

Inquiry into the implementation of the recommendations contained in the NSW Chief Scientist's independent review of coal seam gas activities in New South Wales

1. EPA and waste facilities

Mr JUSTIN FIELD: *Can I ask it in a slightly different way? Did you refuse the Environmental Protection Agency's [EPA] request to assess the capacity of landfill facilities to accommodate volumes of salt waste that would be produced from the Narrabri project?*

Ms WINTERS: *I cannot answer that question. I have not been directly involved in those matters but I am happy to take that on notice.*

Response

The EPA submission on the Narrabri Gas Project EIS requested further information on the facility to be used for waste salt disposal and the capacity of the facility to receive it. Santos has not entered into a commercial agreement with a specific waste facility at this point in time. The Santos Response to Submissions confirmed an average of approximately 47 tonnes/day of salt would be produced, that the salt is classified as general solid waste, and that there are a substantial number of waste facilities, including government and privately owned facilities in New South Wales that have the capacity to receive the waste. Subsequently, during 2019, Santos provided further evidence to the Department of Planning to confirm this is the case.

2. Estimate how much gas has been used in Wilga Park Power Station since 2014

Mr JUSTIN FIELD: *I might move on then. Can you outline the amount of royalties that you have paid so far for the exploration and appraisal of gas from the Pilliga that you have been using commercially?*

Ms WINTERS: *My understanding is that we calculate the royalty payment, and there is a royalty to be paid, but like all royalties there are also deductible costs and because at this stage we have not produced enough gas to offset those deductible costs—so over time we will pay royalties—we have not paid royalties so far because we are not in a tax paying position according to the New South Wales royalty regime.*

Mr JUSTIN FIELD: *Can you estimate how much gas has been extracted and used commercially in the Wilga Park Power Station, I guess since 2014 when I think that change in the royalty arrangement happened?*

Ms WINTERS: *I would have to take that on notice.*

Response

Since 2014 the Wilga Park Power Station has beneficially used approximately 5 petajoules of gas.

3. Santos commitment all Narrabri gas will be made available to domestic market

The Hon. ADAM SEARLE: *I appreciate that. That is okay. I will move on to the next question. In your submissions, you say that Santos is committed to making all of the Narrabri gas produced only to the New South Wales domestic market and you would be willing to accept a condition of approval. I understand that. Is it actually part of your application or will it be part of your application that you seek that condition beyond any doubt?*

Ms WINTERS: *We have told the department and we are happy to put that in writing to the department. I would have to check this but we may already have done that. But certainly we would be happy to accept a condition to supply the gas to the domestic market. That is correct.*

The Hon. ADAM SEARLE: *Just on that can you provide to the Committee any documentation that verifies that statement?*

Ms WINTERS: *I said I would check whether we have put it in writing. We may have but if we have that would depend on whether it was commercial in confidence or what the confidentiality requirements are that we have with other parties.*

The Hon. ADAM SEARLE: *Okay. Please communicate that with us because I think we have the capacity to receive information on a confidential basis.*

Response

Santos has written to the Deputy Secretary, Division of Resources and Geoscience, Department of Planning, Industry and Environment in the following terms:

“Santos has publicly committed that gas produced from the Narrabri Gas Project in PEL 238 would be sold into the domestic gas market and not to LNG export projects.....Santos proposes that in order to formalise this commitment, a condition be attached to the renewed licence requiring gas produced from PEL 238 to be sold into the domestic gas market. It is our view this would provide greater confidence to the community that Narrabri would be developed solely for the domestic gas market.”

4. Cost of production and 2019 AEMO report

Ms ABIGAIL BOYD: *Just on that point my understanding is that the Narrabri project is a relatively high cost gas development. Would it actually be commercially viable to export the gas or would it be too expensive and that is why it needs to be kept within the domestic market?*

Ms WINTERS: *It is not correct that it is a high cost project. Since the Environmental Impact Statement [EIS] was originally developed Santos has made enormous improvements in its cost base for coal seam gas operations. Just as an example, since the end of 2015 we have reduced our connected coal seam gas well costs in Queensland by a massive 84 percent. So as we have had experience developing coal seam gas fields in Queensland over the last several years, we have improved the cost of supply enormously. So it is not correct that it will be a high cost project.*

Ms ABIGAIL BOYD: *The Australian Energy Market Operator [AEMO] in 2019 ranked the project 41 out of 51 of the actual undeveloped gas projects across Australia with an estimated production cost—so the tenth most expensive—of \$7.40 per gigajoule. Are you saying that estimated production cost has been reduced since this was reported in 2019?*

Ms WINTERS: *That is something I would have to take away and come back to you on.*

Ms ABIGAIL BOYD: *On the basis that it is—as the AEMO has pointed out—a relatively high cost and relative to the other projects that the AEMO assessed, is it then true to say that actually it would be*

an expensive product to export and that is why you can say quite happily that it would be 100 percent domestic?

Ms WINTERS: No, that is not correct. It is not why it would be a domestic gas project. I will take that on notice and come back to the Committee with an explanation of what is in the AEMO report and the project cost.

Response

The Australian Energy Market Operator (AEMO) in 2019 did not “rank the project 41 out of 51 of the actual undeveloped gas projects across Australia”, as claimed by Ms Boyd. This ranking is asserted in a report commissioned by Lock the Gate, which is opposed to the Narrabri Gas Project. The 2019 AEMO Gas Statement of Opportunities (GSOO) contained a Core Energy estimate of Narrabri production costs at \$7.40. To the best of my knowledge, Santos did not provide data for the calculation of this estimate and the estimate will be updated, using correct data, in the 2020 AEMO GSOO. Santos can confirm that Narrabri gas will be lower cost than Queensland coal seam gas.

The cost of Narrabri gas is irrelevant to Santos’ decision to develop the Narrabri Gas Project solely for the domestic market.

5. Bank guarantees, terms and competing interests

Ms ABIGAIL BOYD: And those bank guarantees, are they first ranking security? What is the—

Mr FOX: I can take that on notice. I do not know the status of those but—

Ms ABIGAIL BOYD: It would be good to know the terms and whether there are other competing interests on that security. That would be really good.

Mr FOX: We can take that on notice.

Ms ABIGAIL BOYD: We have seen that in some other areas.

Response

The State is the sole beneficiary of the bank guarantees.

6. Hydraulic fracturing and conditions of consent

Mr JUSTIN FIELD: Similar to the assurance that you gave before with regards to domestic supply for gas. I think in your submission, if I recall correctly, you indicated that it is not your intention to frack any wells as part of the Narrabri Gas Project. Are you able to give an assurance that you will not frack any wells as part of the Narrabri Gas Project?

Ms WINTERS: Let me say that is a commitment has been made. It is in the EIS so there will not be any hydraulic fracturing of wells for the Narrabri Gas Project.

The Hon. TREVOR KHAN: Just so that is clear. That is not only a commitment by Santos, that will be a condition of the consent. Is that the expectation?

Ms WINTERS: I do not know. Again, that will be a matter for the Government but certainly that is what we have said in the EIS.

The Hon. TREVOR KHAN: So that concession is being made upfront in any application. Is that right?

Ms WINTERS: Yes. Having said that, I would like to add that—

The Hon. TREVOR KHAN: I worry about a caveat now being added.

Ms WINTERS: Sorry?

The Hon. TREVOR KHAN: I worry about a caveat now being added.

Ms WINTERS: No. It is not a caveat.

The Hon. ADAM SEARLE: I have got a follow-up question.

Ms WINTERS: It is just a simple comment that we conduct hydraulic fracturing already in the Cooper Basin where New South Wales gets its gas from so we are doing that and have been doing that for the last 50-odd years. Hydraulic fracturing is something that is being done. It is a technique that is used to extract the gas that customers in New South Wales today are using and it is conducted safely and sustainably. That said, in Narrabri the EIS includes the commitment that there will be no hydraulic fracturing.

The Hon. TREVOR KHAN: That is where I wanted you to end.

The Hon. ADAM SEARLE: So you say that is a commitment you have made in the EIS. If there is no condition imposed by whatever planning authority gives you permission—.

Ms WINTERS: Mr Searle, that is a matter for the Government. I cannot talk about conditions that—.

The Hon. ADAM SEARLE: Ms Winters, let me finish my question.

Ms WINTERS: Okay.

The Hon. ADAM SEARLE: So I understand your commitment. But if there is no condition actually prohibiting it your company would be free to revisit that issue at a subsequent point in time if for operational reasons, for example, you felt that would be advantageous. If there is no planning condition restraining you, you would be free to do that at some future point.

Ms WINTERS: I can only tell you what is in the EIS. We have said there will not be any hydraulic fracturing.

The Hon. ADAM SEARLE: Have you asked for a planning condition to that effect?

Ms WINTERS: It will be a matter for the Government to decide whether it puts that condition on.

The Hon. ADAM SEARLE: Okay and I am not trying to be unfair but I have noticed, for example, in some contested mining applications proponents to put issues to bed—for example I think it was in the Murrumburrah mine—actually sought a condition from the approver to put a matter beyond doubt. To actually say, please impose a condition that does this. To be clear on domestic reservation and now on hydraulic fracturing, you have not proactively sought on either occasion a consent condition restraining you in either of those two respects, have you?

Ms WINTERS: Let me come back to you on that. I will have to take that one on notice.

The Hon. ADAM SEARLE: Please do.

The Hon. TREVOR KHAN: There is a follow-up question and it is not a question that you can answer today but on notice can you advise whether Santos will ensure that any consent they obtain will contain a condition prohibiting fracking. I am not asking for you to answer that today, I am asking for you to take that on notice and come back on behalf of Santos.

Ms WINTERS: Okay.

Response

The Narrabri Gas Project does not propose hydraulic fracturing nor is Santos seeking approval for hydraulic fracturing in the development application. It is simply not an activity for which we are applying. However, Santos has advised the Department of Planning that while there is no proposal for hydraulic fracturing, it would accept a consent condition prohibiting hydraulic fracturing.

7. Responses to questions from CCC

Mr JUSTIN FIELD: If I could move on to something a bit closer to home up in Narrabri. It goes back to the commentary before about communication between the community, the Government and Santos. I understand that People For The Plains—the local community group up there—temporarily

suspended their attendance of the Narrabri Gas Project Community Consultative Committee [CCC] I think late last year. I know they were concerned about how the CCC was operating, its independence of the Secretariat which I believe now is being handled by Santos, and they cited concern about Santos' willingness to answer questions from the community about the status of the project and things like that. I was just wondering if you have got a response to those concerns? I understand they have written to you about it.

Ms WINTERS: Santos receives questions from the Community Consultative Committee and we provide responses to all of them and will continue to do that.

Mr JUSTIN FIELD: Their specific concern is that has not been happening, that they have put questions through the CCC—through their representative on the CCC—to Santos and they have not got answers back. So I am wondering if you were willing to today commit to providing those questions either directly to them or potentially through the Committee—if they wanted to provide them to the Committee—for you to answer on notice?

The Hon. TREVOR KHAN: Doesn't it depend on the question?

Mr JUSTIN FIELD: I guess it does but the suggestion is that they are not being answered.

The Hon. TREVOR KHAN: It is just so broad that what you are asking the witness to commit to is pretty hard.

Mr JUSTIN FIELD: I understand the concern and I offered an alternative option for Santos to publicly commit to answering it outside of the committee forum. When you have the local group that is on the CCC withdrawing from the CCC as the project is going through the planning stages, that suggests that something is going wrong. One of the key aspects of the Chief Scientist's recommendations had to do with miscommunication between the community and the company. I am just wondering what has gone wrong here.

Ms WINTERS: As I said, we do provide answers to the questions we have received. We will have a look to check whether there are any outstanding and there may well be from the last meeting. If there are, we will make sure that those responses are provided through the committee when it next meets, which is the normal process.

Response

Santos is currently finalising responses to a total of 28 questions (some of which are duplicates and some for which answers have previously been given). These responses will be provided at the next Community Consultative Committee meeting.

8. Chief scientist recommendations and a risk-management predictive tool

Ms WINTERS: No.

The Hon. ADAM SEARLE: The Chief Scientist also recommended a risk-management predictive tool. Again, we have mixed evidence—we know the Government has not developed its own tool. It says that there is range of mechanisms that it is using but it has not developed a bespoke one. Again, in terms of your table of the status of the implementation of the recommendations, you are all just accepting what the Government says about what it has done. You have not independently verified that yourself?

Mr WELLS: From our point of view, that is right.

The Hon. ADAM SEARLE: Is that the same for Santos, as well?

Ms WINTERS: I would like to check that one. I am not sure about it.

Response

Santos is of the view that for ongoing operations, and through the assessment of proposed new activities that incorporate cumulative impacts, the Government has a comprehensive and effective risk-based framework in place for the regulation of the industry.

9. Chief scientist recommendations and the IESC

The Hon. ADAM SEARLE: *I would like you to check that one, too. Again, the same on the standing expert advisory body—the recommendation was that the Government should develop its own. The Government says that it is using the Commonwealth implemented expert standing committee. The evidence we have received is quite clear that the function of the Federal body does not meet the description in the Chief Scientist's recommendations. Again, in terms of your acceptance that that has been fully implemented by the New South Wales Government, where is your information coming from?*

Ms WINTERS: *I think Santos is of the view that it is appropriate to use the Commonwealth scientific expert panel.*

The Hon. ADAM SEARLE: *Instead of implementing the Chief Scientist's recommendation? Because it is not what the Chief Scientist recommended.*

Mr JUSTIN FIELD: *Which asked for ongoing advice, whereas the independent expert scientific committee is on occasion. It gets a referral and it provides a response back—not ongoing.*

Ms WINTERS: *I think it does provide ongoing advice.*

The Hon. ADAM SEARLE: *That is not the evidence we have.*

Mr WELLS: *I think it is upon request.*

Ms WINTERS: *Let me take that one notice, as well.*

Response

Santos remains of the view that it is appropriate to use the Commonwealth's Independent Expert Scientific Committee (IESC) to fulfil the Chief Scientist's recommendation. The following is taken from IESC website <http://www.iesc.environment.gov.au/>:

Under the EPBC Act, the IESC has several legislative functions. These include to:

- *Provide independent scientific advice to the Australian Government Environment Minister and relevant state ministers on the water-related impacts of proposed coal seam gas or large coal mining developments.*
- *Provide independent scientific advice to the Australian Government Environment Minister on:*
 - *bioregional assessments being undertaken by the Australian Government; and*
 - *priorities for research projects to improve scientific understanding on the water-related impacts of coal seam gas and coal mining.*
- *Collect, analyse, interpret and disseminate scientific information about the impacts of coal seam gas and large coal mining activities on water resources*

The Committee provides independent, expert, scientific advice to the Australian and state government regulators on the potential impacts of coal seam gas and large coal mining proposals on water resources. The Committee's advice ensures that decisions by environmental regulators on coal resource development proposals are informed by the best available science. The Committee also provides advice to the Australian Government on other actions it is taking, including bioregional assessments and research, to improve the understanding of water-related impacts of coal resource development.

In satisfaction of Recommendation 12, Santos notes:

- + The IESC is a long-standing independent and expert scientific committee established in 2012. The IESC is comprised of nationally renowned experts in hydrogeology (2), ecology (2), geology (2), hydrology (1) and ecotoxicology (1).
- + Its remit extends beyond formal assessment of any CSG and large Coal Mining projects that are likely to have a significant impact on a water resource, as mandated under the EPBC Act. It also collects, analyses, interprets and disseminates scientific information about the impacts of coal seam gas and large coal mining activities on water resources.
- + The IESC advises upon and is a key stakeholder in the Australian Government's Bioregional Assessment Program (BRP) that includes large areas of NSW, e.g. the Northern-Inland Catchments bioregion (including the Namoi sub-catchment within which the NGP sits), Clarence-Moreton bioregion, Northern Sydney Basin bioregion, Sydney Basin bioregion. The BRPs are delivered by Australian Government and are independent, scientific assessments of the potential cumulative impacts of coal seam gas and coal mining developments on water resources and water-dependent assets. This includes rivers, wetlands and groundwater systems. The Australian Government's Bioregional Assessments Programme focuses on parts of Queensland, New South Wales, Victoria and South Australia. This satisfies the need to advise to Government:
 - *on processes for characterising and modelling the sedimentary basins of NSW*
 - *on the implications of CSG impact in NSW in planning where CSG activity is permitted to occur in the State*
- + The IESC advises the Australian Government of priority areas of research. Further, the IESC has developed information guidelines and explanatory guidelines which satisfies the need to advise Government:
 - *on new science and technology developments relevant to managing CSG and when and whether these developments are sufficiently mature to be incorporated into its legislative and regulatory system*
 - *on specific research that needs to be commissioned regarding CSG matters*
 - *on how best to work with research and public sector bodies across Australia and internationally and with the private sector on joint research and harmonised approaches to data collection, modelling and scale issues such as subsidence*
- + Regarding the need for ongoing assessment of CSG in NSW through a published Annual Statement, drawing from analysis of data held in Whole-of-Environment Data Repository, Santos notes that the status of NSW Government implementation in regard to Recommendation 10 is that a "whole-of-government environmental data portal", the centrepiece of a new and open approach to data on gas activities in NSW, has been implemented, and development continues. The IESC provides an annual statement. At a high level, that statement provides a summary of the number/types of projects that have been assessed by the IESC and the status of research projects and any relevant publications.