

Senate Community Affairs Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Budget Estimates 2013-14, 5/6 & 7 June 2013

Question: E13-249

**OUTCOME:** 1 - Population Health

**Topic:** Opal Fuel

**Type of Question:** Written Question on Notice

**Senator:** Siewert

**Question:**

What is the status of the construction of the Darwin LAF storage point? When is it expected to be completed? Can you provide details of how this completion date has shifted back in recent years? What consultancies/studies/reports have been commissioned in relation to the construction of this storage point? What is the value of these contracts?

**Answer:**

The Department of Health and Ageing has been working with Vopak Terminal Darwin Pty Ltd (Vopak) since 2011 to establish a bulk storage facility in Darwin for low aromatic fuel. Details of negotiations as at September 2012 were set out in the response to Question on Notice No. 12 (Attachment A) in relation to the *Low Aromatic Fuel Bill 2012* Senate Inquiry. As noted at the time, the Department and Vopak were identifying and reviewing options for a permanent storage solution.

Since that time it has been agreed with Vopak that a permanent storage solution could be achieved by relocating an existing tank at Vopak's Darwin Terminal and converting it for the storage of low aromatic fuel.

On 31 May 2013, Vopak completed the Front End Engineering Design (FEED) study for the permanent solution which articulates the works that need to be carried out for the establishment of the bulk storage and handling facility for low aromatic fuel.

Following receipt of the FEED study, the Department engaged an independent engineer to provide expert advice in relation to the engineering design work. The purpose of the independent assessment was to determine whether the engineering design work commissioned was:

- comprehensive enough to fully scope the required works;
- compliant with the relevant legislation; and
- adequately costed and appropriately scheduled.

Concurrent with the independent assessment of the FEED study, the Department continued to negotiate the terms and conditions of the works agreement with Vopak to enable the works to be finalised as early as possible. The works are expected to be completed in 2014.

The consultancies/studies/reports that have been commissioned in relation to this construction are:

- Concept study – Through a funding agreement between the Department and Vopak, a concept study was commissioned to identify and scope potential options for interim and permanent storage solutions. The value of this funding agreement was \$45,100.00 (GST inclusive), of which all has been expended.
- FEED study – Through a funding agreement between the Department and Vopak, a FEED study was commissioned for the interim storage solution. This was later varied to revise the scope to focus on the permanent storage solution, the procurement of the long lead delivery items required for the conversion of the tank, and the preparatory work required to support the conversion works, including the completion of fire safety and hazard studies and development applications. The value of this funding agreement is up to \$1,502,458.10 (GST inclusive), of which \$817,367.10 (GST inclusive) has been expended to date.
- Independent Assessment of the FEED study – The Department engaged an independent engineer to provide expert advice in relation to the engineering design work conducted under the FEED study. The value of this contract was up to \$9,900.00 (GST inclusive), of which \$9,531.50 (GST inclusive) has been expended.

Senate Community Affairs Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

INQUIRY INTO THE LOW AROMATIC FUEL BILL 2012

Thursday, 16 August 2012

Question no: 12

OUTCOME 1: Population Health

Topic: Inquiry into the Low Aromatic Fuel Bill 2012

Type of Question: Hansard Page 27, 16 August 2012

Senator Smith asked:

So how long has the negotiation [with Vopak] been going on for? I would be interested in getting a timetable of the discussions that have happened since the successful tenderer was announced, so the discussions between the Department and the relevant site operator, for want of better words. Who is the engineering firm who is undertaking the engineering analysis for us? If there is any additional information about the expected future time frame around the completion of the final engineering study and the ordering of the equipment, that would be beneficial as well.

Answer:

The Department of Health and Ageing has been in regular discussions and contract negotiations with Vopak Terminals since March 2011.

The extended nature of these negotiations is explained by the staged approach to the contract adopted by the Department. Stage 1 negotiations between March and August 2011 related to scoping activities for potential storage options. Vopak Terminals subcontracted the engineering scoping works to Conneq Pty Ltd (now trading as Lend Lease Pty Ltd).

The scoping work identified two potential storage options and the Department commenced detailed contract negotiations with Vopak Terminals on the Front End Engineering Design (FEED) study for an interim storage solution in October 2011. These Stage 2 activities were protracted as several new storage options were proposed by Vopak. It was eventually agreed to progress the work in three discrete elements: a FEED study on the conversion of an existing three million litre tank (an interim storage solution); the identification of equipment required for the tank conversion; and a separate FEED study to construct a larger 5-7 million tank which would provide the long-term, permanent storage solution. A funding agreement with Vopak Terminals for the first FEED study was executed on 14 May 2012.

Since May 2012, the Department and Vopak Terminals have been involved in Stage 3 activities reviewing options for the permanent storage solution. These options have emerged as a result of separate commercial dealings between Vopak Terminals and third parties. In progressing these negotiations the Department is seeking to ensure that the storage facilities are available for use in 2012-13.