

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Department of Industry, Science, Energy and Resources

Inquiry into the Offshore Petroleum (Laminaria and Corallina Decommissioning Cost Recovery Levy) Bill 2021 [Provisions] and Treasury Laws Amendment (Laminaria and Corallina Decommissioning Cost Recovery Levy) Bill 2021 [Provisions]

08 November 2021

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY, SCIENCE, ENERGY AND RESOURCES

TOPIC: Cost for UPS to operate Northern Endeavour

REFERENCE: Question on Notice (Hansard, 08 November 2021, Page 32)

QUESTION No.: 7

Senator Patrick: ... Just going back to a couple of questions about UPS's operation: you might have heard me ask the unions about the fact that the cost for UPS to operate the Northern Endeavour in lighthouse mode appears to be more than what was being paid to operate it in production mode. On top of that, there appears, on the evidence that was provided by the unions today, concerns that UPS are not taking care of their workers particularly well—that they might be cutting corners and so forth. Maybe you would like to take that on notice and come back. I note that it's no longer value for money for the taxpayer; its value for money, assuming this legislation passes, for the industry. But I think we've got to be fair in relation that. It's hard to reconcile the costs being paid now to UPS versus what was being paid before, particularly knowing the circumstances that the unions described.

Mr Gaddes: Perhaps it may help us if you could provide the evidence that you have that there is a difference in cost. You may have information that we don't have available to us.

Senator PATRICK: I simply went and had a look at the KPMG costs. I'd be happy to come back through the minister's office to give you how we reached that. It appeared, looking at the administrators' report, which spelt out costs, that UPS's costs were much less—about half the price, is my understanding. You would understand why I might ask that question.

Mr Gaddes: I can understand why you would ask it. It may be as simple as the scopes of work being vastly different.

Senator PATRICK: Sure.

Mr Gaddes: There are a range of activities on board now, in terms of decommissioning readiness, that weren't underway the But perhaps the best way will be for me to take it on notice and we can come back with a more fulsome answer.

ANSWER

The engagements of Upstream Production Solutions (Upstream PS) have been undertaken in accordance with the Commonwealth Procurement Rules and are considered value for money. Upstream PS was chosen as a respected and qualified operator with a suitable safety, environmental and professional record with a number of years' experience operating the facility.

The costs of preparing an end of life asset for decommissioning are not comparable to production operations. As the Commonwealth is party to legal action in the NSW Supreme Court relating to the Northern Endeavour, the department is unable to comment further on matters (beyond what is already in the public domain) relating to the condition, costs, timeframes, and specific works being undertaken on board the Northern Endeavour.