



## Tenure Matters



*A column by Sue Slater, Senior Advisor Petroleum, RLMS*

Issue No. 35

Welcome back. Just as I hit publish on last month's issue the Prime Minister made his announcement about giving the Government power to intervene in the gas market if domestic shortages occur. No prizes then for guessing the topic of discussion this month!

The Government recently released a statement<sup>1</sup> (27April) that they will secure the domestic gas supply with the introduction of export restrictions to ensure that the Australian market has adequate supplies before exports are permitted. The domestic gas issue is not new, and this is a huge topic, so I plan to outline some background in this issue, and continue the discussion of latest developments in the next issue.

In 2015 the Federal Government released a Domestic Gas Strategy (yes, 2015). This document outlined nine strategies, each with key actions, "*to ensure the responsible development of coal seam, shale and tight gas resources...*" This document was fairly long on rhetoric, and short on actual measurable outcomes with target dates, but did outline key actions for each of the nine components; outlined below<sup>2</sup>. Many of the key actions of the strategy involved finalising or continuing works already in progress. There were to be annual reports to COAG Energy Council on the progress of implementation. Actions in bold type were addressed in the Domestic Gas Strategy Implementation Report released after the first year<sup>3</sup>.

1. Improving gas markets to enable better access and price discovery for all market participants including customers.

*Key action:*

- ***Continue to work with the States through the COAG Energy Council to bring on new supply and improve market transparency and competition, making it easier for all market participants, including customers, to access supply and make more informed decisions about their gas needs.***

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<sup>1</sup> <https://www.pm.gov.au/media/2017-04-27/delivering-affordable-gas-all-australians>

<sup>2</sup> <https://industry.gov.au/Energy/EnergyMarkets/Documents/Domestic-Gas-Strategy.pdf>

<sup>3</sup> Domestic Gas Strategy Implementation Report <https://industry.gov.au/Energy/EnergyMarkets/Documents/Domestic-Gas-Strategy-Implementation-Report.docx>

### *So what has happened?*

The Australian Energy Market Operator (AEMO) implemented a Gas Supply Hub at Wallumbilla in March 2014 to enable improved wholesale trading for the east coast gas market; and in March 2017 the three trading locations at Wallumbilla were replaced with a single location, through the Optional Hub Services model. In June 2016 a trading location at Moomba was established, enabling southern markets to trade under the same market framework and rules.

The Australian Energy Market Commission (AEMC) released a roadmap to reform east coast gas market in July 2016. This roadmap had 15 key recommendations to remove roadblocks to faster and more efficient gas trading and access to pipeline transportation along the east coast. Key recommendations, under review by the COAG Energy Council, include:

- Concentrate wholesale gas trading at two hubs, Wallumbilla and a Southern Hub in Victoria, with improved trading arrangement and price discovery in Victoria;
- Facilitation short-term pipeline capacity trading markets, including a short-term auction for unused capacity and improved capacity trading platforms;
- Improving information provided through the Gas Bulletin Board<sup>4</sup> to enable market participants to make better decisions.

The Australian Competition and Consumer Commission (ACCC) was directed to hold an inquiry into the competitiveness of the wholesale gas industry in April 2015. This inquiry was completed in April 2016. The report made 13 recommendations, covering gas supply (2), gas transportation (3), market operation and the level of market transparency (8).

On 19 April 2017 the ACCC was directed to conduct a wide-ranging inquiry into the supply of and demand for wholesale gas in Australia<sup>5</sup>, as well as to publish regular information on the supply and pricing of gas for the next 3 years. The ACCC are expected to provide 6-monthly reports, the first of which is due in October 2017. The inquiry will examine<sup>6</sup> *“how gas suppliers will make more gas available to the Australian industry and other domestic gas users”*. The ACCC will liaise with the Australian Energy Regulator, the AEMC, and the AEMO.

2. Understanding and responding to potential social impacts to build confidence that community needs and expectations will be properly considered.

#### *Key actions:*

- ***Finalise and release the Department of Industry and Science review of the economic impacts of the CSG industry in Queensland to inform the community, using real examples, of the economic benefits that can flow from the development of gas;***

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<sup>4</sup> <http://www.gasbb.com.au/>

<sup>5</sup> <https://www.accc.gov.au/regulated-infrastructure/energy/gas-market-transparency-measures>

<sup>6</sup> <https://www.accc.gov.au/media-release/accc-to-investigate-and-report-on-australian-gas-markets-and-market-transparency>

- Continue through the Department of Industry and Science, to work with CSIRO to disseminate the outcomes of GISERA's Queensland CSG studies on agricultural land management, social impacts and opportunities for SCG development so there is ongoing and up to date understanding as the industry develops;
- **Utilise and expand GISERA's scope and reach as a way to disseminate trusted information to communities;**
- Continue to support farmers' rights through the Agricultural Competitiveness White Paper so that co-existence remains a fundamental aspect of gas development.

*So what has happened?*

On 9 October 2015, the Office of the Chief Economist released its *Review of the socioeconomic impacts of CSG in Queensland*<sup>7</sup>. The review provides a synthesis of the impacts of CSG development, with net positive impacts on employment, income, output and government revenue. Broader community impacts do not seem so clearly defined.

3. Understanding and communicating the science to build confidence in the community that risks and environmental impacts can be managed.

*Key actions:*

- **Support the replication of the GISERA model to States across Australia to enable research to extend into emerging areas, including tight and shale gas;**
- *Strengthen the links between the Forum of Australian Chief Scientists and the COAG Energy Council's Exploration Investment and Geoscience Working Group to get a broader exchange of ideas and expectations;*
- *Improve knowledge of the environmental impacts of shale and tight gas development.*

*So what has happened?*

On 11 August 2015, funding through CSIRO was announced to extend GISERA into NSW. A total of \$3 million was announced in a strategic alliance with CSIRO and industry to expand research into the onshore gas sector's social and environmental impacts. The Regional Research Advisory Committee for NSW is responsible for reviewing and approving research projects that address community concerns, issues and potential impacts as a result of onshore gas development in NSW.

The EIS for the Narrabri Gas Project was released for public review on February 21, 2017. The consultation period has now closed. Lock the Gate held a workshop<sup>8</sup> to train and support the public to write the "*most powerful submission possible. Together we can stop CSG in the Pilliga once and for all and be on our way to securing agreement for no new gas in NSW*". Not too much evidence there that GISERA in NSW is achieving much positive support for gas.

<sup>7</sup> <https://industry.gov.au/Office-of-the-Chief-Economist/Publications/Documents/coal-seam-gas/Socioeconomic-impacts-of-coal-seam-gas-in-Queensland.pdf>

<sup>8</sup> [http://www.lockthegate.org.au/narrabri\\_gas\\_project\\_eis\\_workshop\\_sydney](http://www.lockthegate.org.au/narrabri_gas_project_eis_workshop_sydney)

4. Attracting investment and encouraging steady and predictable supply through better regulation.

*Key actions:*

- ***Continue to support the IESC and undertake the Bioregional Assessments Programme and other research and analysis in order to provide robust advice and scientific information to better inform regulators;***
- *Publish environmental, information, data and analysis in accessible forms and improve access to baseline and monitoring data with respect to unconventional gas development through programmes such as the Department of Environment's Bioregional Assessments Programme;*
- *Cut green tape, including through the One-Stop Shop for environmental approvals;*
- *Support CSIRO's partnership with Lloyds Register Foundation (UK) to develop international best practice industry standards for unconventional gas exploration and production.*

*So what has happened?*

By the end of 2015, the IESC had provided 91 pieces of advice to regulators covering 67 projects (14 related to CSG)

Bioregional assessments full results are expected to be released from late-2016 to mid-2017.

There are six bioregions (Lake Eyre Basin – divided into 4 subregions; Northern Inland Catchments Bioregion –divided into 4 subregions; Clarence-Moreton bioregion; Northern Sydney Basin bioregion, - divided into 2 subregions; Sydney Basin bioregion; and Gippsland Basin bioregion). There are a number of assessment components for each region or subregion:

- 1) Contextual information (6 sub-components which include a data register, current water accounts and water quality, coal and coal seam gas resource assessment, etc.);
- 2) Model-data analysis;
- 3) Impact analysis;
- 4) Risk analysis
- 5) Outcome synthesis.

To date only parts of assessment component 1 have been published for most of the bioregions and subregions, with nothing published for the Sydney Basin bioregion.

5. Tailoring production technologies for Australia to ensure we are making the most of our resources.

*Key action:*

- *Support high impact and strategically focused research and development through the development of a 'National Strategic Research Initiative for Onshore Gas' between CSIRO, universities and industry.*

6. Establishing an Oil, Gas and Energy Resources Industry Growth Centre to accelerate advancements within the industry.

*Key action:*

- ***Establish the Oil, Gas and Energy Resources Industry Growth Centre.***

*So what has happened?*

The activities of the Oil, Gas and Energy Resources Industry Growth Centre are delivered through National Energy Resources Australia (NERA), a not-for-profit company chaired by Mr Ken Fitzpatrick. They have released a Sector Competitiveness Plan in 2017, a 10 year roadmap for the future of the energy resources sector<sup>9</sup>.

7. Improving access to geo-scientific precompetitive data to understand our resources and attract investment.

*Key actions:*

- *Continue to enhance and promote Geoscience Australia's capability to acquire, analyse and deliver pre-competitive data and information in collaboration with the states and Northern Territory geological survey organisations, to increase understanding of coal seam, shale and tight gas resources;*
- *Support the enhancement of Geoscience Australia's decision support tools for governments to assist in transport and storage development planning activities such as pipelines for new coal seam, shale and tight gas.*

8. Demonstrating the macroeconomic benefits to build community confidence.

*Key action:*

- ***The Department of Industry and Science, in consultation with The Treasury, will continue to undertake work to quantify and demonstrate the broader macroeconomic benefits to Australia from unconventional gas development.***

*So what has happened?*

Under this key action item, the implementation document has quantified some aspects of unconventional gas development; but there is no discussion of actually demonstrating the broader macroeconomic benefits. Numbers – such as adding 0.75 percentage points to real Gross Domestic Product growth in 2016-17 – do not mean a lot to the general public, and are unlikely to sway the naysayers.

9. Learning from mistakes and successes of other jurisdictions through sharing knowledge.

*Key actions:*

- *Work through relevant COAG Energy Council working groups and other relevant fora to facilitate a national approach to accessing regulatory and scientific information;*
- *Work with the States and industry to improve transparency through the Unconventional Reserves, Resources, Production, Forecast and Drilling Rates reports;*
- *Encourage information sharing between the States about measuring and monitoring impacts on baseline data and appropriate transparency levels;*

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<sup>9</sup> [https://www.nera.org.au/Article?Action=View&Article\\_id=72](https://www.nera.org.au/Article?Action=View&Article_id=72)

- *Work to record relevant learning outcomes from international developments with publically available information and regularly publish outcomes on the Department of Industry and Science’s website;*
- ***Consider collective findings and shared learning from the ATSE International Conference on Unconventional Gas;***
- *Work through the Department of Industry and Science, with the International Energy Agency’s Unconventional Gas Forum to broaden Australia’s understanding of the issues faced in other countries developing unconventional gas.*

*So what has happened?*

In November 2015, the ATSE Conference and Workshop Outcomes Communique was released<sup>10</sup>. Key findings were summarised under 8 main themes; including unconventional gas resources, addressing community concerns, new knowledge, hydraulic fracturing, groundwater, protecting landscape and the environment, emissions and regulations. It is not clear what, if anything, has been considered by Government.

None of these ideas are new – over the last ten years or so, every review, plan, strategy or roadmap has said pretty much the same things. And yet we still find ourselves in a situation where:

- more than one State and Territory has moratoriums on fracking or unconventional and onshore conventional gas exploration, if not complete bans;
- industrial gas users seemingly have totally unreasonable expectations that the legacy price of gas will be sustained in the current economic and regulatory environment; and
- spiralling regulatory and policy controls increase the cost of getting gas out of the ground – even without considering transportation costs.

And the proliferation of organisations dealing with the issues is not at all helpful – it seems to be a standard operating procedure to form a new body (the Oil, Gas and Energy Resources Industry Growth Centre for example) when you’re not sure what else to do.

There will be further discussion on the developments since the April announcement in the next issue. Meanwhile I am feeling the urge to sing “*words, words, words, I’m so sick of words! I get words all day through, first from him, now from you! Is that all you blighters can do?*”<sup>11</sup>

I am happy to hear suggestions about topics you would like covered. Feel free to email me at [sue.slater@rlms.com.au](mailto:sue.slater@rlms.com.au) with the subject heading Tenure Matters.

In the meantime, remember “Tenures make the Project; the Project doesn’t make the Tenures”.

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<sup>10</sup> <https://www.atse.org.au/Documents/reports/atse-unconventional-gas-workshop-communique.pdf>

<sup>11</sup> From the song “Show Me” in My Fair Lady, Alan Jay Lerner and Frederick Loewe