

**Submission
No 136**

INQUIRY INTO COAL SEAM GAS

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Date received: 1/09/2011

NSW Legislative Council
Inquiry into Coal Seam Gas

The terms of reference for this inquiry appear to cover all relevant factors. The difficulty committee members will face is identifying and estimating the costs and benefits of coal seam gas extraction in both the short and long terms.

Some specific examples of these difficulties include:

It is likely that the value of the benefits will be relatively easily identified and estimated in financial terms but the costs will be much more difficult to identify and estimate in financial terms. This is partly because it is likely that many of the costs will arise in the longer term (eg effects on the water systems, and the nature and effectiveness of remediation). This means that special efforts will need to be made to obtain reliable cost estimates. The US experience with such inquiries has shown that it is difficult to obtain truly independent local experts to identify and quantify the costs and benefits of coal seam gas extraction using hydraulic fracturing. For instance, most consulting and academic geologists with expertise in this technology depend on the energy and mining companies for their livelihoods and research funding and are not inclined to challenge the position of these companies. The mining companies in Australia are especially influential as the recent history of the resource rent super tax shows.

Another difficulty is ensuring a fair distribution of benefits and costs. The benefits will be mainly financial and accrue to the mining and energy companies (profits), state and federal governments (taxes and royalties), local economies (jobs), and gas consumers (lower prices, assured supply). However, many of the costs will be non-financial and indirect and impact on members of the general public (including many who may not benefit significantly from coal seam gas) in various ways. For instance, the location of coal seam gas facilities is likely to negatively impact adjacent property values, land use, and lifestyle. It is important to regulate the location of coal seam gas facilities to minimise such negative impact and/or compensate adjacent residents/landowners.

This committee is undertaking a very important task that will effect the people of NSW far in to the future. It will be difficult work and you will be under enormous pressure. Please give it your best shot.

Robert Reeve