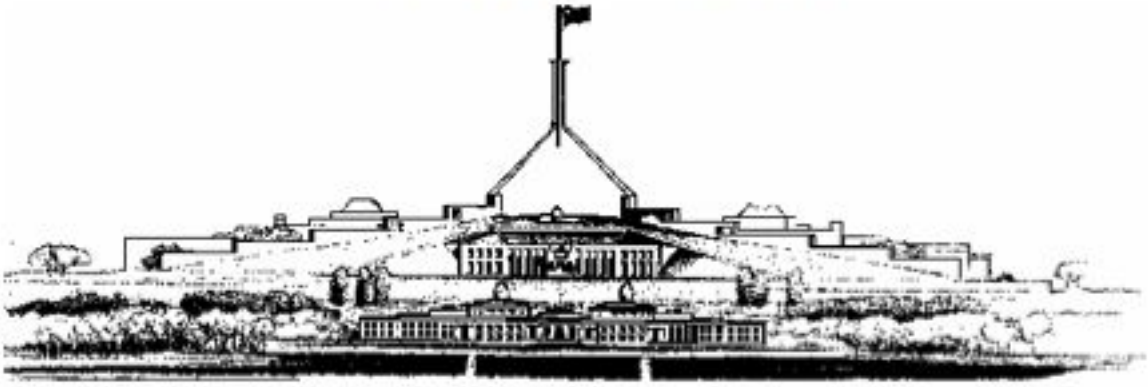
COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

ADJOURNMENT

North West Shelf: Shell

SPEECH

Monday, 5 March 2001

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date	Monday, 5 March 2001	**Source**	House
Page	25000	**Proof**	No
Questioner		**Responder**	
Speaker	Cox, David, MP	**Question No.**	

Mr COX (Kingston) (10.30 pm)—One of the big questions that needs to be asked about Shell's bid for Woodside is: why was it necessary last week, as reported in the *Australian* today, for the Minister for Industry, Science and Resources, the Minister for Trade and the Minister for Foreign Affairs to call in all of the North West Shelf joint venture partners for a chat about marketing LNG to China? The reported reason for their concern was the possible loss of a contract with China, potentially worth more than $20 billion over 30 years. Joint venturers in the North West Shelf—Woodside, Shell, BP, BHP Petroleum, Chevron, and Mitsubishi-Mitsui—have less in common than the government might hope.

The contract in question is for an LNG receiving terminal in Guangdong province, with an expected value of $600 million. It is assumed by most of the bidders that success in the bid to build the terminal will put the successful tenderer in a position of advantage to win contracts to supply the province with gas. A consortium led by Woodside, which includes two other North West Shelf partners—Chevron and BHP Petroleum—is bidding. But so too are two other companies that are part of the North West Shelf joint venture: BP and Shell. However, the bids of BP and Shell are being run by their head offices in London and The Hague. This is an example of where the larger multinationals in the North West Shelf joint venture have competing interests. In particular, I want to draw attention to the Shell bid because of comments made by Raoul Restucci, the executive responsible for Shell's bid for Woodside. In December, Mr Restucci was reported in the Scottish paper, the *Evening News*, as saying:

> If Shell wins control after the shareholder vote, probably in late March or April, it will aim to stop Woodside from competing directly with Shell, as it has in liquefied natural gas receiving terminals in China and India.

In short, Woodside, as a subsidiary of Shell, would be made to fit into Shell's global strategy. With Shell having competing interests in Malaysia, Brunei, Oman and, in particular, its 55 per cent interest in the new Sakhalin Island project, we cannot afford to assume that the interests of the North West Shelf and Australia's national interest would necessarily coincide with Shell's interest. Personally, I find it very hard to understand how anyone would believe that the Shell Group's management, sitting in The Hague and London, could be indifferent about which of Shell's projects win the next big LNG contract. Each of those projects would have different capital requirements and would offer different rates of return to supply a new LNG contract. Shell also have other governments, apart from our own, to placate. The government interest in Shell's Oman and Malaysia projects is around 50 per cent. That is how they look after their national interest. Our way is the national interest test.

There was a report in one of the weekend papers saying that FIRB has prepared conditions for an approval of the Woodside takeover that include a 56 per cent limit on Shell's interest in Woodside, and a separate marketing organisation. That is little different from the current arrangements and Shell's original bid. Even then, according to the report, Shell are making a counter offer. In their offer document, Shell seek 60 per cent of Woodside—a majority of whatever size means control. A separate marketing organisation for North West Shelf gas, Australia LNG, already exists to sell LNG to markets outside Japan. It has been operating for two years, is yet to secure a contract and is run by a Shell secondee. It has been reported that Woodside, with Phillips, is close to bringing a new LNG customer to the Timor Sea project outside these arrangements. Whatever changes might be possible to ensure the independence of this marketing arrangement in the long term, Shell have told me that they will not even begin to negotiate these arrangements until approval has been given and the merger is complete. If the Treasurer ticks off a set of commercial arrangements as an adequate protection when they have not even been negotiated, we can assume the exercise for the government is political spin, not a serious effort to develop conditions that protect the national interest.

Shell have told me that they will not countenance an independent operator because it would rip the core out of Woodside. There is considerable merit in that argument; but, in respect of the foreign investment application, that reduces the practical options to apply conditions that would be effective in limiting Shell's influence if the takeover proceeds. As I have been saying publicly for a month now, the national interest in the case of this application is that exploration and development on the North West Shelf not be impeded by the conflicting

interests of Shell. If the Treasurer cannot devise conditions that he can publicly demonstrate protect that interest, or if Shell refuses to accept those conditions, then Shell should be told to withdraw their application to avoid rejection. Comments by US based arbitrage funds, which may have taken a position in Woodside because they saw an opportunity to make money on the takeover, should not move the Treasurer from his obligation under the Foreign Acquisitions and Takeovers Act to protect Australia's national interest. A decision taken for good policy reasons and properly explained will be accepted by other investors. The only thing that can save the government from these difficult decisions is a white knight—preferably an Australian white knight—who does not have the conflicting interests that Shell have and is prepared to give the shareholders full value. *(Time expired)*