

**Submission  
No 258**

## **INQUIRY INTO COAL SEAM GAS**

**Name:** Mr Paul Orton  
**Organisation:** NSW Business Chamber  
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7 September 2011

The Hon. Robert Brown MLC  
Committee Chair  
Legislative Council General Purpose Standing Committee No. 5  
NSW Parliament  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

Attn: Ms Beverly Duffy

**Re: Coal Seam Gas Inquiry**

I refer to your recent letter inviting submissions to the Legislative Council's inquiry into Coal Seam Gas (CSG). I am pleased to make a submission on behalf of the NSW Business Chamber which represents the interests of around 30,000 companies across metropolitan and regional NSW and the ACT, ranging from owner-operators to corporations and from manufacturers to service providers.

*Economic and social implications*

While it is understood that the inquiry has a broad terms of reference, covering the environmental, economic and social impacts of coal seam gas activities, including exploration and commercial extraction activities, a number of these are the technical aspects of the industry, which we will leave to others to comment upon. This submission will concentrate on the economic and social implications of CSG activities, as detailed at point two (2) of the terms of reference.

In making this submission, NSW Business Chamber acknowledges that this industry is in its infancy, and in Australia commercial production has been largely confined to Queensland. Because coal seam gas extraction is relatively new, there is still time to exert a degree of control, in terms of regulation and the management of risk associated with the technology - the two most often cited reasons for abandoning or halting the development of the industry in NSW. There exists a unique opportunity to manage these issues, rather than adapt to them incrementally. Indeed, in Queensland,

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the Premier has announced that there will be no exploration for coal seam gas within a two kilometre radius of communities whose population is 1000 or more<sup>1</sup>. There also been discussion at the Commonwealth level whether there should be additional Commonwealth regulation to increase the rights of land owners and to protect water security<sup>2</sup>. NSW therefore has the opportunity to effectively and efficiently manage these risks. This inquiry is therefore a welcome advance to confirm this energy industry policy direction.

#### *Industry development*

NSW Business Chamber understands that CSG has the potential to contribute to meeting the future needs of the NSW energy sector, thereby contributing to NSW's energy security as decisions on finding alternatives to coal fired power and the transition to renewable energy sources is made. As is the case with existing coal resources, the industry will develop in regional NSW.

For example, the Queensland Government has described the development of the industry as a 'once in a generation opportunity for a generation of employment'. The Government's modelling indicates that a medium size industry would generate over 18,000 jobs in Queensland; have the potential to increase Gross State Product by over \$3.2 billion (one per cent); generate private sector investment of over \$40 billion and provide royalty returns of over \$850 million per annum<sup>3</sup>.

The industry therefore has the potential to increase the Gross State Product through royalties paid from the exploitation of crown resources, therefore contributing positively to State Government revenues. Industry which has the potential to contribute positively to NSW's jobs and economic growth and the State Government's revenue stream should be supported.

With coal seam gas activities based largely in regional NSW, there is also the potential benefit to those communities through local employment opportunities, and growth in local business throughout the supply chain

<sup>1</sup> <http://www.abc.net.au/am/content/2011/s3294140.htm>

<sup>2</sup> <http://www.smh.com.au/opinion/politics/time-to-let-constructive-solutions-rise-to-the-surface-20110820-1j3e8.html>

<sup>3</sup> Queensland Government, Blueprint for Queensland's LNG Industry

and logistics markets. Local infrastructure improvements may also be a tangible benefit of a new industry development in regional NSW, notably in roads, accommodation, community facilities and airports. Indeed, the Mid North Coast has received a Commonwealth Government commitment to fund upgrades to its airport infrastructure for both passenger and freight movements in Port Macquarie, Taree and Kempsey. This is clearly building capacity for expected longer term growth. There is also the opportunity to deliver significant growth in capacity in key seaports, such as Newcastle.

Industry development might not just be confined to coal seam gas and mining technologies. There may also be indirect industry development opportunities including in water desalination and recycling projects and in the manufacturing and service industries which support these large infrastructure developments.

*Property rights and access*

NSW Business Chamber believes that energy security, water security and food security are land linked and access to these assets needs careful management and planning. Appropriate conduct of water pressure, water quality and soil quality should be undertaken by exploration licence holders and verified independently by relevant authorities. This will provide landholders, business owners and their communities with verifiable data to ensure the ongoing viability of agribusiness and its co-existence, where necessary, with mining resource operations.

Landholders have legitimate concerns about the impact of gas exploration and production on their existing land use. For the businesses and communities that support agribusiness activities, their operations and property values and community wellbeing are also important. Industry and landholders should work together to create ongoing mutually beneficial working partnerships. Sensitivity to land use issues such as stock control and movement, prevention of weed spreading and crop integrity are critical issues and must be appropriately managed by exploration licence holders. Negotiations for access to land must be undertaken respectfully, with proper compensation and reparations managed effectively.

*Regulation in NSW*

The *Petroleum (Onshore) Act 1991* governs the exploration for, or mining of, petroleum in NSW. The Minister for Primary Industries has the authority

to issue petroleum titles, with or without conditions. Environmental impacts are assessed under the *Environmental Planning and Assessment Act*.

NSW Business Chamber notes that the Government has placed a moratorium on the granting of new exploration licences. When that moratorium is lifted, the Government intends that all new licences will be granted subject to an agricultural impact statement to be administered by the Minister for Primary Industries. The Office of Environment and Heritage will determine the environmental impacts of the licence.

This means that the Office of Resources and Energy, the Department of Primary Industries, the Department of Planning and the Office of Environment and Heritage all have a regulatory role in the approval of an exploration licence. NSW Business Chamber remains concerned that the differential approval process discourages investment and may contribute to community confusion about such developments. It may therefore be timely to consider a single co-ordinated regulatory authority for the approval of such projects, which balances the needs of industry development with environmental, agricultural and community outcomes.

#### *Conclusion*

The development of the coal seam gas industry in NSW is in its infancy. As with all new industry developments, there are competing views about the regulation of the industry and the impacts on community that might result from its establishment. The industry is likely to have significant economic potential (in royalty payments to the state, in job creation and in regional development) but this potential needs to be balanced against the ongoing needs of agribusiness and other businesses operating in regions where exploration is likely to proceed.

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Further, as with all industry development, NSW Business Chamber encourages an approach which seeks to maximise economic potential to contribute to the growth of NSW and one which minimises the regulatory burden placed upon business. Getting the balance right as soon as practicable will contribute to the management of these issues, rather than their incremental adaptation.

Yours sincerely

**Paul Orton**  
**Director, Policy and Advocacy**