acquisitions and Takeovers Act, it is the Treasurer who ultimately has the responsibility for determining the national interest.

In the case of this application, the national interest is that exploration and development of the North West Shelf not be impeded by the conflicting interests of Shell. The Treasurer must first consider whether the non-Shell joint venture partners have both the information base and the influence over joint venture processes to ensure the optimum development of the resource when that is at the expense of Shell's other interests.

Recent newspaper reports indicate that at least one of the non-Shell joint venture partners has serious concerns that they would not have that control if Shell were the operator. If the Treasurer cannot satisfy himself and publicly demonstrate that this national interest test is met by the current application, he can consider whether there are enforceable conditions that he could impose that would protect the national interest. If the Treasurer is unable to develop an effective set of conditions that are acceptable to Shell or if the company is unable or unwilling to amend its application to satisfy the national interest test, then it should withdraw its application to avoid rejection. If the Treasurer fails to ensure that the development of the North West Shelf cannot be impeded by Shell, he must admit that Australia no longer has foreign investment controls based on an effective national interest test.