Explosion threatens gas supplies to two Australian states

Paul Bartizan
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Mass layoffs and cuts to basic energy services are still threatened in the Australian states of New South Wales (NSW) and South Australia three weeks after a massive blast and fire on New Year's morning shut down supplies from the country's biggest onshore gas fields.

The explosion, which occurred at the Moomba natural gas processing plant in central Australia, erupted a few minutes after a gas leak was detected at 2.45 a.m. on January 1 in the liquids recovery section. The company responsible has blamed a faulty inlet nozzle in the cryogenic heat exchanger. The facility, which is located 750 kilometres north of Adelaide, the South Australia capital, was severely damaged and will not be fully repaired until the end of February.

Moomba is a hub of gas and oil wells owned and operated by Santos (South Australian Northern Territory Oil Search) in the Cooper Eromanga Basin, a harsh desert region that extends from northern South Australia into the state of Queensland. Established in 1954, the company was given a virtual monopoly on oil and gas exploration in the area and has exploration leases covering 325,000 square kilometres.

Moomba supplies 95 percent of South Australia's and 80 percent of New South Wales' natural gas, with more than half the gas for South Australia used to generate electricity.

South Australia's 50 heaviest users were denied gas on the day of the explosion—including the OneSteel smelter in Whyalla, which had to shut down for 36 hours. It has since reopened, using electricity to power its smelter. In New South Wales, Orica, ACI and Caltex, three of the state's heaviest users, faced severe restrictions.

It is pure chance that none of the 1,000 workers employed at the Moomba plant were killed or injured. Moomba workers returning to Adelaide after the inferno told the *Australian* newspaper on January 5 that the company was running a "cowboy" operation.

Facing possible victimisation if the company identified them, workers would only speak on condition of anonymity. One said: "[I]t was more to do with good luck than good management that we didn't get hurt." Another commented: "I know it's a dangerous place, but you'd hope when things happen then the company knows what to do".

They explained that some employees did not hear the emergency alarms. The company had not conducted evacuation drills and the muster area was too close to the plant for safety had there been a major tank explosion.

It is also fortunate that the explosion occurred during the annual vacation shutdown for many industrial users and in a period of mild summer weather, with lower demand than usual for electricity for air conditioning.

Normal summer gas output is around 400 Terajoules (Tj) or 377 billion BTUs per day. Since the inferno only 150 Tj per day is being released from underground backup storage at Moomba. Western Victoria is currently providing 170 Tj per day to South Australia via a new pipeline that fortuitously came on line the day of the blast, and an extra 100 Tj is being pumped into Sydney from Victoria's Gippsland Basin.

Gas supplies, however, are on a knife-edge and any problem, including minor equipment breakdowns or higher summer temperatures, will produce immediate cuts. Pasminco's lead and zinc smelter in Port Pirie announced last week that it will cut production if gas is further restricted. Adelaide car plants—Holden with 8,000 employees and Mitsubishi with 5,000—could layoff their workforces if supplies are cut.

The main gas distributors, AGL in NSW and Origin Energy in South Australia, declared force majeure, voiding all existing supply contracts and enabling them to increase prices. Blatant profiteering in the deregulated gas market has already seen AGL charging an extra 50 percent and Origin 66 percent for the gas piped in from Victoria.

While Santos has issued various statements attempting to reassure the market and shore up its share price, it has revealed little about the underlying cause of the disaster. The isolation of its facilities also saw Santos—which operates as a virtual law unto itself—prevented any inspection of the site for a week after the accident. It claims that it will be weeks before company investigations into the accident are completed.

Santos' managing director John Ellice-Flint said maintenance spending at the plant had increased over the past three years—$60 million, $80 million and $107 million in 2001, 2002 and 2003 respectively—but refused to reveal earlier years' maintenance budgets. This recent spurt in maintenance spending appears to have been long overdue. According to a report in January 10-11 edition of the *Australian Financial Review*, the Moomba plant "had been under-maintained and needed heavy expenditure".

The New Year's Day explosion is the fourth major incident at Moomba in three years. In January 2003, the plant was shut down for two days due to damage to its gas flare system and in February 2002, the repair of cracked pipes seriously reduced output.

The most serious incident at Moomba occurred in June 2001, when maintenance worker Colin Jeremy Sutton was killed and another worker received burns to his neck and hand after a pump exploded in the liquids pumping station.

Santos pleaded guilty to three counts that it had "failed in its most basic responsibility as an employer" by not ensuring its employees were safe from injury and risk to health. It was fined only $105,000 by the South Australian State Industrial Relations Court over Sutton's death. The magistrate said Santos had failed to supervise Sutton or train him in the use of an emergency shutdown device.

Despite the guilty plea and assurances from the managing director that "we have acted upon these lessons," the company seems to have been under financial pressure to slash costs.

Last May, Ellice-Flint told the *Sydney Morning Herald* that the company had plans for "efficiency-driven margin improvements" that would save the company $100 million in 2003. Santos has also been investing heavily in new higher-risk exploration because gas supplies in the Cooper Eromanga Basin are expected to run out in 10 to 20 years.

The state and federal governments have tried to downplay the incident. No official investigation has been announced. Instead the South Australian (SA) Labor Party government has appointed a semi-retired engineer, Hans Ohff, to monitor Santos' repair of the Moomba plant. SA's Energy Minister Paul Conlon issued a press release describing Santos as "an excellent corporate citizen of this state".

The NSW and SA governments have admitted, however, that a few days of hot summer weather could see immediate further restrictions or outright cuts to supply. While they claim that household services will not be affected, gas suppliers in NSW have already foreshadowed increased domestic energy bills to cover the cost of obtaining alternative supplies.

On January 19, Prime Minister John Howard attempted to hose down widespread concern, telling the media that it was wrong to describe the gas situation as a crisis. "It's a major problem, particularly for South Australia," he said, "but these things do happen. My understanding is that they are negotiating their way around it."

The Australian Workers Union (AWU), which is the main trade union covering Moomba employees, has called for a tripartite investigation involving union, government and company representatives. National secretary Bill Shorten declared that Santos was an "unhealthy" company with poor safety. Santos managing director John Ellice-Flint expressed surprise over the comments, stating that the company had a close working relationship with the union.

The Moomba explosion is not an isolated event. In September 1998, a huge explosion occurred at the Longford gas plant in Victoria, killing two workers and injuring eight. Supplies to the state were cut to domestic and industrial users for two weeks, causing thousands of people to suffer loss of employment. ExxonMobil, which owns 20 percent of Moomba, operated the Longford plant. Charges upheld against the company included failure to identify hazards, faulty risk assessment, inadequate monitoring of dangerous conditions and lack of crisis shutdown devices.

The Victorian Supreme Court found that ExxonMobil had failed to provide emergency procedures, safe production methods or adequate training for workers and supervisors. A Royal Commission concluded that the disaster's major cause was the company's failure "to equip its employees with appropriate knowledge to deal with the events which occurred".

The latest near-disaster and the danger of further gas cuts to two key Australian states highlight the social cost of government deregulation of safety inspection, reduced manning levels and cost cutting in maintenance and safety. The incident also reveals the vulnerability of energy supplies and other essential services to the breakdowns and chaos created by market forces.

Last year saw six major blackouts in as many weeks in Europe and the US, cutting electricity to over 100 million people and causing hundreds of thousands of layoffs. As long as vital energy resources and distribution services remain in private hands and operate according to the dictates of the capitalist market, such catastrophes are inevitable.