

The Pitts: Government gifts Woodside \$130 million Christmas present

Callum Foote – *Michael West Media* – 30 December 2020

<https://www.michaelwest.com.au/the-pitts-government-gifts-woodside-130-million-christmas-present/>

While most Australians were settling into holiday mode last week, Resources Minister Keith Pitt gifted another \$130 million Christmas present to Woodside to help the oil and gas titan clean up its own mess. **Callum Foote** and **Michael West** report on the latest instalment of the *Northern Endeavour* debacle – a sneaky slug to taxpayers and a slap for the East Timorese. The big question now is, will taxpayers have to pay for all oil and gas clean-ups?

In 2015, Woodside sold its ageing oil platform *Northern Endeavour* to a small company named NOGA. The deal was structured via a buyout of shares of the controlling company, Timor Sea Oil and Gas Australia.

At that time, NOGA had no experience in offshore oil and gas extraction, or operating a floating production storage and offloading (FPSO) for that matter.

Woodside's sale to NOGA involved a loophole in the National Offshore Petroleum Titles Administrator (NOPTA) rules which cover tenement sales – as was reported by [*Michael West Media*](#) in November.

After a series of failed safety inspections, the facility was ordered to cease production by the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) in July 2019. NOPSEMA is the regulator. NOGA, unable to remain afloat – and with production stalled – was put into liquidation by its primary secured creditor in February 2020.

With no one willing to buy the faulty vessel, regulators decided to put the Australian taxpayer on the hook. Now, after Woodside has drilled 20 years of profits out of the seabed, taxpayers are looking after *Northern Endeavour* and cleaning up Woodside's mess.

The question now is, if Australians are to be put on the hook to clean up the mess of the uber-profitable Woodside, what happens when Exxon exits the Bass Strait? Will the government foist these clean up costs too onto taxpayers?

Independent Senator Rex Patrick has described the affair as “the government taking things to a new level of incompetence”. Not only has the taxpayer clean-up gig been gifted to Woodside – which created the mess in the first place – but NOGA is offering to keep the platform running (claiming it has another eight years of life), finance it, and deliver jobs to East Timor in the process.

Lighthouse mode

Since February this year, the Northern Endeavour Temporary Operations Program, overseen by Keith Pitt's Department of Industry, Science, Energy and Resources (DISER) has been

contracting Upstream Production Solutions (UPS) to keep the Northern Endeavour in “lighthouse mode”.

UPS had previously been contracted by NOGA to handle production and maintenance of the vessel before it was ordered to cease operations.

Lighthouse mode means minimum crew levels required for the safe operation of the vessel without production facilities being in use.

UPS was being paid approximately \$4 million a month by NOGA to handle all production and vessel maintenance work when the Northern Endeavour was fully operational.

As of November this year, Aussie taxpayers had already spent \$80 million to keep the vessel in lighthouse mode with no promise that there was a plan to stop the cash leak.

And now, on December 23, Keith Pitt’s DISER awarded UPS a 12-month, \$130 million contract “to provide operations, maintenance and project services to the Northern Endeavour FPSO and associated infrastructure in preparation for a disconnection and removal of the FPSO”.

At a cost of more than \$10 million per month, or \$2.5 million a week, UPS will maintain the vessel with no promises that at the end of this 12-month period the Northern Endeavour will actually be decommissioned, only in “preparation for a disconnection”.

News of this most recent contract comes after “a timely decision to decommission” Northern Endeavour made by DISER on December 14.

Both these announcements came as a surprise to NOGA director and owner Angus Karoll, who says NOGA had submitted a proposal to take back the asset.

According to Karoll, NOGA and a new financial backer are prepared to “pay creditors 50 to 100 cents on the dollar, put aside the funds for decommissioning, pay a significant amount of tax, provide employment to Australian and Timorese works and restart production”.

Karoll also shot back at claims that his company NOGA was inadequately prepared to decommission the *Northern Endeavour*, citing the \$326 million paid by TSOGA when it was owned by Woodside in Petroleum Resource Rent Tax. This \$326m is cash creditable in the event that the Northern Endeavour is to be decommissioned.

NOGA’s new backer MTC ltd has had extensive experience with FPSO’s in the region, and Karoll believes together they can take the Northern Endeavour up to production of 10,000 barrels a day. According to an analysis done by NOGA there are up to 24 million remaining barrels of oil in the tenement which means a further 8 years of production life.

According to Karoll “the decision makes no sense whatsoever”. Why would the government pay \$130 million to keep the vessel in lighthouse mode for a further 12 months when according to their proposal, \$10-15 million in private funds could be used to take the vessel back into production.

NOGA had previously considered a decommission and found that it would take 6-8 weeks, 12 weeks at maximum, at a cost of \$110 million.

Karoll also questions why NOGA is seemingly being punished when it was UPS who received the cease production order from the regulator in the first place and have now been awarded a total of \$210 million.

DISER has declined to comment.

The government decision even seems contrary to Angus Taylor's recent [calls](#) for "immediate support for Australia's refineries and fuel security".

According to independent senator Rex Patrick who has been keeping up the pressure on DISER over the Northern Endeavour debacle since it came to his attention early last year it seems that "on the face of it, the Government seems to be taking things to a new level of incompetence."