

# Evidence emerges of Australian oil spill coverup

By Mike Head  
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Evidence of cover-ups by the Australian government and the company responsible has emerged from testimony and submissions to an official inquiry into last year's oil and gas spill at the Montara field, off the northern coast of Western Australia. The inquiry's report is due to be handed today to Resources Minister Martin Ferguson, who has not announced when he will release it.

The Montara leak, which lasted 10 weeks before it was finally plugged, occurred in much shallower waters (about 250 feet deep) than BP's current Gulf of Mexico blowout (5,000 feet), and produced less than a tenth of the known flow. Its location in the Timor Sea was far more remote, about 250 kilometres off the sparsely populated coastline of the northern Kimberley region, and about 150 km southeast of Ashmore Reef, a marine reserve.

Nevertheless, a number of parallels have become apparent. Both leaks were caused by faulty caps and cementing, and in both cases the companies and governments involved sought to hide the scale and causes of the disaster from public view.

The Montara spill lasted for 74 days, from August 21 to November 3. 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 originally erupted.

Throughout the blowout, Ferguson and Environment Minister Peter Garrett downplayed the size of the spill and the environmental fallout. They cited the unsubstantiated estimate of the field's owner, the Thai conglomerate PTTEP (PTT Exploration and Production Public Company Limited), that about 300 to 400 barrels of oil were leaking daily.

Evidence presented to the government's inquiry, headed by former senior public servant David Borthwick, has revealed a spill of as much as 3,000 barrels a day. The slick is estimated to have extended up to 90,000 square kilometres, or nearly the size of Tasmania—a much larger area than the estimates previously given to the public.

Submissions by the Australian Conservation Foundation and other environmental groups have pointed to damage to offshore and coastal ecosystems that are home to diverse species of sea

snakes, birds, fish, turtles, whales, dolphins and dugongs. The long-term harm to the previously unspoiled tropical habitat is still not known, nor the impact on the fishing, pearling and tourism industries.

Although none of the slick drifted to the Australian coast, as once feared possible, some of the oil reached the south coast of Indonesian West Timor. There is documented evidence, in a submission by the West Timor Care Foundation, an Indonesian NGO, of harm to the livelihoods and health of up to 200,000 people in coastal communities, including on the islands of Roti and Sabu. The submission pointed to Montara-sourced oil and lead pollution in the local seawater and among seaweed crops. The levels detected could cause long-term lead poisoning and other health problems.

After the inquiry's public hearings opened in March, PTTEP revealed that two flaws had caused the spill—a missing containment cap and faulty cementing at the bottom of the well. PTTEP and Atlas, the company it contracted to drill wells, admitted they were aware several weeks before the spill that “the 340mm pressure-containing corrosion cap required by the drilling program had not been installed”.

Witnesses involved in the drilling disclosed that the cementing had not set properly in March last year, and that for six months company executives had known that no validating test was performed. In other words, the two defects had been known for some time before the accident, yet the mining continued.

Other testimony pointed to basic failures by the regulatory authorities. A counsel assisting the inquiry, Andre Berger, said PTTEP had applied to use a pressure corrosion cap instead of a cement plug as a barrier. “This approval appears to have been granted in precisely 30 minutes,” he told the inquiry.

The federal environment department's submission revealed that PTTEP did not submit an Oil Spill Contingency Plan—a condition attached to the Montara field's environmental approval—until months after it had drilled five wells on the Montara platform in January 2009. The plan was signed off by the environment department in June last year, almost six years after the Montara wells were licensed in 2003.

Further evidence disclosed that the 185,000 litres of chemical dispersants used to break up the Montara spill included the two

BP-produced Corexit chemicals that the US Environmental Protection Agency last month ordered BP to stop using in the Gulf of Mexico because of their toxicity. The Australian Maritime Safety Authority later stated that 45,000 litres of Corexit products were used, and claimed they were less toxic than oil, even though they are banned in parts of Europe.

Despite these breaches, just three months after the leak, the Rudd government granted another offshore oil permit to PTTEP, approving the company's acquisition of the Oliver field, also in the Timor Sea. In February, PTTEP announced a gas discovery in the Oliver field and plans for more drilling in the Montara field, all before the government's inquiry had commenced.

Another feature of the approval process has been the revolving door of corporate ownership of the Montara field. The reserves were first discovered in 1988, then purchased in 2001 by Newfield Australia. That company secured the official permission to proceed with production in September 2003, subject to six conditions, including the preparation of an oil spill plan. In the same month, however, Newfield was acquired by Coogee Resources.

After initially attempting a public float, Coogee Resources was financed by the merchant banker, Babcock & Brown, which collapsed when the global financial crisis erupted in 2008. In October 2008, unable to fund the Montara project, Coogee Resources was put on the market. At the same time, Coogee announced that problems with contractors would delay the start of production until April 2009. PTTEP finally took over Coogee in February 2009, just five months before the spill.

The complex ownership changes not only undermined the effectiveness of any safety enforcement. They also highlight the constant pressure on the Montara owners to secure finance by meeting promised production deadlines.

During the opening session of the Montara inquiry, a counsel assisting the inquiry, Tom Howe QC, said the blowout could have had "potentially catastrophic consequences, including the loss of human life and far-reaching pollution of marine and shoreline ecosystems". However, no legal charges will be laid against the companies as a direct result of evidence presented at the inquiry, which was conducted on a "no blame" basis. The inquiry's terms of reference also required no examination of the government's response, including the whitewash attempted by Ferguson and Garrett.

Weeks before the inquiry was due to report to him, Ferguson effectively pre-empted its findings. On June 3 he told journalists that no offshore drilling halt or moratorium was needed because the lessons of Montara and the Gulf of Mexico had been learned already.

Ferguson said that having a "world class regulatory system in place" and "competent and professional operators in the industry" would ensure "the best and safest" drilling operations in the world. He mooted the establishment of a single regulator

to replace the seven government authorities that had responsibilities for the Montara operation.

In reality, the evidence from the inquiry demonstrates that the oil and gas companies and their contractors are not "competent and professional" and that governments and regulators will not stand in the way of their imperatives to cut costs and maximise profits. In fact, Ferguson recently asserted that further accidents were inevitable, even with "tough" regulations to protect the environment.

Without waiting for the inquiry's report, the Rudd government is pushing to accelerate offshore oil and gas production. Last month, it opened up 31 new areas of the seabed for exploration. Ferguson made the announcement at the Australian Petroleum Producers and Exploration Association conference on May 17.

Ferguson dismissed concerns that some of the fields overlapped with marine sanctuaries, including two leases just 83 kilometres off the coast of Margaret River in Western Australia. "Marine sanctuaries do not preclude economic activities," he declared.

Over the past 18 months, the Rudd government has issued 76 oil and gas approvals. Australia has a total of 220 offshore exploration permits, 39 retention leases and 80 production licences. From the spill inquiry, there is no evidence that any of these projects are better managed or regulated than the Montara field.

The Labor government is determined to make Australia one of the biggest producers in the growing world market for liquefied natural gas (LNG). Last year, Ferguson released a report estimating Australia's gas reserves at \$1 trillion, and predicted that LNG exports would reach \$24 billion by 2017-18, nearly double the total oil and gas exports of \$12.5 billion in 2006-07. LNG projects worth an estimated \$200 billion are underway, involving some of the largest and most powerful energy companies in the world, including Chevron, ExxonMobil and Shell.

The Rudd government's primary concern in setting up the Montara inquiry is to ensure that no harm was done to the prospects and profits of this industry, regardless of the potential environmental, human and social costs.

*The author also recommends:*

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