

**Submission
No 20**

**INQUIRY INTO THE SUPPLY AND COST OF GAS AND
LIQUID FUELS IN NEW SOUTH WALES**

Organisation: NSW Farmers Association

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**Submission to the
Legislative Council Select Committee
on the**

Supply and cost of gas and liquid fuels in New South Wales

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Policy context and overview

NSW Farmers welcomes the opportunity to provide comments to the Select Committee on the Supply and Cost of Gas and Liquid Fuels in New South Wales.

Our members are farmers from all over NSW and in terms of gas consumption; many of our members are also gas consumers on a residential (household) basis, and some are gas consumers on a business basis as well. In terms of commercial use, natural gas and liquefied petroleum gas (LPG) have a wide range of applications in agriculture, from space heating for animal sheds (particularly poultry), greenhouses and nurseries to produce drying on crops including grain, cotton and nuts¹. It is worth noting upfront that the terms of reference for the committee's inquiry is largely outside the ambit of what NSW Farmers' are in a position to provide evidenced input on, however we still felt it necessary to make a number of points to the committee in order that our members' interests can be heard through this process. In summary, our input is confined to the following terms of reference:

- (a) The factors affecting the supply, demand and cost of natural gas and liquid fuels in New South Wales;*
- (b) The impact of tight supply and increasing cost of natural gas and liquid fuels on New South Wales consumers, including manufacturing, agriculture, energy production, small business, public services and household consumers;*
- ...
- (g) any other related matter²*

Our primary business is agriculture and so the comments provided in this submission relate to the operation of gas and liquid fuels from extraction to consumption which have a direct impact on agriculture, a farming business, and a farming family. Farmers are land managers and direct stewards of the natural landscape, which includes the resource base that extractive industry proponents intend to access to develop their extractive enterprise.

¹ NSW Farmers' Farm Energy Innovation Program – Energy Purchasing *Natural Gas Purchasing* 2014 [Accessed online 12/12/2014]

Available at: <http://aginnovators.org.au/initiatives/energy/information-papers/energy-purchasing-natural-gas>

² NSW Legislative Council Select Committee on the supply and cost of gas and liquid fuels in New South Wales *Inquiry into the supply and cost of gas and liquid fuels in New South Wales* established by the house in a resolution passed 6 November 2014, Minutes No 15, Item 7 page 243.

This inherent cross-over and the nature of extractive activity presents a real challenge to all of agriculture, gas companies and the NSW Government to manage this potential conflict in the long term best interests of all. Therefore, this submission will chiefly highlight concerns which relate to the extraction of the gas itself, and in particular aims to seek assurances that these concerns do not and will not have a significant effect on the purchase price or so-called 'supply crisis' of gas in NSW. NSW Farmers submits that the priority concern is the protection of agricultural land (which is where wells will be eventually positioned) and the integrity of aquifers.

NSW Farmers' natural resource management policy

NSW Farmers advocates for the recognition of the importance of agricultural land use and submits that planning policies must implement frameworks that promote rather than restrict food and fibre production in all parts of NSW. This includes consideration of groundwater using the best available science and technology in understanding this hugely unexplored area.

Access to land and water for agricultural use is one of the primary issues facing agriculture in NSW. Pressure from urban expansion, 'environmental' restrictions and land-use conflict between agriculture and various extractive industries has led to serious declines in the amount of land and water in productive use across the state. In terms of the extractive industries and agricultural land use competition, suffice to say that land-use conflict has historically been associated with coal mining (such as open cut and long wall coal mining), as the prima facie environmental footprint is significantly larger with those industries in comparison with, for example , the coal seam gas extraction process. However, widely-held concerns about groundwater present the threat of a novel resumption (alienation) of the use of water for agriculture and communities, which is the key element requiring scrutiny throughout the assessment process.

The development of a coal seam gas industry in NSW

NSW Farmers are encouraged with some of the NSW Government's recent policy development occurring in this context in terms of coal seam gas. NSW Farmers welcomed the NSW Chief Scientist and Engineer's recommendations contained in her final report released in September 2014. NSW Farmers strongly submitted that all of those recommendations be implemented without delay. Government has made some

progression on that front, however is largely intending to implement changes throughout 2015 and beyond.

Out of the Chief Scientist and Engineer's recommendations, of note was the concept of designating permitted areas, as opposed to the current prohibited approach through the use of exclusion and buffer zones. Specifically the recommendation made was:

"That Government use it's planning powers and capability to designate those areas of the State in which CSG activity is permitted to occur, drawing on appropriate external expertise as necessary³."

When undergoing strategic planning in NSW it must be remembered the scarcity of good soil and reliable water on the Australian continent. Many Australians are not aware of this scarcity, and this is evidenced by a planning system which has allowed low density housing, extractive industries and poorly planned environmental restrictions to permanently alienate some of our most productive land. NSW Farmers supports the permitted area approach in that we believe it will significantly improve community confidence in the development of this industry. It will allow both potential proponents and those potentially affected by the activity to be aware in advance of the appropriateness of the activity and importantly, any effects on the use and viability on agricultural water to be mitigated and avoided where appropriate.

This is NSW Farmers' primary concern. Concerns relating to the supply and cost of gas in NSW will not affect our stance on the protection of groundwater, primarily because of the wider context in which such cost and supply issues arise.

Gas – cost and supply

Term of reference (b) for the Select Committee's inquiry, extracted above, relates to the impact of tight supply and increasing costs of natural gas on New South Wales consumers, including agriculture. The continuing shift in market movement and characteristics with the development of the export facility off the east coast of Australia is well known. NSW Farmers members will be affected directly as domestic users and in commercial purchasing. However, on balance, NSW Farmers submits that there is not enough evidence to support a finding that development of coal seam gas in NSW will

³ NSW Chief Scientist and Engineer *Final Report of the Independent Review of Coal Seam Gas Activities in NSW* September 2014 page 12 available <http://www.chiefscientist.nsw.gov.au/reports>

have any effect on this change. A properly designed domestic reservation policy, in cooperation with Queensland, the Australian Capital Territory, Victoria, Tasmania and South Australia, could have impacts on costs and any supply uncertainty which relate directly to cost implications. Whether this sort of collaboration is achievable is likely outside the ambit of the Select Committee's inquiry. From an agricultural perspective, compelling evidence is severely lacking to make a finding that NSW gas supplies are integral to the stability of an east-coast gas supply and costing regime. Therefore we remain steadfast in our protection of the environmental values of our food and fibre producing landscape as the number one priority in any future gas plans for NSW.

Conclusion

The NSW Farmers Association and its members are happy to be consulted on ways in which to incorporate the important considerations of farming and land management, in order to achieve extractive industry goals such as the development of coal seam gas, which are actually achievable and will allow a thriving agricultural industry to continue.

We do not blindly accept the assertion of a supply crisis and more importantly, we would not support a step away from the current strengthening of the scientific regulation of this industry because of such a crisis. Costs are set to rise for reasons beyond the control of the NSW regulatory authorities, and costs and supply uncertainty could be affected by the development of a reservation policy extending far beyond the ambit of the NSW Government's exclusive regulation and control. Identifying if and where CSG should be permitted, using guidance from the Chief Scientist's recommendations, would be a sound first step. NSW should remain firmly tied to the scientific strengthening of the regulation of any CSG development in NSW.