Unanswered questions over Australian offshore oil spill

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The disastrous oil leak from a drilling platform off Australia's northwest coast was finally stemmed this week, after more than two months. A spectacular fire that engulfed the West Atlas rig last weekend then petered out. Yet these events only highlighted the many unanswered questions that remain about the oil spill and the response of the government.

The public has not been told how the leak occurred and why it took nearly 11 weeks to end it. Questions remain about how much oil and gas poured into the sea and how far the oil slick spread toward the Australian and Indonesian coasts. Beyond that, why did the government repeatedly downplay the leak and even award the rig operator new exploration licenses in the same undersea region while the crisis continued?

Throughout the crisis, the Rudd government has been preoccupied with protecting the image and profits of the multi-billion dollar offshore drilling industry, not the environment, the safety of workers or the health and livelihoods of people living across the region.

After three previous failed attempts, PTTEP Australasia, owner of the Montara well head, which sits below the rig, announced on Tuesday that it had pumped high-density mud into a damaged pipeline and temporarily "killed" the leaking well. Large quantities of sweet light crude oil, condensate and gas had been spewing into the Timor Sea since August 21.

The complex operation to plug the leak involved towing another rig from Singapore and positioning it near the West Atlas platform, about 200 kilometres off Western Australia's Kimberley coastline. The second rig was used to drill an estimated 2.6 kilometres below the seabed to locate a 25cm-wide cement casing surrounding the ruptured pipeline. PTTEP reported that the leak originated from a cracked concrete and rubber plug at the bottom end of the well pipe.

The dangerous character of the spill and resulting oil slick was exposed when the well head caught fire last Sunday several hours after PTTEP's drilling finally intercepted the damaged pipeline. For two days, the West Atlas rig became a giant burning beacon, with flames and smoke reaching hundreds of metres into the sky.

The media and the government uncritically accepted the company's own estimate that about 300 to 400 barrels of oil had leaked daily. Even by that figure, nearly 30,000 barrels poured into the ocean, or more than 4.5 million litres. But the volume may have been far greater. Testifying before a parliamentary committee, a government official, Martin Squire, conceded that according to a Geoscience Australia calculation, the maximum leakage rate could have been as high as 2,000 barrels of oil a day, plus condensate.

Satellite images showed a 25,000 square kilometre slick that reached Indonesian waters. Seaweed farmers on Indonesia's Rote Island and fishermen in West Timor reported that the spill had destroyed their harvest, affected their health and killed masses of fish, cutting catches by up to 80 percent. The Australian Embassy in Jakarta promptly issued a denial, asserting that any oil posed "no threat to the marine environment". Yet the embassy statement admitted that oil had crossed into Indonesia's exclusive economic zone and that oil sample testing had not been conducted.

Despite repeated delays and failures, the repair operation was left in the hands of the private operator, exposing the lack of public resources and infrastructure to deal with such disasters. The environmental cleanup was entrusted to the Australian Maritime Safety Authority, a 270-member agency that depends financially on levies on commercial shipping using Australian ports.

This week, PTTEP Australasia director Jose Martins admitted that much hazardous work lay ahead to plug the leak permanently, and revealed that it could take up to seven years to assess and clean up the environmental damage. Nevertheless, he declared that the company responded to the incident "by the book," had not breached any safety or legal regulations and he was confident that the well would be in production by mid-next year.

Martins' comments made plain the company's expectation that its operations would proceed unhindered, whatever the findings of the limited inquiry belatedly announced by Resources Minister Martin Ferguson. The minister foreshadowed the inquiry only last week, after two months of flatly denying the seriousness of the spill. On August 23, two days after the leak erupted, he falsely claimed that the oil was "evaporating naturally".

For weeks, Ferguson also defended the company, insisting that it was utilising the best technology and resources available to combat the leak. Just a month after the leak erupted, the government gave its foreign investment consent for PTTEP, a Thai conglomerate, to buy the exploration and mining rights over a further 1,480 square kilometres of marine oil and gas fields. According to the *Australian Financial Review*, PTTEP also plans to purchase the rights to another large field in the Timor Sea.

To conduct its inquiry, the government has appointed a former senior official, ex-Environment Department secretary David Borthwick. Although he will have powers to summon witnesses and evidence, his hearings may be held behind closed doors. Ferguson and Environment Minister Peter Garrett have said that it is up to Borthwick to decide whether to hold public hearings.

Nor will the inquiry cover a second leak, from the East Puffin gas project about 50 kilometres from the Montara well. Ferguson has admitted that he did not report the gas leak to the public for seven weeks during the Montara crisis, claiming that it was of a "minor nature".

Without waiting for any findings from the inquiry, the minister has already rejected calls to delay new exploration proposals until Borthwick submits his report, which is due in April.

Together with Garrett, Ferguson has said that PTTEP would be disciplined if found to have breached industry practices. But the pair has refused to release the drilling operations plan approved by the government for the Montara well. According to industry insiders quoted in the media, the plan may have few legally enforceable requirements, effectively shielding the company from penalties under the petroleum industry and environmental protection legislation.

The government's decision to conduct an inquiry followed increasing expressions of concern from sections of the industry itself, and others in the media and corporate establishment, about the need to repair the damage to the industry's reputation.

The Australian Petroleum Production and Exploration Association (APPEA) has expressed "strong support" for the inquiry, emphasising that any harm to the standing of the industry could affect more than $200 billion of natural gas projects proposed for Australia. These plans are in addition to the $43 billion Gorgon gas joint venture between Shell, Exxon-Mobil and ChevronTexaco, which Ferguson and Garrett approved just before the West Atlas eruption.

Garrett brushed aside environmental concerns to give permission for the Gorgon gas to be processed into liquefied natural gas (LNG) on Barrow Island, a nature reserve some 50 kilometres off Kimberley coast. On September 14, when Chevron and its partners confirmed the Gorgon project, Ferguson declared that Australia was emerging as an "energy superpower". He described Gorgon as "Australia's largest-ever resources development" and said it was expected to generate $300 billion in export earnings over 30 years.

According to the APPEA, Australian exports of oil and gas increased from $12.5 billion in 2006-07 to $20 billion in 2007-08, generating $6 billion a year in tax revenues. The Labor government is hoping for even faster growth through the development of floating LNG rigs to tap remote undersea reserves. Ferguson recently predicted that LNG exports alone would reach $24 billion by 2017-2018. In another media release, he said a recent scientific report had estimated Australia's stranded gas reserves to be around 140 trillion cubic feet and worth around $1 trillion.

In other words, expanding oil and gas exploration across the entire region from the Kimberley coast to the Timor Sea has become critical to the future of Australian capitalism. The global financial crisis has increased its dependence on mineral exports, primarily coal, iron ore and gold, but also gas and oil products, to Asian markets, particularly China and Japan.

That is why the Labor government, with Ferguson and Garrett in the vanguard, is bending over backward to protect the industry, regardless of the environmental and safety risks.