Australian government covers up causes of Montara oil spill

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The Gillard government has sought to shield itself, and the rapidly growing offshore oil and gas industry in Australia, from the fallout from last year's 74-day spill at the Montara wellhead platform, 250 km off the country's northwest coast. Resources and Energy Minister Martin Ferguson last month released the report of an official inquiry that confined blame for the disaster to the Thai-owned company that operated the well, and the Northern Territory (NT) regulator that Ferguson had placed in charge of monitoring safety in the offshore oil and gas field.

According to the inquiry's findings, the Thai conglomerate PTTEP systematically violated elementary safety standards. Its "systems and processes were so deficient" that the blowout was "an accident waiting to happen". As for the designated regulator, the Northern Territory Department of Resources, it adopted a minimalist "tick and flick" and "no questions asked" approach that "gave it little chance of discovering PTTEP's poor practices".

Nevertheless, the inquiry, and the government, concluded that these were simply faults of one company and one agency, effectively whitewashing the cost-cutting, profit-driven character of the entire industry, the de-regulation regime introduced over the past 20 years, and the Labor government's efforts to rapidly expand an industry that last year generated $35.6 billion in revenue for the energy conglomerates.

Ferguson delayed releasing the report, which he received in June, for five months in order to bury the issue during the August federal election. He was also concerned to distance its publication as far as possible from this year's catastrophic Deepwater Horizon oil spill in the Gulf of Mexico. When the findings were eventually made public, he used them to reject demands for a moratorium on the opening up of new areas of the Australian-controlled seabed for exploration and drilling.

The energy minister acknowledged that the Deepwater Horizon disaster had highlighted safety and environmental concerns, but declared that "shutting down the industry and putting the nation's energy security, jobs and the economy at risk" would do nothing to enhance safety. Ferguson claimed that the establishment of a national regulator—to be named the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) would "restore the Australian community's confidence" in the regulation of the industry.

In reality, all the circumstances surrounding the Montara blowout and the government's response indicate that the lives of drill workers, the well-being of fishing and other communities in Australia and neighbouring Indonesia, and the health of the marine environment, are to be put at ever greater risk.

The Montara blowout lasted for 74 days, from August 21 to November 3, 2009. It took five attempts to plug the leak by drilling a new connection that intercepted the well casing, some 2.6 km below the seabed, and then pumping in mud. Before the fifth attempt succeeded, a three-day fire broke out on the platform, highlighting the danger that had existed for the 65 workers who were evacuated from the rig when the leak initially erupted.

Throughout the disaster, Ferguson and then environment minister, Peter Garrett, downplayed the size of the spill and the environmental fallout. They cited PTTEP's unsubstantiated claims that about 300 to 400 barrels of oil were leaking daily. The commission of inquiry, conducted by former senior public servant David Borthwick, estimated a spill of as much as 1,500 barrels a day and a slick that extended up to 90,000 square kilometres, and into Indonesian waters near West Timor, where the oil contaminated fishing and seaweed farming areas.

Borthwick concluded that the environmental monitoring of the spill was so poor that: "It is unlikely that the full impact of the blowout will ever be known. This reflects the vast and remote area affected by the spill; the absence of solid reliable baseline data on species and ecosystems, and the slow response in putting together a monitoring plan."

The inquiry found that the immediate source of the blowout was the failure of the primary well control barrier, a

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cemented shoe casing, and that the causes of the spill were systemic. Not one well control barrier on the H1 Well had complied with the company's own standards; the cement casing had not been pressure-tested, despite major problems in installing it; and only one of the two required secondary well barriers was ever installed. Despite being advised of this highly dangerous situation, PTTEP ordered drilling to proceed.

None of PTTEP's five wells at the Montara oilfield had proper safety controls. Borthwick rejected the company's insistence that it "did not cut corners or seek to minimise costs where this might compromise safety or well integrity," saying "this claim does not bear scrutiny". He concluded that PTTEP's operation did not come within a "bull's roar" of "sensible oilfield practice", adding that the company regarded the regulator as a "soft touch".

Under the Offshore Petroleum Act the federal government was the regulator of the oil and gas fields across the Timor Sea. Ferguson, however, had delegated responsibility to the small NT resources department, allocating it just $2 million a year for the task. Borthwick reported that the NT department had only one technically qualified official and "does not conduct on-site inspections". In any case, under the Labor government's 2009 regulations, the maximum penalty for unsafe operating was just $8,800.

The NT agency's "hands off" approach was entirely in line with the de-regulation agenda that has increasingly been implemented by both Labor and Liberal governments over recent years. Borthwick referred to a "move away from prescriptive regulation toward objective-based regulation, leaving it to the owner/operator to determine how good oilfield practice is to be applied".

Nevertheless, the report did not recommend a return to prescriptive regulation, asserting that this would be "unnecessarily complicated", "obscure" and likely to "unduly stifle innovation and new technologies". While Borthwick recommended higher penalties and the introduction of a "polluter-pays" principle for clean-up costs, this regime would still leave the door wide open for profit-driven cost-cutting in the guise of "innovation".

In fact, Ferguson's proposal for a national regulator is substantially derived from a previous Productivity Commission report, published in the same month as the Montara blowout. In Borthwick's words that report "focused on removing unnecessary burdens on the sector". He said such an agency would provide operators with a "one-stop-shop" for all environmental and workplace safety licences.

Obviously briefed in advance, the oil industry umbrella group, the Australian Petroleum Production and Exploration Association (APPEA), immediately welcomed the report and the government's response. APPEA chief executive Belinda Robinson noted that the proposed single regulator was in line with the Productivity Commission's review.

To deflect attention from the underlying issues, Ferguson announced a further investigation to determine whether to cancel PTTEP's five oil and gas production licenses. The minister insisted that the industry did not have a "cowboy culture", and falsely claimed that Montara had been the first major leak in Australian waters in 25 years, during which time more than 3,000 wells had been drilled.

In reality, in 1998, there were fatal explosions at the Longford natural gas plant in the Bass Strait, on Australia's southern shore, operated by Esso Australia, a subsidiary of Exxon. Esso was eventually found guilty of breaching safety laws over the blasts, which killed two workers, Peter Wilson and John Lowerty, and injured another eight, as well as cutting gas supplies to more than a million homes and businesses for two weeks.

A jury convicted Esso on 11 occupational health and safety charge, including failure to identify hazards, assess risks, monitor dangerous conditions, and provide crisis shutdown devices. Under the de-regulation regime in place, Esso was largely responsible for running its own safety checks. WorkCover Victoria, the government agency responsible for carrying out safety audits, had been downsized to such an extent that inspections and risk assessments had been severely curtailed.

The Gillard government's response has been driven by its determination to expand the liquefied natural gas (LNG) industry as quickly as possible, providing a bonanza for giant corporations, such as ExxonMobil, Chevron and Shell, that have projects underway off the north-west coast. Ferguson last year estimated Australia's gas reserves at $1 trillion and forecast that LNG exports would total $24 billion by 2017-18, nearly doubling over a decade. The Labor government's whitewash of the potentially fatal Montara disaster will only ensure that the major operators will continue to put industry workers, nearby populations and the natural environment at great risk in the pursuit of ever-greater profits.

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