

PETROLEUM (ONSHORE) AMENDMENT (NSW GAS PLAN) BILL 2014

Bill introduced on motion by Mr Anthony Roberts, read a first time and printed.

Second Reading

Mr ANTHONY ROBERTS (Lane Cove—Minister for Resources and Energy, and Special Minister of State) [10.16 a.m.]: I move:

That this bill be now read a second time.

The Petroleum (Onshore) Amendment (NSW Gas Plan) Bill 2014 is part of the package of reforms announced today in the NSW Gas Plan. The NSW Gas Plan sets out the Government's blueprint for building a safe and sustainable gas industry and securing reliable and affordable gas supplies for this State. As an important first step in implementing the NSW Gas Plan, this bill amends the Petroleum (Onshore) Act 1991 to enable us to hit pause and reset the development of our gas resources.

This State is rich in gas resources. However, only 5 per cent of what it uses is produced domestically. Unless we take decisive action New South Wales faces potential gas shortages over the next five years. We face increasing competition for access to gas from other States as producers on the east coast move to sell the product overseas. Census data from the Australian Bureau of Statistics shows that industrial users of gas, including metal product manufacturers and chemical industries, employ around 300,000 people in New South Wales. Without affordable and reliable gas supplies these manufacturers will struggle to compete and grow. Some will be forced to move their activities out of New South Wales, taking jobs and government revenue with them. Others will be forced to cease operations altogether.

This Government is committed to the safe and sustainable growth of our domestic gas supply. At the same time, however, we recognise that some in the community have rightful concerns about gas activities in New South Wales. The development of our gas reserves must be guided by stringent regulation to ensure our vital land and water resources are protected and that there are no risks to human health. Since taking office in 2011 the New South Wales Liberal-Nationals Government has implemented the toughest rules around coal seam gas in Australia. We have delivered more than 30 significant reforms.

These include a water monitoring framework to map, monitor, report and protect groundwater resources across New South Wales; scoping the development of an environment data repository and baseline subsidence mapping; banning the use of harmful BTEX chemicals; banning evaporation ponds; introducing an aquifer interference policy; and developing codes of practice for well integrity and fracture stimulation. We have also taken measures to facilitate greater consultation between government, community and industry about gas activities. For example, we appointed a New South Wales Land and Water Commissioner to provide independent advice to the community about exploration activities. We have also established the Gloucester Dialogue, chaired by the Land and Water Commissioner. The Gloucester Dialogue brings together community, industry and local and

State governments to explore issues surrounding the exploration and extraction of coal seam gas in the Gloucester Basin.

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This is the first time in New South Wales this type of dialogue has occurred. Through the dialogue there is regular contact between senior departmental officers and Gloucester Shire Council. Any topic is up for discussion. A community liaison officer from my department operates out of the council chambers two to three days a week. The tenth dialogue meeting was held last Thursday. I commend the Gloucester Shire Council, particularly the mayor, Councillor John Rosenbaum, for his tireless work in the dialogue. It has not been an easy road—there have been a lot of robust discussions. However, the dialogue has reshaped the way local communities engage with government and companies in relation to large resources projects. It has transformed our role from absence to informing and genuine engagement. Through the dialogue the community has access to all materials relevant to licensing decisions and approvals about AGL's Gloucester gas project. It has also resulted in changes to the way AGL carries out its activities in the Gloucester Valley. For example, through the dialogue, the Gloucester Shire Council asked for more air monitoring and as a result additional monitoring sites were implemented. Similar arrangements to the dialogue are being established in Santos' Narrabri project area. Here the council and community have also benefited from access to government and the company.

We do not shy away from the fact that there is more to be done—by government and industry—to build community confidence in the New South Wales coal seam gas industry. We are committed to a world-leading regulatory framework underpinned by science, not scaremongering. That is why last year we commissioned the New South Wales scientist and engineer, Professor Mary O'Kane, to undertake an independent review of coal seam gas activities in New South Wales. Professor O'Kane released the final report on 30 September 2014. The report brings together the extensive body of work undertaken during the review and makes a series of 16 recommendations. Professor O'Kane's report provides us with a road map to establish a world-leading industry that is safe and sustainable. The Government welcomes the report and will adopt all its recommendations. Professor O'Kane found that the risks posed by the CSG industry can be effectively managed. They can be managed through ensuring the right regulatory framework is in place, engineering solutions and constant learning through monitoring and research.

The NSW Gas Plan draws on the insights of the Chief Scientist and Engineer's report to set a clear direction for gas in New South Wales. The NSW Gas Plan identifies five priority pathways to reset New South Wales' approach to gas. These are: pausing, resetting and recommencing gas exploration on our terms; developing a framework underpinned by better science and information to deliver world's-best practice regulation; ensuring strong and certain regulation; sharing the benefits of gas production with landholders and communities; securing supply and helping consumers. The plan sets out a raft of actions under each of these pathways. These actions include: resetting the Government's approach to granting petroleum exploration licences; developing an online portal that will bring together environmental data collected by New South Wales regulators; establishing the independent Environment Protection Authority [EPA] as the lead compliance and enforcement watchdog for all gas activities; lifting industry performance through minimum standards for applications and outcome-based licence conditions; commissioning the Independent Pricing and

Regulatory Tribunal to benchmark compensation rates annually; and establishing a Community Benefits Fund to fund local projects in communities where gas exploration and production occur.

As a key first step in implementing the NSW Gas Plan, the proposed amendments enable us to pause and reset the Government's approach to issuing petroleum exploration titles. The bill lays the foundations for a transparent, informed and strategic approach to allocating our petroleum resources to be introduced in 2015 as part of a second comprehensive tranche of legislation. This second tranche of legislation will implement a number of other actions set out in the NSW Gas Plan. These include: establishing the EPA's new lead role; introducing new landholder compensation requirements; ensuring that standards and conditions are continually updated and improved; and equipping regulators with the tools they need to strictly enforce compliance.

Gas exploration and development will be undertaken on our terms. Under the current legislative framework applications for petroleum titles are processed on a first come, first served basis. There is no clear requirement preventing companies with no financial capacity or technical expertise from applying for petroleum titles over large areas of land. The Labor Government handed out petroleum exploration licences in a careless and clumsy, freewheeling fashion with little oversight and no long-term vision. The application fee for these licences was a mere \$1,000. They gave a number of companies with no operating history and no technical expertise licences over vast expanses of the State. Understandably, this placed unnecessary stress on communities.

New South Wales deserves better. The Chief Scientist recommended that Government designate those areas of the State in which coal seam gas activity can occur. We support that recommendation. As set out in the NSW Gas Plan we will introduce legislation next year to scrap the existing first come, first served system. In its place the Government will introduce a strategic release framework for petroleum titles. This will give the Government control over the areas that are released for petroleum exploration and production. Petroleum exploration and production will be undertaken on our terms and we should not be tied to the mistakes of those sitting opposite. The bill is the first step in ensuring that we have a targeted and controlled approach to facilitating petroleum exploration in this State.

There will be no more ad hoc, inadequate and inappropriate applications to explore that take the community by surprise. Never again will licences be allocated like confetti to anyone who puts up their hand. Gas exploration and production will be undertaken on our terms. However, before we can introduce a strategic release framework we need to roll back the areas under application for titles and ensure the settings are right for a safe and sustainable industry. The NSW Gas Plan lists a number of measures for achieving this. An important measure, which this bill implements, is to wipe the slate clean of the outstanding petroleum title applications that cover almost half the State. These applications will be expunged and the \$1,000 application fees paid returned.

I turn now to a more detailed discussion of the provisions in the bill. As a first step the bill will wipe the slate clean of applications for licences. It will do this by voiding all current applications. The bill will not affect applications for areas that are already covered by an existing title. However, as I noted earlier, the NSW Gas Plan sets out a range of measures to lift the performance of existing titleholders. The bill will remove petroleum title applications from the books. These applications

currently blanket 43 per cent of the State, including large parts of the northern rivers region, the Riverina district and the Southern Highlands. There will be no compensation payable for voiding these applications; however, application fees will be refunded. I stress that these actions are not a reflection of the merits of the applications or the companies that submitted them. Rolling back these applications is simply a necessary first step towards moving to a framework that enables us to designate areas in which it is appropriate for exploration to occur.

Currently, under section 9 (1) of the Petroleum (Onshore) Act, the Minister for Resources and Energy may designate areas in which a petroleum title cannot be granted. In March this year I used this power to impose a freeze on processing new petroleum title applications. As set out in the NSW Gas Plan, next year we will introduce a strategic release framework to release areas for gas exploration. This will give the Government control over the areas that are released for petroleum exploration and production. Petroleum exploration and production will be undertaken on our terms. The freeze on processing new applications will remain in place until this framework is implemented. Once the freeze is lifted new exploration licences will only be issued in areas released by the Minister for Resources and Energy. A triple bottom line assessment of environmental, economic and social factors will be undertaken before these areas are released. This will draw on the new approach to coal exploration recommended by the Independent Commission Against Corruption.

It is time for a reset in New South Wales. Gas exploration and development should be undertaken on our terms. The bill achieves just that. It pauses and enables us to reset the current approach to issuing petroleum titles. It lays the foundations for a transparent, informed and strategic approach to allocating our petroleum resources. This bill is an important milestone towards developing a safe and sustainable coal seam gas industry, and securing reliable and affordable gas supplies for industry and households. I indicate that the Government will be moving to debate and pass this bill through all its stages later today in line with the resolution of the Legislative Council regarding the consideration of government bills. I commend the bill to the House.

Debate adjourned on motion by Mr John Robertson and set down as an order of the day for a later hour.