

**Submission  
No 399**

## **INQUIRY INTO COAL SEAM GAS**

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Submission from rural landholder in Upper Hunter currently affected by CSG exploration and drilling operations in respect to economic and health impacts, economic and social impacts, future energy needs and with regard to The Petroleum Act.

The Chairman,  
Coal seam gas Enquiry,  
Standing committee No. 5  
Parliament House  
Sydney.

7<sup>th</sup> September, 2011

Submission to: COAL SEAM GAS ENQUIRY

It is encouraging to see that the Parliament is undertaking this enquiry at this time. The community hopes that the outcome of the enquiry will see recommendations that provide the community with some say in the way the industry is to operate in their location and on an equal footing with all other developments. As legislation stands at the moment one would think it had been written by the industry for the industry. This industry currently operates uninvited in affected communities and without a social licence to operate.

Environment and Health Impacts.

Despite the assurances that gas companies provide, that they operate with 'world's best practice' procedures, accidents are occurring out in the field. As things stand at the moment it is left to concerned citizens to report these infractions to under-staffed regulatory government departments. Not a satisfactory way to ensure that companies are complying with the conditions of the approval of their licence to operate. Regular government inspection needs to be in place to ensure the community is safeguarded against these occurrences.

To ensure that the community and the environment can be protected from untoward consequences, all materials and chemicals used in drilling and production processes must be publicly declared. Companies must not be allowed to hide behind 'commercial in confidence' claims. Full disclosure must be provided before the licence is issued as a condition of doing business.

Conditions of licence to operate should cover the requirement to undertake site rehabilitation, reparation to adjoining soil, vegetation and waterways where damage has occurred as a consequence of the operation. Removal of weeds introduced by the operation should also be a condition. An approved plan for the disposal of salt, operating chemicals and toxic sludge is a very important requirement to be submitted before the licence is issued. The method proposed for the disposal of treated water needs to be provided and approved before the licence is issued. Communities do not want to be left with dealing with the consequences of being left these legacies from the CSG operations.

Venting and flaring of CSG must not be permitted. Flaring ensures the very real possibility of bush fires in hot weather. Observations of flaring in the Pillaga area showed flaming gas billows drifting a considerable distance from the stack.

Storage dams for the produced water in the Pillaga area showed evidence of tree die-back down-wind from the stored saline water where salt-laden air had caused the demise of the trees. Flood events had caused unplanned release of the polluted water from the dams with similar consequences to the down-stream environment.

Disposal of treated water into adjoining streams can have unwanted environmental consequences where the pH of the released water is at variance to natural flows. Where an extensive field is in operation the amount of produced and treated water introduced into streams will radically change the existing stream ecological rhythms. Under the existing approval regime these effects are happening already.

Rural landholders are concerned about the potential possibility that cross-leakage between aquifers could adversely impact on their vital source of water. Despite assurances that this is a remote possibility accidents do occur. A recent debate on the ABC between professorial hydro-geologists showed just how uncertain the science is on this eventuality as the academics were not able to agree. Farmers are cautious folk and tend to ere on the side of caution.

#### Economic and Social Impacts

The State obviously sees the introduction of the CSG industry as a valuable source of revenue to fund the running of services they provide. However one wonders, if gas companies are not paying royalties on the first 5 years of operations, how the community is being properly rewarded for providing companies this privilege. The affected communities certainly do not see the outcome as positive in any way. The CSG industry is considered by rural communities an impediment to their legitimate business.

Evidence would suggest that the CSG companies do not respect the people and their farming operations, where these activities are overlaid in the same location. Property owners pay taxes and rates, support local businesses, provide volunteers to operate and fund much of the sporting, cultural and service activities within their Shire. CSG companies have no allegiance to their operating area and do not participate. Company operations cause undue wear to local road networks, generally provide experienced labour from elsewhere and purchase outside the region.

Even before CSG operations begin property values fall, or worse, become frozen with the result that retiring farmers or other legitimate sellers have this option removed. The depressing effect of gas-drilling freezes other potential development from happening with the consequent loss to the local area. Generally new developments in rural areas tend to be long term and sustainable, more than can be claimed for gas drilling.

Worse than the above factors that impact on communities is the widespread uncertainty and concern that spreads through an area when they become aware that CSG activities are moving in to their area. The Government should take steps to ensure that this fear is allayed by advising the community of the situation before the licence is issued and the licence-holder should be bound to engage with the community before any work begins. At the very least this will lower the stress level of those to be effected and help to maintain a degree of trust with both the Government and the industry. This is sorely lacking at present.

The drilling of wells requires considerable quantities of water and, if the coal industry is any guide, this water will be given to drilling companies at the expense of rural users especially in dry times, another impediment to the rural industry in the face of CSG intrusion.

#### Coal Seam Gas and Future Energy Needs.

Coal seam gas has been considered by some of the proponents as a superior form of energy source but many others suggest that when all the factors associated with its extraction and conversion to energy are taken into account it is no better than coal. In the light of this, serious consideration should be given by the Government to moving as quickly as possible to using alternatives. A lot of work done at the University of NSW has been lost to our economy by the reluctance of government to support trials and provide encouragement for the commercialization of these developments. China has been quick to utilize this work and is now reaping the financial and economic rewards. Many in the community are concerned about the rising green-house gas levels and the consequences that will flow from that. The community is looking to the Government to provide leadership. Despite the claims of nay-sayers, much work has been undertaken by academics on the potential to provide base-load power from renewable energy sources. This work should not be ignored. Entrenched bureaucracies do not seem able to change their view to include this work and do not seem to be providing government with advice on new alternatives.

#### Legislation and Its Interaction With Other Legislation.

I understand that coal seam gas extraction comes under the requirements of the Petroleum Act. The extraction of CSG is only one player in the wider state economy and should not be given favourable treatment over and above other economic developments. Despite the industries apparent benefits to government's bottom-line it is a non-renewable resource and an industry with a sunset date. For the long-term health of the state economy all industries need to be on an even footing. The Petroleum Act and the CSG industry should not operate outside the provisions of all other Acts that are in place for the well being of society, the environment and the economy. This is a serious flaw in the current legislation that must be amended.

In conclusion I believe the community would like to see the law changed to ensure openness and transparency with the issuing of licences and in the operation of CSG companies. Conditions of licence should be openly available and independent government inspectors should be over-seeing the companies' operations. The cost of this oversight should be borne by the companies, not the community. Serious infractions should be grounds to shut-down operations until the infringement is rectified. Companies should be providing cash sureties of an adequate amount to ensure environmental restitution in cases of default and at the conclusion of operations. CSG companies should be obliged to pay for the wear and tear to local roads in their operating area. As mentioned before the provisions of the Petroleum Act needs to respect all other State legislation where applicable. For these suggestions to have any relevance the amendments to the Petroleum Act need to be made retrospective to apply to all licences already issued.

Douglas Blackwell