

Leaked emails show minister didn't care about gas price

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A WEST Australian minister and a senior state government employee may have misled the public over frantic efforts to overcome a critical gas shortage last month, documents obtained by *The Australian* reveal.

During the past two days, Energy Minister Fran Logan and Shirley In't Veld, managing director of the state's biggest energy supplier, Verve Energy, have publicly challenged reports first published in *The Australian* on Wednesday about Mr Logan's role in securing critical gas supplies by paying more than 20 times the going price in a deal that cost the state's taxpayers \$9 million.

Mr Logan has described as "completely inaccurate" claims he discussed prices with any of the companies he spoke to during the crisis.

But a leaked internal email and other documents obtained by *The Australian* raise serious concerns about public statements made by Mr Logan and Ms In't Veld.

An email between two senior energy executives involved in the purchase of the gas directly contradicts the minister's claims concerning a deal to buy gas from Indian billionaire Pankaj Oswal's Burrup Fertilisers business in the state's northwest.

The email, from inside the company that ultimately paid the bill for the Burrup gas, says Verve could have achieved a lower price "but the minister's direction was that Verve should not make this a trading opportunity — it should pay whatever was necessary to make other companies happy to help".

It also reveals that the minister directed Verve to "place supply

continuity above commercial considerations" and that the minister ordered Verve to "pay whatever was necessary" for the gas.

The memo also states that energy executives believed the "price for the Burrup Fertilisers gas was determined in consultation with the minister for energy", directly contradicting claims by Mr Logan that he did not discuss prices.

In early January, a critical gas shortage followed an electrical switch gear fault on the Burrup Peninsula in the state's northwest, which shut down Woodside's gas operations, cutting domestic gas supplies by 75 per cent.

Burrup Fertilisers supplied the gas at \$35 a gigajoule, or about 30 per cent more than other emergency supplies available in

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(Horizon Power executive) believes Verve could have achieved a lower price but the Minister's direction was that Verve should not make this a trading opportunity — it should pay whatever was necessary to make other companies happy to help.

I intend to pay Verve's invoice with a short cover note stating that HP understands the price for the Burrup Fertiliser gas was determined in consultation with the Minister for Energy and that HP reserves its rights under the GSA.

Invoice To:

Attn: Accounts Payable
Verve Energy

Reimbursement to BFPL

For supply of 15 TJ Gas 03/01/08 - 04/01/08 @ \$35 per GJ, total 15TJ	\$ 525,000.00
For supply of 15 TJ Gas 04/01/08 - 05/01/08 @ \$35 per GJ, total 15TJ	\$ 525,000.00
GST @ 10%	\$ 105,000.00

Total Amount Payable

AUD \$ 1,155,000.00

Terms: 7 days from invoice date

Extracts from an internal Horizon Power email sent on January 21 and a copy of the invoice sent by Burrup Fertilisers to Verve Energy on January 10

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the northwest, and in some cases, 20 times the price of other gas supplies in other parts of the state.

Horizon Power, another government-owned energy utility that supplies electricity to the state's remote areas, ultimately paid some of the bill after Verve bought gas on its behalf.

Mr Logan said that the purchase of Burrup Fertilisers' gas ensured that electricity supplies could be maintained in a number of northwest towns, as well as parts of the southwest. "My involvement was to secure gas supplies to keep the lights on. That's my job," he said, adding that Burrup Fertilisers was one of several companies he had contacted to secure gas supplies.

He said it was completely inaccurate to suggest that he had told Verve to pay Burrup Fertilisers' bill despite complaints from within the utility. But the documents suggesting otherwise.

On January 21, a senior official of Horizon Power sent an internal email relating to Verve's \$35-a-gigajoule invoice. The memo said Verve could have achieved a lower price "but the minister's direction was that Verve should not make this a trading opportunity — it should pay whatever was necessary to make other companies happy to pay".

The email goes on to say that the Verve official estimated Verve's extra costs during the incident were about \$9 million.

"Verve intends to make sure the minister appreciates the political value of having a state-owned generation entity can be directed to place supply continuity above commercial considerations," it says.

The Horizon official wrote that he intended to pay Verve's invoice "with a short cover note stating that Horizon understands the price for Burrup Fertilisers gas was deter-

mined in consultation with the Minister for Energy and that Horizon reserves its rights under the general supply agreement".

The Australian has also sighted an invoice from Verve to Horizon Power for \$770,000 with a handwritten notation reading "payment approved — based on advice from Verve that Minister for Energy aware of cost and noting that Horizon reserves rights under GSA".

Ms In't Veld repeated yesterday that at no time had Mr Logan directed or demanded Verve take up Burrup Fertilisers' gas and that it was not correct to say that Verve could have obtained cheaper gas.

Opposition Leader Troy Buswell said yesterday: "This sort of behaviour by a minister is akin to what characterised the era known in WA politics as WA Inc."