

NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING

18.1 CHEVRON CORPORATION/SHIRE OF ASHBURTON MEMORANDUM OF UNDERSTANDING

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DISCLOSURE OF FINANCIAL INTEREST: The author has declared a financial interest in the proposal as he is the CEO and may accompany the President to San Ramon, California.

PREVIOUS MEETING REFERENCE: Whilst a great many items have been presented to Council over the last couple of years that relate to Chevron, none have promoted a formal *Memorandum of Understanding*.

Summary

Chevron has commenced construction of the first stage of its Wheatstone project in Onslow and whilst Chevron has made a significant contribution to the infrastructure of the Onslow district, it has also because of the size of the project, caused a great deal of community unrest. At a recent *Community Information Session* in Onslow, the Onslow community expressed its concerns that Chevron's corporate performance as a "good corporate citizen" did not match the marketing image it portrays of itself.

The Wheatstone Project, and therefore Chevron, has the capacity to (and has) significantly impacted upon Onslow in almost every conceivable respect, both positively and negatively. The relationship between the Shire and Chevron consequently is very important, and time and effort is therefore warranted to make sure that it is productive and positive throughout the duration of the Wheatstone Project, which is projected to be in operation for the several decades.

It is proposed that a *Memorandum of Understanding* be established between Chevron Corporation (California) and the Shire of Ashburton, to maximise the long term mutual benefits of both Chevron, and Onslow. A potential face-to-face meeting between the respective parties is also suggested as being of value.

Background

Chevron has been involved in the Western Australian resource industry since 1952. The Wheatstone gas field was discovered in the Greater Gorgon Area in 2004, and in 2008 Chevron announced its intention to develop this field as a greenfield onshore LNG and domestic gas project, and identified Ashburton North, near Onslow, as the preferred site.

Many discussions between the Shire, the State, and Chevron followed, which included agreement on amongst other things:

- A \$76m Social Infrastructure Fund (2011) and the subsequent funding arrangements; and

- Shire Town Planning Scheme amendments/conditions including a Structure Plan, Workforce Management Plan and a Workforce Management Deed (2012).

The Wheatstone development is currently under construction and has been for many months. Some in Onslow have benefited considerably from Chevron's development with for example, new and increased business opportunities. Others though, have highlighted to the Shire that they have suffered through those many months with inconveniences such as delivery trucks parking within the town-site, lack of access to traditional fishing areas, plus much more significant issues like the very high housing rents that occurred following commencement of the gas project's construction phase.

The Shire's awareness has been drawn to a range of issues over the last couple of years where the community registered concerns that Chevron was not providing the level of services to Onslow that its representatives had advised it would. These concerns and the Chevron commitments were often verbal, or, were included in communications amongst several issues and where the contemporary relevance to those individual matters is now argued by Chevron as being debatable. Examples included the undergrounding of the new power supply into Onslow, the date that residents could access flights from the Onslow Airport, Chevron's overall contribution to the airport itself, or the number of houses to be built by Chevron in the Onslow Town-site.

The most urgent present concern though, is that Chevron has secured support from the State Government to "relocate" its FIFO operational village from the the new Onslow *Barrarda Estate* residential subdivision to the ANSIA (noting that on 20/21 August, Hansard records that Chevron had been in discussion with the State Government since February 2014 on the matter of seeking to extract itself from the commitment to build the FIFO Village in Onslow).

The Shire recently coordinated a town meeting in Onslow on 2 September 2014, with the purpose being, to discuss the FIFO Village issue. Invitations were open to all community members and other commercial and government Onslow stakeholders. This Community Information Session was designed to provide stakeholders with the opportunity to learn of the reasons behind the above decision and to discuss and contribute to any mutually agreeable ways forward.

Many local residents attended and expressed their frustration at Chevron's engagement with the Onslow community and business people. Issues raised by the community included Community Reference Group meeting notes that did not accurately reflect discussions; and businesses registering concerns about lost opportunities for commerce if the FIFO Village was not constructed within the Onslow Townsite. Chevron delegates attended to answer questions, highlighting the positive contributions Chevron had made to Onslow and Ashburton, and explaining that Chevron had done nothing wrong or illegal by its actions of seeking the relocation if the FIFO Village.

Comment

Chevron promotes itself as a responsible business and a proud corporate citizen, wishing to establish a strong relationship with Onslow's community members and businesses so as to see mutual benefits occur over the next several decades of its operations in Onslow. Chevron in its advertising for example, highlights that *'We couldn't succeed without them'* (i.e. local business in Australia).

The Shire of Ashburton too, has similar expectations of itself, with the Corporate Business Plan outlining that... *the theme of the next four years is "community building – now and for the future". This reflects the challenges and opportunities facing the Shire over the medium term. In the context of both temporary and permanent growth associated particularly with the resources sector, it is critical to build a legacy for the future, while addressing today's pressing needs.*

Whilst there is always a cordial environment when discussions occur between Chevron and the Shire, it is apparent none-the-less that the relationship between our two organisations is "struggling" at the present time, caused largely by the many issues challenging us both and the competing interests of our respective primary stakeholders (for the Shire, the Onslow community; and for Chevron, its shareholders). It could be reasonably concluded that there is a natural

incompatibility between the primary interests of a not-for-profit sphere of government, and a for-profit publicly listed corporation.

In light of the above, it is thought that there may be a disconnect between the key Chevron decision makers in its global headquarters in San Ramon, California, those within Chevron Australia (Perth) and us at the Shire of Ashburton. There would seem therefore, to be benefits in “starting again” and rebuilding the relationship along common understandings and principles, and it is hoped that this disconnect can be bridged through some form of *Memorandum of Understanding* that can clearly outline the environments of Chevron Corporation/Chevron Australia and the Shire of Ashburton, and the expectations we can each rely upon the other for. A face-to-face meeting between the respective parties could be of value in establishing personal relationships and in developing a sense of personal ownership to the agreement reached by being able to, for instance, outline the history of Chevron Australia's dealings with the Onslow district and to promote the benefits of a mutually beneficial partnership moving forward.

Consultation

General Manager

Statutory Environment

Local Government Act Section 1.3 (3) - In carrying out its functions a local government is to use its best endeavours to meet the needs of current and future generations through an integration of environmental protection, social advancement and economic prosperity.

Financial Implications

Airfares for the President and CEO to visit San Ramon, California, would be approximately \$9,500 (business) or \$3,000 (economy) for each delegate; and accommodation, meals, land transport, etc would be approximately \$3,000 each. Whilst the annual budget can accommodate this expenditure within the present allocation for travel and accommodation, this particular meeting was not contemplated. A budget variation will likely be necessary before the conclusion of the financial year and therefore it is proposed that the cost be considered as “unbudgeted expenditure” and the motion dealt with by Absolute Majority.

There may also be the need for some legal/strategic expertise to fine-tune the Shire's draft of the Memorandum of Understanding (\$1,000 - \$2,000). This expense will be accommodated within existing budget allocations for legal services.

Strategic Implications

Shire of Ashburton 2013-2017 Corporate Business Plan. Strategic Priority 5.2 Stakeholder relationships (government and business) and advocacy. Action – Partnership Development – resources sector.

Risk Management

Adoption of this item has been evaluated against the Shire of Ashburton's Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be “High”. The high level of risk is being driven by the overall size of the Wheatstone project and its potential to significantly impact the relatively small Onslow community. As a high risk matter, the CEO is monitoring the situation and actively considering the options available to the Shire.

Policy Implications

Council Policy ELM06 deals with elected member travel and accommodation whilst on Council business within Australia, but it does not address the rare need for international commitments. It is considered that the arrangements for international commitments should be dealt with on an “as needed” basis.

Voting Requirement

Absolute Majority Required

Recommendation

That Council:

1. Support the development of a *Memorandum of Understanding* (or similar type document) between Chevron Corporation/Chevron Australia and the Shire of Ashburton; and
2. Authorise the President and CEO to meet with Chevron Corporation representatives at its global headquarters in San Ramon, California, if the President believes it is warranted, including business class air travel.