

# West Australian gas explosion cuts state's energy supplies and throws thousands out of work

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The fallout is continuing from a major gas pipeline explosion on June 3 at Varanus Island, 100 kilometres off the north-west coast of Australia. The state of Western Australia has lost one-third of its gas supplies, shutting down or dislocating a range of industries and throwing thousands out of work.

Despite the crisis entering its third week, the state Labor government of Premier Alan Carpenter and the company that runs the gas plant, US energy giant Apache Energy, have still offered no explanation as to what caused the explosion.

Details of what actually happened on Varanus Island have only begun to emerge over the past week, mostly via workers leaking information to the media. Some 166 workers were at the plant when the explosion occurred at 1.50 p.m. on June 3. A boilermaker at the plant, who wished to remain anonymous, told the *West Australian* there were at least two huge explosions and several small ones.

The ferocity of the first explosion lifted accommodation units off the ground, the boilermaker said, and the fire that followed sent workers running into the water to save their lives. He said it was only luck that no one was killed. After the initial eruption, the muster alarm went off. "We all got up to the mess area, then an hour later there was another explosion."

The boilermaker said he saw flames shoot 40 metres into the air from the plant, which was well alight. Workers started running to the beach on the southern side of the island and some went into the water, fearing for their lives. He said the company tried to evacuate all workers on the site but the tide was too low to get boats to the two wharves on the east and west sides of the island. It was not until about 5.30 p.m.—more than three and a half hours after the first blast—that workers began to be rescued by helicopter.

Obviously, this account raises concerns over the company's emergency evacuation plans, because Varanus is an isolated island. If boats cannot dock to rescue workers, helicopters offer the only alternative.

Anonymously-taken photographs also appeared last week on on-line news sites, and were later published in the *West Australian*, showing what appeared to be badly corroded and rusted pipes at the scene of the explosion. An email

accompanying the images said the pipes had become as thin as match-sticks, and suggested that pressure for quick profits had led to a lack of spending on maintenance.

Dr John Price, a leading international expert and consultant in pressure equipment who investigated the 1998 Esso Longford gas explosion in Victoria, told the newspaper that the photos indicated that corrosion of the pipes was a factor in the explosion. "It looks very much like a thinning failure. It looks like there is wear in these pipes," Price said.

The explosion has led to production shutdowns and reduced operations across a number of industries, including mining, meat and livestock, food, agriculture, construction, hospitality and manufacturing. According to a Chamber of Commerce and Industry of WA survey, 14 percent of businesses in the state have been forced to either close or face imminent closure. Thousands of workers have already been stood down, are facing the sack or have been forced to take annual leave.

Apache Energy has stated that repairs to the gas pipeline and plant will take at least two months, but media reports have quoted anonymous energy engineering experts saying that the damage could take up to six months to fix because parts have to be sourced overseas.

Without providing any explanation for the catastrophe, Premier Carpenter made a prime-time television broadcast last week asking households to try to reduce the impact on business by reducing heating and taking shorter showers, in the midst of a cold winter. Hospitals have been ordered to reduce linen use and health workers have been asked to wash their own uniforms because commercial laundries have almost shut down.

A number of questions are raised. Why has there been no explanation from the government and Apache Energy? Why is there no back-up energy supply plan that can be implemented in the event of an emergency, natural disaster or an explosion? Why is the state's gas supply dominated by just two major corporations—Apache and Woodside—that operate for profit and not society's need?

Increasingly, the evidence points to neglect by the company and a lack of monitoring of the site by the government agencies responsible for safety checks. The Carpenter government has

refused to release a report containing four recommendations made by the National Offshore Petroleum Safety Authority (NOPSA) after it carried out an inspection of the Varanus Island plant in March.

Meanwhile, it has become clear that the WA Department of Industry and Resources, which is responsible for industrial safety and the regulation of gas plants throughout the state, has insufficient staff and resources to carry out inspections. According to a memo from the department quoted in the media, the department also was unsure if it or the federal agency, the NOPSA, was responsible for conducting safety checks.

The memo, believed to have been written on June 12, said “there had been an exodus of staff from the department and it did not have the resources to ‘cover the integrity issues’.” Referring to the memo, the *West Australian* said the department had failed to fill a key vacancy, for a pipeline engineer, “due to the spiraling demands of the resources boom”.

Prime Minister Kevin Rudd last week declared that his government was prepared, if necessary, to declare a national liquid fuel supply emergency, allowing Resources and Energy Minister Martin Ferguson to control the production, transfer and stock levels of crude oil and other liquid fuel.

Rudd’s primary concern was the impact on the national economy, not the plight of the affected workers. He warned parliament on June 18 that national economic growth could be slowed. “If there is a significant impact on WA economic activity, on growth and on exports from that state, given WA’s crucial significance to the overall performance of the Australian economy, there will be wash-through for us all on this over time,” Rudd said.

Earlier, Ferguson gave an indication that the Rudd government would even seek to utilise the disaster as a pretext to offer greater tax incentives to multinational energy companies to invest in extracting gas. He told federal parliament that some companies had failed to press ahead with major gas projects. The government’s current “root and branch” review of the tax system would look into the barriers to investing in gas processing plants, he said.

The crisis highlights the dependence of the Australian economy on the super-profits being made by the mining companies in WA. The state has experienced unprecedented rates of growth in recent years largely due to massive increases in exports of iron ore, natural gas and other minerals to China and the dramatic rise in the prices of these commodities on world markets.

For all the immense wealth and government revenue that has been generated, what should have been a relatively minor interruption to energy supplies has exposed the lack of infrastructure and back-up measures that should be in place for modern industrial and social needs. The crisis has also revealed the impact of the private ownership of the energy sector.

The gas supply sector, which accounts for 60 percent of electricity generated in Western Australia at gas-fired power

stations, is dominated by two main players—Apache Energy, whose Varanus Island plant supplies 30 percent, and Woodside, which through its North West Shelf venture at Karratha, supplies 65 percent, as well as exporting to Asia and elsewhere around the world.

The main gas pipelines, such as the 1,600-kilometre Dampier to Bunbury (north-south) pipeline that supplies the state’s south-west, including the Perth metropolitan area, and the Kalgoorlie to Kambalda pipeline in the state’s Eastern Goldfields, are owned and operated by Epic Energy.

As the Varanus Island explosion has revealed, any disruption to the gas supply from the two main producers or damage to the pipelines has the potential to cripple the state. To make matters worse, the state’s two coal-fired power stations at Collie and Kwinana have been closed for maintenance and emergency repairs.

Over the past two decades, successive state Liberal and Labor governments have carried out a program of privatisation and corporatisation of the energy supply sector. In 1995, the Liberal government of Richard Court carved the State Energy Commission of Western Australia into separate gas and electricity utilities—Alinta Gas and Western Power. By 2000, Alinta Gas was fully privatised and today is owned by the investment bank Babcock and Brown.

In 2001, one of the first major undertakings of Labor Premier Geoff Gallop, Carpenter’s predecessor, was to restructure electricity services and split Western Power, leading to the destruction of thousands of jobs.

The morning after the explosion, Apache Energy claimed “force majeure”—an event outside the company’s control—despite saying it did not know the cause of the blast. The declaration was made in order to avoid legal liability for claims against Apache for losses that could law firms have estimated could total hundreds of millions of dollars.

The cost of the gas crisis will be most severely felt by laid-off workers and their families, and all working people will no doubt be hit by increased gas and electricity charges, while businesses will pass on their losses to consumers.

UnionsWA secretary Dave Robinson told the media that job losses and income cuts for workers will worsen over the next few weeks and could last up to six months. However, the unions have done nothing except appeal to the Rudd government for welfare relief payments and ask banks and financial institutions for a moratorium on debt and mortgage repayments. Even these minimal requests, which would still leave workers and their families in severe financial hardship, have yet to be met.



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