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Santos win in \$1.4bn pipeline claim against Fluor

Time-lapse video of a dome shaped LNG tank steel roof, weighing more than four Boeing 747s, being raised...



[The Santos-Fluor dispute has been dragging on since 2016 increasingly frustrating both companies as they seek to put the matter to rest.](#)

Energy giant Santos has achieved a win in its long-running \$1.4bn legal claim against contractor Fluor over a Queensland gas pipeline project.

The Queensland Supreme Court on Friday refused an application from Fluor to stay a panel of referees completing a final report into the seven-year dispute over work carried out by Fluor during the development of the \$US18.5bn Gladstone Liquefied Natural Gas (GLNG) project in Queensland. Describing the dispute as

“not only a trial but a tribulation,” Judge Peter Applegarth held the stay could not be justified.

He said the referees were close to completing their report and discounted Fluor’s claim that the process of referring the dispute was flawed.

“Any further delay could involve more costs,” said Judge Applegarth, adding Fluor had not abrogated any of its rights as the court would have to approve the report in its final form.

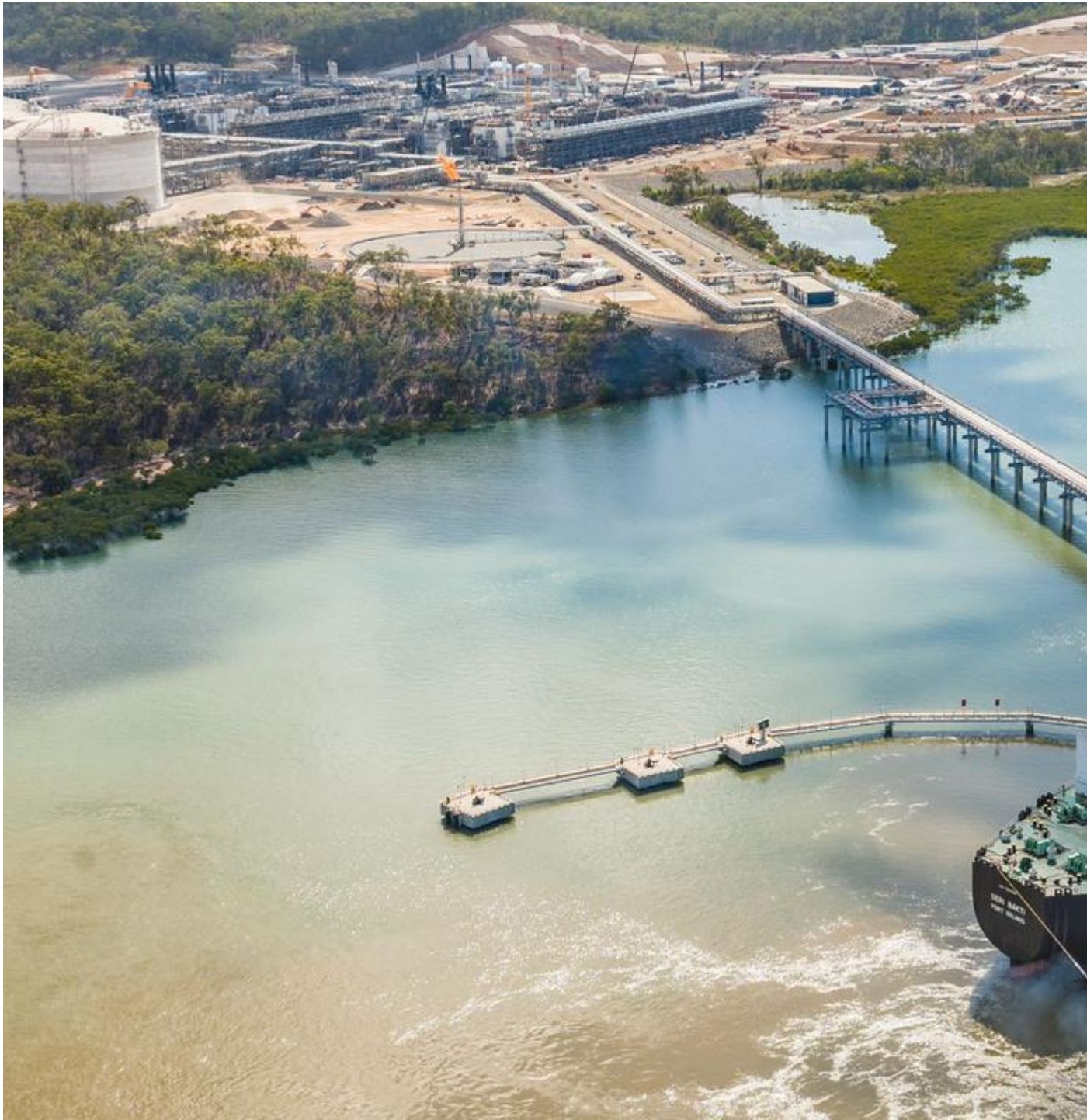
Santos in 2010 chose Fluor as the preferred contractor for engineering, procurement and construction work on the upstream facilities component of the GLNG project.

The Queensland Supreme Court in 2020 ordered the \$1.4bn dispute concerning the Surat Basin gas extraction and pipeline project to three referees nominated by the parties.

However the process was opposed by Fluor which claimed that referring the dispute was not appropriate as it could not be shown that “the potential referees ... have superior expertise that would cause the proceeding to be decided more quickly, or more correctly, than a judge.”

In its application for the stay, Fluor’s legal team argued there was concern about the time taken to produce the report and the availability of the referees.

The referral powers of courts have been seen as a way to expedite and manage complex contractual disputes involving large projects and to prevent litigation being bogged down in the already stretched legal system.



[Santos GLNG](#)

NSW and Victorian courts have embraced the referral power but the Queensland Supreme Court has traditionally been hampered by the narrow scope of its referral powers.

The Santos-Fluor dispute has been dragging on since 2016 increasingly frustrating both companies as they seek to put the matter to rest.

After the project was completed, Santos exercised a contractual right to conduct audits of Fluor's accounting records. From that information, Santos considered that it had been wrongly charged for, and had incorrectly paid and Fluor should repay them.

Fluor argued the delay costs were properly claimed, according to the interpretation of the contract and paid as actual costs. The Supreme Court initially found in favour Fluor's argument but in 2021 that was successfully appealed by Santos.

The decision handed down in the Court of Appeal by Justices Margaret McMurdo, Debra Mullins and Peter Davis ruled in favour of Santos with the earlier decision in the Supreme Court of Queensland being set aside.



Judge Peter Applegarth

Construction of the plant. located on Curtis Island approximately five kilometres north of the Gladstone, commenced in 2011 with the first shipment in October 2015. The plant consists of two trains that have a combined capacity of 7.8m tonnes per annum.

The infrastructure not completed by the due date were the water production system and the hub-compressor facility for each of hubs two, four and five.

As part of the process to move gas from extraction sites, the gas was partially treated compressed into “hubs” and then piped to Gladstone.

Fluor continued to work to complete the hubs past the specific contract date and incurred costs for which the company then sought payment for under the contract.

Santos claimed the costs incurred were of two kinds – costs which would have incurred even if Fluor had completed on time and the second type were costs that were incurred because Fluor did not complete the work on time.