Submission
No 29

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

Name: Name suppressed

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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

(a) the status of the implementation of the recommendations,
(b) the effectiveness of the implementation of the recommendations and whether or not there are gaps in implementation,

I believe the Narrabri Gas Project is not in the public interest as the Chief Scientist's Recommendations 4 and 9 have not and cannot be implemented for the following reasons.

Recommendation 4: *That the full cost to Government of the regulation and support of the CSG industry be covered by the fees, levies, royalties and taxes paid by industry, and an annual statement be made by Government on this matter as part of the Budget process.*

NSW supposedly has the best regulations for coal seam gas extraction in the world, but regulations are useless unless companies comply and are independently monitored and enforced. This can only be done at great expense. If coal seam gas is extracted safely and sustainably with appropriate controls, Narrabri gas will be too expensive to produce and NSW should instead source cheaper gas elsewhere.

Full impacts on air quality, groundwater, treated water, soil, noise, sediments and decommissioned gas wells may not become apparent for many years. Salt and toxins from produced water, drilling chemicals, plastic pond liners and other waste will be disposed of in landfill sites, which will have to be monitored forever.

The project may benefit the present generation but monitoring and remediation will cost the next. How will Santos pay for this into the future?

Who is paying for the drilling of monitoring bores in The Pilliga, the set up and staffing of the EPA office in Narrabri, scientific reports, site inspections, upgrading of roads and for expert and community meetings for the project and the pipeline etc?

Has a cost benefit analysis been done for the project, including these expenses? Low gas prices will come at the expense of compliance, monitoring and enforcement.

Recommendation 9: *That government consider a robust and comprehensive policy of appropriate insurance and environmental risk coverage of the CSG industry to ensure financial protection short and long term. government should examine the potential adoption of a three-layered policy of security deposits, enhanced insurance coverage, and an environmental rehabilitation fund.*

No amount of money can fix a contaminated aquifer. Environmental Liability Insurance covers the cost of restoring damage caused by unexpected environmental accidents. As coal seam gas extraction involves deliberate injection of chemicals into the ground, it is no accident that contamination occurs so no insurance is available.

Landholders with gas wells and infrastructure on their property are covered by their agreement with Santos to 'make good' any damage to their property. However, no insurance products are available to protect surrounding landholders, businesses or water from risks arising from gas exploration and production. The only recourse for these landowners is to take Santos and/or the government to court.

(c) whether any other inquiry findings or other major reports relating to unconventional gas in Australia or the east coast gas market published since the release of the Chief Scientists are relevant to the suitability or effectiveness of the Chief Scientists recommendations, and
(d) any other related matters

Reports by several economists reveal that approving the Narrabri Gas Project will not reduce gas prices on the east coast. Australia is the world's largest exporter of gas. Gas prices on the east coast are higher than global parity as a cartel of gas producers, Santos, Origin, Shell, BHP, Exxon, control the price.

The eastern coast of Australia produces three times more gas than it consumes. Most of this is exported as LNG (Liquid Natural Gas), causing a shortage in domestic gas supplies. No government domestic reservation policy prevents this, except in Western Australia.

The coal seam gas industry misjudged costs of building and operating LNG plants. 94% of Queensland's gas is exported. The wells decline more quickly than expected, and fields produce less gas and more water, increasing costs. Gas companies need more gas to fulfil export contracts.

The high cost of coal seam gas production forces up the overall costs of energy. As the highest cost producer, gas sets the price for electricity in the National Electricity Market. Reserving gas for the domestic market from a high cost producer, such as the Narrabri Gas Project, would not result in lower gas prices.

References:
October 2019 - Pegasus Economics – Report on the Narrabri Gas Project
https://www.lockthegate.org.au/pegasus_economics_report_on_the_narrabri_gas_project

August 2019 - Bruce Robertson - How the Domestic Gas Market in Australia is Developing
https://vimeo.com/355221677

August 2019 - Mark Ogge - The Economic Impacts of Unconventional Gas
https://vimeo.com/355223804

July 2019 - Institute for Energy Economics and Financial Analysis – The Staggering Cost of Gas in Australia
http://ieefa.org/the-staggering-cost-of-gas-in-australia/