



Statement by the Minister for Resources and Energy, the Hon  
Martin Ferguson AM, MP

The Report of the Independent Review of the PTTEP  
Australasia (Ashmore-Cartier) Pty Ltd *Montara Action Plan*

4 February 2011

*Introduction*

1. In November 2010, I addressed the Parliament regarding the *Report of the Montara Commission of Inquiry*. The Report concluded that PTTEP Australasia (Ashmore-Cartier) Pty Ltd did not observe sensible oil field practices at the Montara oil field and that the 'widespread and systemic' shortcomings in PTTEP Australasia's procedures were a direct cause of the loss of well control which commenced on 21 August 2009.

2. The Report also found that well control practices approved by the regulator would have been sufficient to prevent the loss of well control, however PTTEP Australasia did not adhere to these practices or its own well construction standards.
3. During the course of the Commission, PTTEP Australasia's parent company PTTEP developed the *Montara Action Plan* (the Action Plan), which detailed the changes that had to occur if PTTEP Australasia's operations were to meet industry best practice standards and how those changes could be achieved. Importantly, the Commissioner of the Montara Inquiry, Mr David Borthwick, commented favourably on this Action Plan.
4. Commissioner Borthwick recommended that I undertake a review of PTTEP Australasia's licence to operate at the Montara oil field. The Commissioner further recommended that, as the mechanism for instigating this review, I issue a 'show cause' notice to PTTEP Australasia, pursuant to the cancellation of titles sections of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*.
5. I accepted the Commissioner's recommendation to review PTTEP Australasia's licence to operate.
6. However, I also determined that a review of PTTEP Australasia's licence to operate which was restricted to its operations at the Montara field would be insufficient in light of the company's other operations in Australia.

7. I directed my Department to instigate an independent review of the *Montara Action Plan* – a review that would provide me with advice on whether the Action Plan, when implemented, would ensure that the operations and procedures of PTTEP Australasia (a term which hereafter includes subsidiaries and associated entities with Australian operations) meet industry best practice standards.
8. I noted that the outcome of this process would be a central part of my consideration as to whether to issue a ‘show cause’ notice which might lead to the cancellation of all of PTTEP Australasia’s petroleum titles.
9. I also committed to making the Independent Review Report and my response to it public within seven days of receiving advice from my Department.

*Independent Review Report: “Review of PTTEP Australasia’s Response to the Montara Blowout”*

10. Today, I am pleased to deliver on that commitment and present to the Parliament the Report of the Independent Review of the PTTEP Australasia *Montara Action Plan*.
11. The Independent Review, undertaken by industry experts, examined both technical and governance issues. It examined key documentation and engaged directly with personnel from both PTTEP Australasia and its parent company, PTTEP.

12. The Independent Review concludes that the *Montara Action Plan* effectively responds to the issues identified by the Montara Commission of Inquiry and sets PTTEP Australasia on the path to achieving industry best practice standards for both good oil field practice and good governance.
13. I can inform the Parliament that PTTEP has already initiated substantial changes to the leadership roles and structures at PTTEP Australasia. PTTEP has advised that further changes will be implemented and formally announced during the first quarter of 2011.
14. However, the Independent Review also makes clear that the success of PTTEP Australasia's program for change will depend entirely on the quality of the execution of the Action Plan and recommends an 18 month monitoring program to ensure the Action Plan is properly implemented.
15. Based on the Independent Review's findings and the recommendation of my Department, I have decided not to issue a 'show cause' notice to PTTEP Australasia at this time.
16. This decision is conditional on PTTEP and PTTEP Australasia entering into a binding Deed of Agreement with the Australian Government in which it is agreed that the *Montara Action Plan* will be implemented in full in respect of all of PTTEP Australasia's operations, and that this implementation will be subject to an 18 month monitoring program undertaken by independent experts appointed by my Department.

17. However, should the *Montara Action Plan* not be fully completed and properly implemented, or should any other concerns arise that warrant it, I am able to issue a 'show cause' notice to PTTEP Australasia at any time.
18. PTTEP will also be subject to an additional set of conditions on the renewal or future granting of offshore petroleum title applications in Australia. These conditions will ensure that good oil field and governance practices are applied by the company across its Australian operations.
19. The Independent Review Report also makes several recommendations for the offshore petroleum industry to consider. My Department is now working with the National Offshore Petroleum Safety Authority (NOPSA) and industry through the Australian Petroleum Production and Exploration Association (APPEA) to progress these recommendations.
20. Shutting down Australia's offshore petroleum industry is not an option. It is an industry too important to our economy given our dependence on oil, and our ever worsening trade deficit in this commodity.
21. But it is an industry that must operate safely, an industry that must continuously improve and strengthen its systems and processes to mitigate to the greatest extent possible the inherent risks in its operations.

22. We are learning the lessons from past incidents both here and overseas to put in place a world-class regulatory regime and to make sure the companies operating off our shores comply with that regime to the letter.
23. This is what the Government is doing in implementing the recommendations of the Montara Report, assessing the findings of the US National Commission into Deepwater Horizon and establishing a single national offshore petroleum regulator.
24. Collectively, Government, industry, operators and regulators must embrace a culture of the highest safety standards and good oil field practice, with oversight through effective corporate governance arrangements.
25. This is what PTTEP Australasia is doing and we will make sure they continue to do it.
26. Industry understands that in order to maintain its social licence to operate it must put the safety of workers and the environment first as part of the responsible development of our natural resources, and that this is something Government will hold them to.
27. I commend the “Review of PTTEP Australasia’s Response to the Montara Blowout” to the Senate.