

GENERAL PURPOSE STANDING COMMITTEE NO. 5

Friday 28 October 2011

Examination of proposed expenditure for the portfolio area

RESOURCES AND ENERGY

The Committee met at 9.00 a.m.

MEMBERS

The Hon. R. L. Brown (Chair)

The Hon. J. Buckingham
The Hon. R. H. Colless
The Hon. G. J. Donnelly
The Hon. A. R. Fazio

The Hon. L. Foley
Dr J. Kaye
The Hon. S. MacDonald
The Hon. Dr P. R. Phelps

PRESENT

The Hon. Chris Hartcher, *Minister for Resources and Energy, Special Minister of State, and Minister for the Central Coast*

Department of Trade and Investment

Mr M. Paterson, *Director General, Department of Trade and Investment, Regional Infrastructures and Services*

Mr M. Duffy, *Deputy Director General, Division of Resources and Energy*

Mr B. Mullard, *Executive Director, Mineral Resources*

CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS

Corrections should be marked on a photocopy of the proof and forwarded to:

**Budget Estimates secretariat
Room 812
Parliament House
Macquarie Street
SYDNEY NSW 2000**

CHAIR: I declare this hearing for the inquiry into the budget estimates 2011-12 open to the public. I welcome Minister Hartcher and accompanying officials to this hearing. Today the Committee will examine the proposed expenditure for the portfolio Energy to be completed at approximately 10.55 a.m. and at 11.05 a.m. we will move to the portfolio of Resources. Before we commence I shall comment on some procedural matters. In accordance with the Legislative Council guidelines for the broadcasting of proceedings, only Committee members and witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photographs. In reporting the proceedings of this Committee, media representatives must take responsibility for what they publish or what interpretation they place on anything that is said before the Committee.

Any messages from attendees in the public gallery should be delivered through the Chamber and support staff or the Committee clerks. Minister, I remind you and the officials accompanying you that you are free to pass notes and refer directly to your advisers whilst at the table. Transcripts of this hearing will be available on the web from tomorrow morning. The House has resolved that answers to questions on notice must be provided within 21 days. I remind everyone, including those in the public gallery, to turn off their mobile telephones.

MARK DUFFY, Deputy Director General, Division of Resources and Energy, Department of Trade and Investment, Regional Infrastructures and Services, sworn and examined:

MARK PATERSON, Director General, Department of Trade and Investment, Regional Infrastructures and Services, on former oath:

CHAIR: I declare the proposed expenditure for the portfolio of Energy open for examination. As there is no provision for a Minister to make opening statements before the Committee commences questions, we will begin with questions from the Opposition for 20 minutes.

The Hon. LUKE FOLEY: Minister, it is only fair that at the outset we invite you to update us on the fire this morning at Eraring. What can you tell us about that?

Mr CHRIS HARTCHER: As you may have seen in media reports, a fire started between 2.00 a.m. and 2.30 a.m. in the transmission oil at Eraring Power Station.

Dr JOHN KAYE: Transformer oil, Minister.

Mr CHRIS HARTCHER: Transformer oil, thank you, Dr Kaye. Dr Kaye, you are the engineer here, so I will be guided by you throughout these proceedings.

Dr JOHN KAYE: In all matters.

Mr CHRIS HARTCHER: No, certainly not in all matters, Dr Kaye, with the greatest respect. That fire has been contained. I am advised that there were no injuries. I am advised also that all environmental measures have been put into place. On the evidence, there appears to be no environmental risk. The Office of Environment and Heritage was notified early this morning about the fire. The fire has been contained within the station. Of course, the risk is that Eraring Energy may have to pay compensation because for some weeks it will not be able to fulfil its contractual obligations. The quantum of those damages is yet to be determined.

The Hon. LUKE FOLEY: Can you assure us that you and the emergency services Minister, Mr Gallacher, will keep a close eye on the clean-up?

Mr CHRIS HARTCHER: Absolutely. These are important matters, important for the environment and for health and safety. The clean-up will be closely monitored.

The Hon. LUKE FOLEY: I refer now to energy policy matters. I note numerous statements you have made since the election about the Government's determination to keep its promises. I refer to the document "NSW Liberal & Nationals Plan for an Affordable & Sustainable Energy Industry". On page 1 it states:

Under our plan 'poles and wires' will stay in public hands ...

Is that still the commitment?

Mr CHRIS HARTCHER: That is a statement in our policy. The Premier, then Leader of the Opposition, reaffirmed at the Joan Sutherland Centre at Penrith in February when the Liberal-Nationals Coalition policy was announced that that is our preferred position. Obviously, we await the Tamberlin report, which will address quite a number of issues. The Government will have to respond to the Tamberlin report. The Premier's statement and that statement are—

The Hon. LUKE FOLEY: Policy?

Mr CHRIS HARTCHER: They stand. Yes.

The Hon. LUKE FOLEY: They stand as policy today?

Mr CHRIS HARTCHER: They stand as where we are at present.

The Hon. LUKE FOLEY: On pages 2 and 14 very strong statements are made about retaining the poles and wires in public ownership. That is the policy of the Government, is it?

Mr CHRIS HARTCHER: Sorry, could you repeat that?

The Hon. LUKE FOLEY: Sure. I just noted that the sentence I quoted about poles and wires staying in government hands also appears in explicit terms on pages 2 and 14 of the policy. Just to be clear, that is the policy of the Government?

Mr CHRIS HARTCHER: That is the policy the Government took to the election. That is the policy that, as you acknowledged so well on the night of 26 March, was so overwhelmingly endorsed by the people of New South Wales at the election. That is the policy that the Government has since taken forward. However, let me make clear the Government's position on this. The Tamberlin inquiry has been established by the Government to look at the whole of electricity supply, pricing, distribution and its future in New South Wales. The Tamberlin report will be a watershed, as far as energy in this State is concerned. The report is due to come down on 31 October, as I think everybody would know. The Government will be preparing its response to that report once it is available.

We are moving forward. In a sense, where we are now is that we stand by what we said in February. We stand by what we said in those documents, but we will be responding to the Tamberlin report with an open mind. I have to add that the Premier has made it clear that we will approach the Tamberlin report with a completely open mind. We are ruling nothing in and we are ruling nothing out. We will act at every level in the best interests of the people of New South Wales. Our fundamental commitment is to ensure that the people of New South Wales have a transparent, honest and accountable government that acts in their best interests and we will discharge that obligation.

The Hon. LUKE FOLEY: Minister, did you not rule out privatisation of the poles and wires in your election policy?

Mr CHRIS HARTCHER: We stated our preferred position.

The Hon. LUKE FOLEY: You stated that poles and wires will remain in public hands.

Mr CHRIS HARTCHER: Yes, that remains our preferred position.

The Hon. LUKE FOLEY: That remains the policy today?

Mr CHRIS HARTCHER: That remains the policy as I speak to you today. The Tamberlin report is to come down on 31 October and it will address the whole issue of the energy and electricity future. We will respond to that report and the Premier has made abundantly clear that we rule nothing in and we rule nothing out but that every decision will be made in the best interests of the people of this State and that any decision will come back to the Parliament of this State. The Premier at an estimates hearing made that clear in response to a question from Dr Kaye: any decision will come back to the Parliament.

The Hon. LUKE FOLEY: When you say the Government rules nothing out, do I take it from that that you reserve the right to dump the commitment to retain the poles and wires in public ownership?

Mr CHRIS HARTCHER: I do not think that is the fair way of expressing it. I think the fair way of expressing it is this: governments have a responsibility to act in the best interests of the community; governments have a responsibility to make decisions in the best interests of the community on all the advice and on all the evidence; governments then need to carry forward their commitment to acknowledging the best interests of the community through the Parliament of New South Wales, and that is what this Government proposes to do.

The Hon. LUKE FOLEY: Do governments not also have a responsibility to honour key election commitments?

Mr CHRIS HARTCHER: Absolutely, it does. This Government, as everybody would acknowledge, is carrying out those key election commitments.

The Hon. LUKE FOLEY: If the Government rules nothing in or out and the Government reserves its right, as I think you put it, to make decisions as they arise in the best interests of the State, I put a hypothetical: If the Tamberlin report was to recommend privatisation of the poles and wires and the Government was convinced by the Tamberlin report, would you look to go back to the people at the next election with that policy before moving to privatise the poles and wires?

Mr CHRIS HARTCHER: I understand where you are coming from, Mr Foley. I cannot answer hypothetical questions. The rules of this Committee do not allow for hypothetical questions. I know this is a matter of great interest and I have taken a great interest in it. I make no secret of the fact that I have met with members of the Electrical Trades Union, as I have met with a number of interested groups. My own electorate on the Central Coast is where many power station employees are located. When I was a solicitor I acted for many of them. I am well conscious of the interest in this matter. The election of 26 March, which saw the greatest election swing in New South Wales or Australian history, committed a Government and elected a Government determined to act transparently, determined to act accountably and determined to act in the best interests of the State.

Any decision to be made concerning the future of electricity—be that how it is distributed or how it is owned—will be transparent, will be accountable and will be in the best interests of the people. You have an assurance, not from me but from the Premier himself in answer to Dr Kaye, that any decision that is to be made about future private or public ownership of the electricity system will come back to the Parliament of New South Wales. The Parliament of New South Wales is the elected representative of not just Liberals, Nationals and Labor, but also Christian Democrats, Greens, and Fishers and Shooters; it represents the community of this State.

The Hon. LUKE FOLEY: In summary, the election commitment to retain the poles and wires remains policy but you will wait for the Tamberlin report and, as we speak, you rule nothing in or out, is that right?

Mr CHRIS HARTCHER: I normally do not agree with people's summaries.

The Hon. LUKE FOLEY: Certainly not mine.

Mr CHRIS HARTCHER: Certainly not yours, Mr Foley. I think that is fair. We took to the election a commitment in our policy document, in the Premier's address at the Joan Sutherland centre, which was what the people of New South Wales voted upon. They also voted upon our commitment to the establishment of the special commission of inquiry—that was advertised again and again in all the high controversy that surrounded the closure of Parliament. The then leader of the Opposition, now the Premier, made that commitment. The commission of inquiry is deliberating. The commission of inquiry is bringing down a report. Can I say this: We are a Government that does not have an ideological bent in these matters. We are not ideologically for or against anything. Our commitment is to the best interests of the State as we see it, and we will carry out that commitment. The issue that you are especially concerned about, and rightly so given your constituency, has been answered by the Premier to Dr Kaye: Any decision will come back to Parliament.

The Hon. LUKE FOLEY: I will move on to the election commitment to merge Integral Energy, EnergyAustralia and Country Energy into one entity. How are plans proceeding with that one?

Mr CHRIS HARTCHER: That relates to Essential Energy, Endeavour Energy, and Ausgrid, which are the new names for Country Energy, Integral Energy and EnergyAustralia now that the retail arms have been sold off. The New South Wales Government has established, through the Cabinet, a merger task force. That merger task force is assisted by an expert panel. The merger task force is underway. It is looking at a number of options. It has not finalised its option positions, including merging, as you just said, Essential and Endeavour into one and leaving Ausgrid separate, looking at the option of one major body, or looking at the option of one shareholding company over and above all three of them but all three of them continue to exist. There are a number of options. That has not been finalised. I do hope we get a finalised report by the end of this year. The aim of the study is to save around about \$400 million and the preliminary advice is if those merger options are carried out we can save a large amount of money and that money is being used to fund the energy rebates for low-income and sick people through the Treasury. I am advised the actual expected date is 30 November.

Dr JOHN KAYE: For a preferred option?

Mr CHRIS HARTCHER: For the final report, Dr Kaye. Our proposal was endorsed by the Electrical Trades Union, which was a pleasant surprise.

The Hon. LUKE FOLEY: Which proposal is that?

Mr CHRIS HARTCHER: The proposal that there should be a merger. The Electrical Trades Union did not identify a preferred option.

The Hon. LUKE FOLEY: Has the Government identified a preferred option?

Mr CHRIS HARTCHER: The Government has not yet identified a preferred option; it is awaiting the final consideration of the report.

The Hon. LUKE FOLEY: There is no preferred option yet?

Mr CHRIS HARTCHER: No, there is no preferred option as yet. There is a preferred option to take action that will result in the savings which will enable us to assist people on low incomes or the sick to meet their rising electricity bills.

The Hon. LUKE FOLEY: How are you going to make \$400 million in savings?

Mr CHRIS HARTCHER: The merger task force is assisted by an expert panel chaired by Dr Parry, who has a long history in the energy sector. The preliminary advice given to us indicates a number of proposals. By merging backroom staff, especially in areas of information technology, by merging the reading of meters, by adapting smarter use of technology and by rationalising the roles of the distribution companies, that economy will be achieved. I do not hold the Electrical Trades Union to it, but the Electrical Trades Union expressed the opinion that it believed considerable savings could be made. It also had the \$400 million figure and considered those considerable savings could be achieved without any loss of employment. Everybody has approached it in that spirit. We want to get the savings and make sure that there is a more efficient delivery of electricity service and supply in the State.

The Hon. LUKE FOLEY: Are you telling us you think you can get to \$400 million worth of savings without shedding jobs?

Mr CHRIS HARTCHER: We have to await the final report.

The Hon. LUKE FOLEY: You talked about backroom staff, you talked about IT and you talked about meter reading. It stands to reason, does it not, Minister, as those mergers occur, in whatever model you ultimately choose, there will be significant job losses?

Mr CHRIS HARTCHER: Not necessarily. A lot of those services are contracted out—they are not actually done by staff—and those services are over a period of years. It is not as though they are going to happen straightaway. The \$400 million is to be achieved over a period of four years. It is not \$400 million in one hit. It is to be achieved over the four-year period. When you space the matters out, when you address the issue of contractors as well as employees, you are not within that scope you are coming from that all of this has been carried out by one fixed labour force.

The Hon. LUKE FOLEY: Does your Government consider itself bound by the employment guarantees that the previous Government made under its energy reform process?

Mr CHRIS HARTCHER: They were part of the electricity sale of December 2010. That is why the whole Tamberlin inquiry has been established, as to where we go with that electricity sale. One of the terms of reference for the Tamberlin inquiry, you will recall, is whether the electricity sale even proceeds, whether it should not be annulled. There are a whole range of inquiries there. It is really not appropriate for me to give any commitment on behalf the Government in respect of a process that we strongly objected to in December. As you know, we strongly objected to it and we sought to have the Parliament recalled. Everybody is very familiar with what happened there. We have now gone forward to the inquiry and we await the result of the inquiry.

The Hon. LUKE FOLEY: To you, Minister, or Mr Duffy, is it not the case that Treasury advised that the only way to realise any significant savings from merging those three businesses was by removing the employment guarantees that the previous Government made?

Mr CHRIS HARTCHER: All matters of Treasury advice are simply fed through to the merger inquiry and they will come out when the merger inquiry gives its final report on 30 November.

The Hon. LUKE FOLEY: Is that the advice to the current Government that \$400 million worth of savings can be achieved only through removing employment guarantees that were there under the previous Government's reform process?

Mr CHRIS HARTCHER: I cannot answer for the Treasury submission. I have established the merger task force and given them the terms of reference. I have not actually gone into the submissions that have been made to them. When the merger task force reports then, of course, we will evaluate that report.

The Hon. LUKE FOLEY: Mr Duffy, what is your understanding?

Mr CHRIS HARTCHER: No. Mr Duffy only answers questions, Mr Foley, when they are referred to him by me.

The Hon. LUKE FOLEY: Is the Government committed to employment guarantees for the workforce?

Mr CHRIS HARTCHER: Are you talking in respect of the merger inquiry?

The Hon. LUKE FOLEY: Yes.

Mr CHRIS HARTCHER: The Government's commitment is this: It will evaluate the merger inquiry and make its decision then. Like the Tamberlin inquiry, the Government is not approaching this with an ideological commitment one way or the other. The Government's only commitment is what is in the best interests of the people of New South Wales.

The Hon. LUKE FOLEY: Does the election commitment to merge the businesses remain? Do I take it the merger will happen?

Mr CHRIS HARTCHER: That will be a matter for the Cabinet. I will receive the report and I will take that to the Cabinet. Obviously the Cabinet will make the final decision. The election commitment was to establish the merger task force and to evaluate the report of the merger task force if it could achieve the savings that we wanted it to achieve, which was that ballpark figure at the time of around about \$400 million. [*Time expired.*]

Dr JOHN KAYE: Minister, thank you for your briefing on the fire at Eraring this morning. As you observed, the fire at Eraring will cause at least two units at Eraring, as I understand it, to be unavailable for generation for some weeks, possibly three or four weeks, while the transformer is repaired. That exposes Eraring Energy, a State-owned company and hence the coffers of New South Wales, to substantial availability liquidated damages [ALDs]. To the gentrader, can you outline what steps have been taken to assess how big those availability liquidated damages will be?

Mr CHRIS HARTCHER: We are talking to Eraring now. Eraring is not clear right now as to the extent of damage. The fire occurred only a few hours ago. All I can tell you is that I am advised there is no risk to electricity supplies. The latest forecasts from the Australian Energy Market operator indicate that New South Wales will peak at around about 9,000 megawatts today and there are 10,000 megawatts available for service. The preliminary advice—and this is not to be seen as a definitive statement because it is very preliminary advice—is that they could be liable for damages as high as \$15 million or in excess of \$15 million.

Dr JOHN KAYE: That is \$15 million from one transformer fire. I imagine that comes out of Mr Duffy's department. The presumption will be that electricity wholesale prices will go up in the absence of those units at Eraring. So the New South Wales nodal prices will go up. Mr Duffy, can you give us an estimate of how high those wholesale prices will go?

Mr CHRIS HARTCHER: As you know, wholesale prices rise and fall every 15 minutes.

Dr JOHN KAYE: Yes.

Mr CHRIS HARTCHER: That will be fed into the system. I can understand the question. I think the appropriate response for me is to undertake to advise you when I have more comprehensive advice. In all fairness, this has happened only in the last few hours. I cannot give you, nor can the power company give us, a proper assessment at this time but I will undertake to advise the Committee as soon as that information is available.

Dr JOHN KAYE: I totally appreciate the caveat that this is initial advice. The \$15 million of ALDs—availability liquidated damages—that Eraring will have to pay came from an analysis of the expected duration and expected prices through that period?

Mr CHRIS HARTCHER: Yes, it did.

Dr JOHN KAYE: That was fed through the contract?

Mr CHRIS HARTCHER: Yes, it came through an estimation that the generator unit would be out for between four and six weeks. If it goes into operation earlier than that, of course, the damages will be less and if it takes longer the damages will be more.

Dr JOHN KAYE: Six weeks takes us through to early December. We have already had a number of hot weather events, hence the possibility of substantial air-conditioning load. So that \$15 million could go substantially higher if there are weather events?

Mr CHRIS HARTCHER: There are a number of imponderables here. I cannot speculate.

Dr JOHN KAYE: One of the things the previous Government totally failed to do was to be honest with the people of New South Wales—

Mr CHRIS HARTCHER: Did you discuss that with Mr Foley?

Dr JOHN KAYE: Mr Foley probably agrees with me on this, although he probably would not want to say so publicly.

The Hon. LUKE FOLEY: I agree with you occasionally, John—not too often.

Dr JOHN KAYE: The previous Government failed to be honest with the people of New South Wales about the total extent of exposure through availability liquidated damages. Is it possible for you to release the full contract details on availability liquidated damages? Mr Yeadon, one of the previous Government's contract team, spilled the beans in budget estimates, which was the only way we found out about ALDs. Are you prepared to provide to this committee a full description of how the ALD process works?

Mr CHRIS HARTCHER: I will take that on notice. That is a fair question but I obviously cannot give an answer right away.

Dr JOHN KAYE: You would understand the public interest given that one unit at Eraring, one of seven large coal-fired power stations, is out of action from a transformer fire—which is unfortunate but not unheard of previously—and takes \$15 million out of the State's energy industry. That \$15 million will presumably come out of profits for Eraring Energy?

Mr CHRIS HARTCHER: It will, and it will come out of the dividends that Eraring Energy would otherwise be paying the Government. So the people of New South Wales are the end losers.

Dr JOHN KAYE: And doubly so because also we will not get the tax on that \$15 million. So it will be more like \$20 million.

Mr CHRIS HARTCHER: It is difficult to speculate but the bottom line of what you are saying is this: The fire is going to cost the people of New South Wales. That is correct. It is an unfortunate and tragic incident.

Dr JOHN KAYE: Minister, I want to go to an allied matter, the two power station development sites that were put on the table by the previous Government, one at Bayswater, the other at Mount Piper. Can you briefly update the Committee on the state of those two sites? One I believe was sold and one was not. Is that correct?

Mr CHRIS HARTCHER: I think you raised this also with the Premier.

Dr JOHN KAYE: Not these sites. I raised an allied matter with him specifically. I was going to you for details of where these sites were at.

Mr CHRIS HARTCHER: Mr Duffy will answer that question.

Mr DUFFY: I just make the point that the sale is a shareholder matter under the Treasurer. So those questions would probably be best directed towards the Treasurer and Treasury.

Dr JOHN KAYE: Certainly, Mr Duffy, but you are also the regulatory agency and you would know, I presume, what the current status of those two sites are.

Mr CHRIS HARTCHER: The current status of those two sites is that nothing is happening with those two sites.

Dr JOHN KAYE: But both of them have been sold?

Mr CHRIS HARTCHER: They are part of the sale of December 2010.

Dr JOHN KAYE: And your department has had no discussions with the owners of the two sites?

Mr CHRIS HARTCHER: Because they are caught up in the Tamberlin inquiry. The terms of reference for the Tamberlin inquiry are very broad and they include whether in fact the sale of December 2010 should proceed. One of the difficulties that the Government has faced over the last six months is that it is not prepared to pre-empt the deliberations of the Tamberlin inquiry or put the Tamberlin inquiry into a situation where it faces a fait accompli by the Government having made certain decisions which the Tamberlin inquiry is deliberating upon.

Dr JOHN KAYE: These two sites could be up to 2,000 megawatts each—an additional 4,000 megawatts. It could be coal or it could be combined cycle gas turbine. Has your department done any analysis of the impacts of building either of those technologies on the electricity industry in New South Wales in terms of overcapacity?

Mr CHRIS HARTCHER: The short answer to your question is that once again that is caught up with the Tamberlin inquiry. Secondly, on the issue of overcapacity—and I think I speak for the department; I certainly speak for myself—I do not agree that there is overcapacity. As you are aware, on 1 February this year—the rest of the Committee may not be aware but I am sure you are, Dr Kaye—we were not able to produce the amount of electricity that was demanded, given the high peak demand of that day, and we had to import something like 2,000 megawatts of electricity from Queensland and Victoria. So the present capacity of the electrical generation system in New South Wales has certainly not got to the stage of overcapacity.

Dr JOHN KAYE: No, but if you add in an additional 4,000 megawatts do you not think it might?

Mr CHRIS HARTCHER: No, because there is the long lead time. I am only expressing a personal opinion. There is a long lead time for construction. There is the issue of what is going to happen with the coal-fired generators, given the carbon tax. The whole issue of energy, of which you probably more than anyone else in the Parliament are aware, is now very cloudy because of the carbon tax, because of Federal Government policy, because of all the constraints that are placed upon the States and—I do not use the words Federal interference in a pejorative sense but I use the words Federal involvement in electricity, and our responsibilities under the national electricity market and national electricity competition framework.

So where we are going is clouded. But a number of points are clear, and one of those points is that the future of electricity is going to depend very much on alternative sources of supply other than coal, and you

would certainly agree with that and want that. We will have a good deal of debate over the next few years on what those alternative sources of energy will be. The other point is where the supply is going to come from and how it will be funded and financed. All of those matters are undetermined. You have raised the point that these two could potentially bring in another 4,000 megawatts. That is correct, but would it be overcapacity? No. As I say, we are producing 12,000 on average per day, but on 1 February 2011, due to the weather conditions the consumption amounted to 14,000. Had we not been able to get the electricity from Queensland and Victoria we would have faced massive brownouts and massive blackouts right across the State. Bear in mind, as you know well, there is a long lead time in the planning of these supply systems: you cannot create them overnight. So a responsible government has to look well ahead.

Dr JOHN KAYE: Did you or your department recommend Tony Owen as an adviser to the Tamberlin inquiry?

Mr CHRIS HARTCHER: That was a decision made by Justice Tamberlin.

Dr JOHN KAYE: Minister, on the issue of other energy sources, can we talk very briefly about the issue of nuclear power? Where did the proposal to look at rescinding or changing the prohibition on nuclear facilities in New South Wales come from? Did it come from your department or from—

Mr CHRIS HARTCHER: No, it came from one of Mr Foley's factional colleagues. The Minister for Resources and Energy—for whom I have a high regard, and I want to put that on the record.

Dr JOHN KAYE: I am sure you do.

Mr CHRIS HARTCHER: I suspect you do not share that regard.

Dr JOHN KAYE: That is for me to say and you to find out. You are saying that it came from him?

Mr CHRIS HARTCHER: He made an address to the Uranium Association asking the New South Wales and Victorian governments to reconsider their ban on exploring for uranium. As you know, in New South Wales it is banned under the 1984 Act.

Dr JOHN KAYE: Did you consider it?

Mr CHRIS HARTCHER: Yes. As a result of that I asked a number of interested parties for their views. I asked the Australian Uranium Association, I asked the Australian Workers Union—the union which has industrial coverage—I asked the Minerals Council and I got all the various views from the responsible bodies, because this is a Government that has pledged to be consultative. We got all the consultative views, we analysed the situation and we decided that, notwithstanding the views that were expressed, the Government would not be changing the law in respect of uranium exploration or mining.

CHAIR: Probably because you did not consult us.

Mr CHRIS HARTCHER: Had I consulted you, Mr Chairman, I am sure I would have got the same result as I got from the Australian Workers Union, the Uranium Association and the Minerals Council.

Dr JOHN KAYE: Minister, I presume if I ask you any questions with respect to electricity policy in terms of generation or transmission you will just refer back to the Tamberlin inquiry?

Mr CHRIS HARTCHER: Most likely, but you could try.

Dr JOHN KAYE: You are seven months into office. I guess what I am saying is that you have not made any major announcements as to the future direction of the electricity industry while for that seven months the gentraders have continued to entrench themselves in the industry. We are sitting with these two development sites waiting to see what development applications come off those sites. There has not been a single wind turbine project approved by this Government since you have been in office.

The Hon. RICK COLLESS: Thank goodness for that.

Dr JOHN KAYE: I note the statement by the Hon. Rick Colless, the Deputy Government Whip in the upper House. Also, the solar industry, which we will get to in a minute, is completely in stasis and dying. It would be fair to say that nothing much positive is happening in terms of energy policy in New South Wales.

Mr CHRIS HARTCHER: An enormous amount is happening. We have got the reliability task force underway, which we have not discussed yet but I have discussed the merger task force in response to the Hon. Luke Foley. We have had the two solar summits, which I know you are about to ask me questions on. We have made it clear that we have got a commitment to address the issue of electricity pricing. We are working with the Australian Energy Market Commission [AEMC] and the Australian Energy Market Operator [AEMO]. They are two bodies set up to look after the national electricity framework in the eastern States of Australia. A lot is happening. We have got the Independent Pricing and Regulatory Tribunal looking at the issue of pricing for small photovoltaic units.

Dr JOHN KAYE: Let us go to that issue now then. Minister, you would be aware that the industry is losing jobs at a massive rate. You would be aware that, by some estimates, 79 jobs a day are disappearing from the rooftop solar industry. You would also be aware, no doubt, of reports that distributed rooftop solar power is likely to be cost-effective versus the grid within about five years.

The Hon. SCOT MacDONALD: Good one, Dr Kaye.

Dr JOHN KAYE: I will get to that in a second. You would also be aware that a number of people in the industry were very disturbed when you referred the matter off to the Independent Pricing and Regulatory Tribunal because it would not report back until April next year, by which time most of the industry would be gone. You would also be aware, no doubt, that the Solar Shop has gone into receivership and, as I understand it, it is unlikely to be able to trade its way out of trouble. Minister, would it be fair to summarise your policy as: Sit back and let the industry die?

Mr CHRIS HARTCHER: No, it would not, Dr Kaye. When we took office one of the first things the Premier did was to write to former Premier Kristina Keneally to ask her permission, which she gave, for the release of the Parry-Duffy report. You would be familiar with that report. It showed that the Solar Bonus Scheme—which was, as I have said many times, a noble proposal—was massively mismanaged and has caused a huge financial liability for the State. I know that as a minority party you do not have to concern yourselves with the economic management of the State—

Dr JOHN KAYE: That is unfair.

Mr CHRIS HARTCHER: Well, the Government has to. A blowout of \$350 million to between \$1.6 billion and \$1.9 billion has been an enormous hit on the State's finances. The State has had to accept responsibility to manage that blowout. That is the first point. The second point is that the State does have a responsibility for maintaining economic activity and a responsibility for maintaining environmentally progressive programs like solar. Accordingly, although we were entitled under the statute to close off the Solar Bonus Scheme at 300 megawatts we did not do so. We deliberately allowed the scheme to stay open to allow in a further 40,000 people who were not entitled to be in. Not many people have given us credit for the fact we deliberately allowed those 40,000 people in to ensure that there would be as much work as possible continuing in the solar industry to maintain employment in that industry.

Dr JOHN KAYE: But to be fair, Minister, what you are effectively saying here is that you would punish the 5,400 employees in the solar industry for the blunders made by this Parliament. I should remind you that all parties voted for the original scheme. I think all parties have now accepted that a mistake was made and time has moved on. All those issues are the history; I am more interested in the future. Are you not effectively saying you are going to sit back and let this industry die when there are low-cost solutions to keeping the industry alive?

Mr CHRIS HARTCHER: With the greatest respect, that is the problem we have with your political party. The \$1.6 billion blowing out is not simply dismissed as history. The \$1.6 billion blowing out is an ongoing liability on government that has to be funded in the years ahead. It has to be funded out of the schools, hospitals, roads and police.

Dr JOHN KAYE: With respect to you, Minister, how will throwing 5,400 people out of employment help the State pay back that \$1.6 billion? Surely the sensible thing to do is to provide a net feed in parity tariff which would cost the coffers of the Government nothing at all.

Mr CHRIS HARTCHER: What we have done is refer it off to the specialist body, the Independent Pricing and Regulatory Tribunal, to actually bring in a finding as to what the appropriate price should be.

Dr JOHN KAYE: With no lifeline to the industry.

Mr CHRIS HARTCHER: Dr Kaye, I am determined to be fair to this Committee but I would ask that its members be fair to me. Please do not interrupt me when I am answering. If you ask me questions I will answer them, but please do not interrupt. You have asked this question about the 5,400 employees. We are very conscious of those employees, which is why we have given it to the Independent Pricing and Regulatory Tribunal to bring down a fair price which does not impose an additional cost on customers or on the taxpayer. If the tribunal recommends one for one, having done all the evaluation and evidence, then we will accept the one for one. But we are not going to go down the track of the previous Government and simply pluck a figure of 60¢ cents or 20¢ or any other figure out of the air which imposes a massive cost on the taxpayer and a massive cost on customers.

The Hon. SCOT MacDONALD: What is the Government doing to address electricity price rises?

Mr CHRIS HARTCHER: Regulated electricity prices increased on an average of 17.3 per cent, adding between \$216 and \$316 per year to the average customer's annual bill. The Independent Pricing and Regulatory Tribunal notes that the main drivers of the price increases are network costs determined by the Australian Energy Regulator and costs associated with the implementation of the Commonwealth's Renewable Energy Target Scheme, as well as State green schemes. These prices do not include the projected future carbon tax costs. The Commonwealth estimates that the carbon price will add around \$170 to household electricity bills from 1 July 2012, in addition to the regulated increases.

Electricity costs consume an increasing proportion of a household's income for the most vulnerable in our community. The Independent Pricing and Regulatory Tribunal reports that some electricity and gas bills may account for as much as 10 per cent of a household's income. This is an issue the New South Wales Government is taking very seriously and we are taking strong action to reduce the upward pressure on electricity prices. The Government is taking action to immediately assist households as well as fix up the policy levers which are driving these price rises. We are looking closely at all the causes and drivers of electricity price rises and taking steps to slow or prevent price rises at the source.

As members of the Committee will be aware, regulated retail electricity prices are set in New South Wales by the Independent Pricing and Regulatory Tribunal. The tribunal has advised that in its most recent pricing determination there were two major factors contributing to price increases. The first is the costs that are ultimately passed on to customers of retailers complying with the Commonwealth Government's Renewable Energy Target scheme, which is approximately \$75 extra per household per annum. To address this cost factor we have called on the Commonwealth to immediately compensate New South Wales households for the added costs to their bills from this scheme.

The second factor driving price increases is the cost to maintain and upgrade our vast electricity network—the poles and wires. We are also undertaking measures to address this cost driver. As I previously advised the Committee in answer to the Hon. Luke Foley, the Government is working to merge three electricity distribution networks into two. Streamlining our networks will enable efficiency gains to be made and will slash wasteful expenditure. What we aim to save in this process—hopefully some \$400 million—will be returned to New South Wales households in the form of increased rebates to assist customers that require support to meet their bills. A merger task force has been established and the work is underway on this comprehensive project.

The Government is also reviewing the reliability licence conditions that are imposed on electricity networks. Further, dividends paid to the Government from the network businesses will not increase above the former Government's budgeted levels. The New South Wales Government's budget shows that the dividends for 2011-12 are forecast to be \$270 million lower than forecast in last year's budget by the previous Government. The Australian Energy Regulator's proposed changes to the rules, which can come into force from 1 July 2014, will determine how much revenue a network business can collect. That is another important step to alleviate the electricity bill burden on households.

I note the legal advice to the regulator's rule change proposal indicates that the revenue process may be biased in favour of the network businesses, not the consumers. If this is found to be the case, it is not acceptable to the New South Wales Government. I have written to my Commonwealth counterpart, the Hon. Martin Ferguson, to request that the Standing Council on Energy and Resources asked the rule maker, the Australian Energy Market Commission, to prioritise its work for the benefit of all consumers.

The Government has also commenced its special commission of inquiry into the former Government's botched power sale of December 2010. We are also cleaning up another legacy of the former Government, the Solar Bonus Scheme. We have closed this scheme to prevent further cost blowouts. However, we have done so in an equitable manner, allowing those people who had applied to join the scheme by 28 April 2011 to participate. We have also committed funds from the Climate Change Fund, reducing the burden the former Government's scheme will have on electricity prices. While working on containing the rise of electricity prices, the Government recognises that some customers need financial and other assistance to meet their costs. Electricity is an essential service and it is therefore imperative that we support households to keep them connected.

The Hon. SCOT MacDONALD: What is the Government doing to help low-income households afford electricity?

Mr CHRIS HARTCHER: The Government has delivered on its election promise to increase financial assistance to households. We are a compassionate Government.

The Hon. SCOT MacDONALD: You are, too.

Mr CHRIS HARTCHER: We are, Mr MacDonald. You are part of the Government. We introduced the low-income household rebate from 1 July 2011. That provides \$200 a year to eligible households. This rebate is almost 40 per cent more generous than that which was previously offered by the former Labor Government, which offered a maximum of \$145. The New South Wales Government has also increased the medical energy rebate to \$200 a year. There were many people who were ineligible for this rebate under the former Government. There is a range of assistance for customers with energy bills. To help customers access support more easily the Government has put all information in one place. A new website has been created called cutyourpowerbills.nsw.gov.au, which provides a link to assistance that is available from governments and from outside organisations. The Energy Information Line 1300 136 888 can put customers in touch with this information too.

The Government has also been involved in a number of community outreach activities aimed at increasing the knowledge of and access to energy assistance in the community. This has involved delivering presentations and holding stalls at community events as well as providing training for those in the community sector on energy assistance measures. I also recognise that long-term residents of residential parks are particularly vulnerable to increased living costs. The New South Wales Government's Energy Accounts Payment Assistance [EAPA] Scheme provides emergency relief to eligible households needing assistance paying their energy bills due to a crisis or emergency situation. In conjunction with the Minister for Fair Trading I have established an advisory group, which will have representatives of the Public Interest Advocacy Centre on it, to examine options for extending this emergency assistance to residents of retirement villages and residential parks.

The Energy Accounts Payment Assistance scheme advisory group will also examine other options for improving and streamlining the administration of the scheme including: clearer scheme guidelines for community welfare organisations participating in the scheme; more comprehensive education, training and support for community welfare organisations in the Energy Accounts Payment Assistance Scheme and other forms of assistance; supporting the delivery of better data management of the scheme; and developing models for the delivery of Energy Accounts Payment Assistance, or equivalent assistance, to customers currently unable to access the scheme such as residents of retirement villages. The Energy Accounts Payment Assistance advisory group will provide me with a preliminary report detailing its forward work plan by February 2012. The Government will continue to support households in managing their energy costs and would like to take this opportunity to commend the important role being played by the community sector in helping to spread the word about the many forms of assistance available to households. The budget noted that the Climate Change Fund will be increased from 1 July 2012 to assist in meeting the costs of the Solar Bonus Scheme. This is estimated to add approximately \$10 per annum to the average household bill.

The Hon. SCOT MacDONALD: Thank you, Minister, you are obviously on top of your portfolio. What is the Government doing to ensure the risks of the former Government's botched Solar Bonus Scheme are mitigated?

Mr CHRIS HARTCHER: I thank the member for the question and his interest in this matter. The Government is concerned about the impact of the former Government's Solar Bonus Scheme, which will have an impact on electricity consumers for years to come. The cost blowouts of the scheme are abysmal and the safety record of the scheme is poor. My colleague the Minister for Fair Trading will attest to the faults found during a range of installation inspections undertaken by Fair Trading officers. The Government newly elected on 26 March 2011 prides itself on being open and transparent. The results of the safety inspections were expeditiously made public. I am pleased to update the Committee on the results of an independent scoping study undertaken by audit experts RSM Bird Cameron.

This work focuses on compliance with eligibility criteria, that is whether customers are correctly receiving the 60 cent or 20 cent tariff payments. This differs from the Fair Trading study, which focused on compliance with installation requirements as well as contractual arrangements. RSM Bird Cameron is a company with substantial experience in providing independent audit and probity services. RSM Bird Cameron focused on the three-week transition period in October and November last year when the tariff rate for the scheme was reduced from 60 cents to 20 cents. As part of the study, RSM Bird Cameron worked with solar installers selected at random as well as high-volume operators. RSM Bird Cameron conducted a range of site visits to inspect the records of over 300 customers held by the installers. Thirty solar installers were identified for site visits by RSM Bird Cameron to inspect documentation—the largest installers as well as a random selection of smaller installers. Installers were contacted by letter to make these arrangements.

Of the 30, 18 were audited and six were not able to be audited due to subcontracting arrangements where documents are not held on site and/or the installer having entered voluntary administration. The following six did not respond to multiple requests by RSM Bird Cameron by registered mail, telephone calls or, if known, email address: Mr Vincent Benadie, Beyond Building System Pty Ltd, Greener Energy, Sydney Green Home Services, Green Solar Group Australia Pty Ltd, and Solar Shop Australia. The installers were given advance notice of the audit and site visit but not which records would be inspected to ensure integrity of the inspection.

Following the results of its inspections, RSM Bird Cameron prepared a compliance report for the Government. RSM Bird Cameron advised in its report that it found no evidence of breaches of the scheme rules during the transition period for the installers that participated in the audit. This finding is limited as six of the 30 selected installers refused to participate. I have referred these installers to NSW Fair Trading for investigation. I think Dr Kaye referred to one of them, Solar Shop Australia. The report did find that in some instances information was not held by the installers. However, as there are a number of parties involved in submitting applications to the scheme, this is not an indication of a compliance issue. In keeping with our transparency, the report can be accessed on the department's website at www.energy.nsw.gov.au.

While some follow-up work is going on, the independent report from RSM Bird Cameron has confirmed there is a low risk of fraud associated with compliance with the scheme's transitional rules. The report found that out of the 337 applications checked 20 had insufficient records of entering a binding agreement and 21 applications had insufficient information to determine the date of lodgement. This lack of evidence has not been important as a breach in its own right. My department will be determining whether any breaches may, in fact, have existed. The department has followed up with the energy network businesses where there were information gaps. I am advised that one network has already confirmed that all customers whose records were checked are on the correct tariff, be it 60¢ or 20¢. Given that the New South Wales Government has now closed the Solar Bonus Scheme to new applicants as at 28 April 2011, the potential is further minimised. This means that New South Wales customers can be confident that those customers that are receiving the higher 60¢ tariff are, in fact, entitled to do so.

The New South Wales Government is working to ensure future green schemes do not cause a negative impact on electricity prices and are sustainably managed for the benefit of industry, the community and our environment. We do not intend to repeat the mistakes of the former Government. I look forward to the release of the Auditor-General's report on the review of the scheme which, under the Electricity Supply Act, is to particularly focus on the following aspects of the scheme: first, the number of small retail customers that have installed and connected complying generators; second, the cost of the scheme, including the total amount credited to small retail customers under the scheme; and third, any other matter that the Auditor-General, in his

opinion, considers to be relevant. I am hoping that this will particularly shed light on how policy decisions were made which led to the costs of the scheme blowing out.

The Hon. RICK COLLESS: Further to that answer, could you provide the Committee with an update on the Independent Pricing and Regulatory Tribunal review into a fair price result?

Mr CHRIS HARTCHER: This follows the questions by Dr John Kaye on the same issue. The New South Wales Government recognises the need for a sustainable and long-term solution for the solar industry. The New South Wales Government took a generous approach when it closed the Solar Bonus Scheme and has put in place a strategy to ensure ongoing support for solar installers. According to data reported as at 9 September 2011, over 155,000 customers have applied to the scheme. If all proceed with connection, there will be around 370 megawatts of generating capacity delivered—the largest capacity of any State or territory feed-in tariff in Australia. This capacity significantly exceeds the 300-megawatt closure trigger put into legislation by the former Government. Look at us—a Government so committed to solar energy that it has exceeded the target set by the former Government. We are just going from strength to strength. The New South Wales Government made the deliberate decision to allow an additional 40,000 applicants entry under the Solar Bonus Scheme to provide ongoing income and certainty for the industry.

The New South Wales Government recognises the need for a sustainable and long-term solution for the State's solar industry. That is why we have held two highly successful solar summits. That is why the New South Wales Government has requested the Independent Pricing and Regulatory Tribunal to investigate and report on options for a fair price for electricity that is generated by small-scale solar photovoltaic systems and fed back into the grid. The review will also examine any economic gains being made by retailers under the Solar Bonus Scheme that could be distributed to assist with scheme funding. The first phase of the review is complete with the release of an issues paper. In early October 37 separate submissions were available on the website of the Independent Pricing and Regulatory Tribunal. The draft report is due to be released by the end of November.

There still exists a number of benefits of connecting a small-scale solar generator: a reduction in electricity bills when used with net electricity meters; negotiated payments from the electricity retailer for energy that is generated and exported to the grid; upfront subsidies through the Commonwealth's small-scale renewable energy scheme; and less exposure to the rising costs of electricity network charges. These benefits are illustrated by the high rate of applications to connect small-scale renewables, even without the Solar Bonus Scheme. Since the scheme closed to new applications in late April, at least 18,900 new customers have applied to connect the small-scale renewable energy generator, be it solar, a photovoltaic system or wind turbine.

The current rate of applications per fortnight is over 1,900, which far exceeds the 450 applications per fortnight which were being submitted in 2009 prior to the scheme's commencement. This current rate of new applications outside the scheme is comparable to the periods January to June 2010 and early April 2011, just prior to the scheme's closure. To make it easier for customers to understand the ongoing benefits of solar and the processes of connecting systems, the Government has published detailed information online. In addition, customers or potential customers can call the Energy Information Line for further assistance.

The Hon. LUKE FOLEY: Minister, what is the future of the Greenhouse Gas Abatement Scheme when the carbon pricing mechanism is implemented next year?

Mr CHRIS HARTCHER: Obviously that is a matter for ongoing negotiation with the Federal Government. That matter will be discussed by Ministers at the meeting of the Standing Council on Energy and Resources. You would have seen Mr Combet's comments that the States should not be involved in greenhouse programs after 1 July 2012—a matter to be dealt with by Mr Combet. I am not sure whether that was an official Government announcement but that statement was certainly made by Mr Combet.

The Hon. LUKE FOLEY: Is that your Government's view?

Mr CHRIS HARTCHER: No, that was Mr Combet's view. Notwithstanding the cynicism from certain sections of the community, our Government is genuinely committed to reducing greenhouse gas emissions.

Dr JOHN KAYE: Is that a view shared by your Whip in the other House?

Mr CHRIS HARTCHER: It is certainly shared by my Whip in the other House.

Dr JOHN KAYE: And by your Deputy Whip in the upper House?

Mr CHRIS HARTCHER: It is a view shared also by my Deputy Whip. We want this to be done in an economically sensible and environmentally sustainable manner. That is where the difference lies. The difference does not lie in our policy or in our ideology; everyone in Australia shares that ideological commitment. It is a question of how you do it effectively in the community interest. Where are we going to go with this? We have the Greenhouse Gas Reduction Scheme, the Commonwealth regulated scheme and the carbon tax, which will add to electricity bills. Even the Commonwealth acknowledged that but, of course, the Commonwealth disputes our estimates as to how much it will add. The Commonwealth has indicated it expects New South Wales to shut down its scheme but no information has been provided on associated transitional compensation arrangements.

The New South Wales Government will negotiate with the Commonwealth Government on what the transitional compensation scheme will be. Any government, be it Liberal or Labor, has a responsibility to protect the interests of the New South Wales economy and New South Wales customers. That is what we will be doing when we carry this forward. If we achieve successful negotiations with the Commonwealth we will try to achieve that outcome. If the Commonwealth wishes to be responsible for the greenhouse gas reduction programs, which clearly it does under the carbon pricing program, that is a matter for the Commonwealth.

The Hon. LUKE FOLEY: Minister, I wish to ask a question of policy principle. As you said, Mr Combet expressed a view that when the Commonwealth's carbon pricing mechanism kicks in, in a perfect world the States would vacate the field with its plethora of carbon reduction schemes. Is that a policy principle shared by your Government?

Mr CHRIS HARTCHER: We have not finalised that because we are still in negotiations with the Commonwealth. That is one of the matters I want to discuss with the Hon. Martin Ferguson, MP. Minister is an excellent person with whom to discuss matters as he is frank and fair. Where that will go I do not know. What we are really saying is that until the Commonwealth makes some provision for the transitional arrangements—if there are to be transitional arrangements—and some provision for compensation for participants under the scheme, we do not know where all of it will go. All of this has to be negotiated. I hope that we all negotiate it in a good spirit. I repeat that my experience with the Federal Government has been that, as far as this Ministry is concerned, that Government has approached it in good spirit through Minister Ferguson, and I hope that continues. But, of course, he is bound up with the totality of Federal Government policy, just as I am bound up with the totality of State Government policy.

Dr JOHN KAYE: You two are peas in a pod.

Mr CHRIS HARTCHER: We are. It is a nice little green pod. All pods are green, Dr Kaye.

The Hon. LUKE FOLEY: Minister, what, if any, expenditure does the New South Wales Government currently undertake on clean coal?

Mr CHRIS HARTCHER: The Parliament recently passed the amendment to the Clean Coal Act, I think with the full support of all parties. That amendment was to restructure the Clean Coal Fund and rename it. There is no such thing as clean coal; I will agree with Dr Kaye on that one. You can try to reduce the level of omissions from coal, but you will not get clean coal. We renamed it Coal Innovation, with new programs to reduce levels of omission from coal. That fund is paid for by the coalmining companies. It has to have a new board appointed for it. The Government has not yet announced that new board. I have had some negotiations with people. I can assure you of one thing: there will be no politicians or people appointed to it for their political background; they will all be appointed for their competence and for their integrity.

The Hon. JEREMY BUCKINGHAM: That will be a first.

Mr CHRIS HARTCHER: Well, it will not be a first under this Government, I can assure you. The bill was assented to on 22 August 2011. The Coal Innovation Fund will now consist of a management board of nine. The budget is \$100 million over the next four years. It is funding a number of programs. It is funding the first stage of the New South Wales carbon capture and storage demonstration program, of \$9.4 million; it is funding the New South Wales CO₂ storage assessment program, for \$18.1 million; and it has nine research and development programs, for \$13 million. A number of those are being done through the University of Newcastle

Institute of Sustainable Energy, under the very competent chairman Peter Droege. It has a top team working on the issue. We are absolutely committed.

The Hon. LUKE FOLEY: Could I move to the renewable energy target of 20 per cent. What are our chances of getting there?

Mr CHRIS HARTCHER: I have to say that six months ago, when I took this portfolio, I thought they were pretty poor. I am impressed by the fact that they are going pretty well. Our target is 20 per cent by the year 2020, as part of the Council of Australian Governments agreement.

The Hon. LUKE FOLEY: Where are we at now?

Mr CHRIS HARTCHER: We are at 13 per cent.

Dr JOHN KAYE: With the Snowy, though.

Mr CHRIS HARTCHER: Of course it is with the Snowy.

CHAIR: Let's build another one!

The Hon. Dr PETER PHELPS: More dams!

CHAIR: No, we are not advocating more dams.

The Hon. RICK COLLESS: More green electricity.

Mr CHRIS HARTCHER: Mr Colless comes from a party that loves dams.

CHAIR: Order! Interjections are disorderly at all times.

Mr CHRIS HARTCHER: Just over half. The rest is coming from gas. There is some coming from photovoltaic under the Moree farm program, which is the joint Federal-State private enterprise initiative, which will deliver a lot more. Once that gets going, 45,000 houses will be powered from Moree. A lot more work needs to be done on solar to make it 24-hour rather than, at present, only when the sun shines, which is what is being done in Spain. The cost of all these programs is what militates against it. Nonetheless, there is at least some expectation that we will hit that target of 20 per cent by 2020.

The Hon. LUKE FOLEY: Is it not the case that, in order to hit that 20 per cent, wind energy will have to make a significant contribution?

Mr CHRIS HARTCHER: Certainly. I note Dr Kaye's earlier remarks that we had not approved any wind turbines. It is like coal seam gas, which we will go into once we get to the Resources section; it is a controversial issue. Many people support it in concept, but find difficulty in making the decisions in practice.

The Hon. LUKE FOLEY: Like the Premier, for example.

Mr CHRIS HARTCHER: The Premier has made it clear that that was a personal view. I think the Premier has been very clear on that. The New South Wales Government does support wind turbine generation, and the Department of Planning is now finalising the planning guidelines for it.

The Hon. LUKE FOLEY: Given the Government's support and bipartisan political support in this State for a 20 per cent renewable energy target and the recognition from you that wind will have to make a significant contribution if we are to achieve that target, can you therefore rule out the very restrictive planning guidelines for wind energy that exist in Victoria? Can you rule out those sorts of very heavy guidelines coming here?

Mr CHRIS HARTCHER: That is a planning issue, and that is being assessed by the Department of Planning. I think my colleague advised his estimates hearing on Monday that the wind farm guidelines are being drafted by the Department of Planning and that the Renewable Energy Action Plan will look at the future energy mix, which will include wind farm guidelines. As with everything in government—and you are familiar with

this, Mr Foley—you have to try to achieve a balance, and you have to try to achieve fairness to all concerned. We will try to do that through the wind farm guidelines.

CHAIR: I can point you in the direction of about seven million hectares of land you can bung them on.

Mr CHRIS HARTCHER: Would that comprise 7 per cent of the State?

CHAIR: It could do.

The Hon. LUKE FOLEY: Is it not the case that, since the Baillieu Government implemented its new policy a couple of months ago, there is now, by some estimates, \$3 billion of potential investment in wind energy up for grabs. Given your Government's commitment to getting to the 20 per cent renewable energy target, do you not think New South Wales ought to be aggressively competing for that investment?

Mr CHRIS HARTCHER: We will be. We will compete with all other States on renewable energy and alternative sources of energy. But we will do that within the guidelines that we have created: on the strategic land use policy, on the protection of our water and our farm land and our environment, and on community consultation. Community consultation is an important part of this. Communities need to be involved and need to be sympathetic with the decisions that will be taken. That is a hurdle yet to be worked through, and the planning guidelines seek to achieve that.

The Hon. LUKE FOLEY: Given that you want to attract that potential investment, is it not incumbent on you as the energy Minister in the Government committed to this 20 per cent target, to send out some signals to potential investors that New South Wales wants to attract this investment, that New South Wales welcomes investment in wind energy and the development in this State of the industry that has been drop-kicked out of Victoria?

Mr CHRIS HARTCHER: We do welcome it. The industry, though, will not be able to make its final commercial decisions until we publish the planning guidelines, which should be published by early next year.

Dr JOHN KAYE: Minister, can I take you briefly to the Snowy Scientific Committee. Have you at this stage requested nominations from Victoria?

Mr CHRIS HARTCHER: I think I replied to a question on notice from you on this, did I not?

Dr JOHN KAYE: You did. But, as is the role of budget estimates, I am probing further.

Mr CHRIS HARTCHER: What was the reply I gave you at the time?

Dr JOHN KAYE: I am asking you a question—

Mr CHRIS HARTCHER: I am not trying to be smart; I just cannot recall.

Dr JOHN KAYE: I did not specifically ask about nominations. I am happy to provide a written copy of your answer to the question. However, that is not material to your answer. All I want to know is whether at this stage you have requested nominations from Victoria?

Mr CHRIS HARTCHER: For the scientific committee?

Dr JOHN KAYE: You would be aware that the Snowy Scientific Committee was established under section 57 of the Snowy Hydro Corporatisation Act 1997. Have you at this stage requested two nominations from Victoria, one being—

Mr CHRIS HARTCHER: Yes.

Dr JOHN KAYE: You have?

Mr CHRIS HARTCHER: Yes. I am now up to speed on it. I am talking with the Minister for Primary Industries, who also has responsibility for water. I will take that question on notice and provide the answer.

Dr JOHN KAYE: So at this stage you do not know whether you have requested or received nominations from Victoria?

Mr CHRIS HARTCHER: I have had correspondence with the Minister for Primary Industries.

Dr JOHN KAYE: The committee also has four nominations for New South Wales. Have you at this stage sought those nominations?

Mr CHRIS HARTCHER: I will take that question on notice too.

Dr JOHN KAYE: Are you concerned that the Snowy Scientific Committee needs to have its draft recommendations for the 2012-13 releases from the Snowy Mountains Scheme prepared by January 2012?

Mr CHRIS HARTCHER: Am I concerned or am I aware?

Dr JOHN KAYE: Well, at this stage there is no scientific committee; we know that.

Mr CHRIS HARTCHER: Yes.

Dr JOHN KAYE: You are not sure whether you have spoken to the Victorians about this committee?

Mr CHRIS HARTCHER: I know I have had communications with our Minister. In our Government it is a joint responsibility of mine and the Minister for Primary Industries, who, after all, looks after water.

Dr JOHN KAYE: But my question is: Are you aware that the committee has to draft its release recommendations for 2012-13 by January 2012?

Mr CHRIS HARTCHER: Yes.

Dr JOHN KAYE: You are aware of that?

Mr CHRIS HARTCHER: Yes.

Dr JOHN KAYE: Are you concerned that it is almost November 2011 and no committee is in place?

Mr CHRIS HARTCHER: It will be fixed.

Dr JOHN KAYE: What will be fixed?

Mr CHRIS HARTCHER: The appointment of the committee; and the committee will get to work.

Dr JOHN KAYE: Even if you fix it, as you say, and presuming that the committee is prepared to work through December, it will have a maximum of eight weeks to prepare those recommendations. Is that not a matter of concern to you?

Mr CHRIS HARTCHER: No, not at this stage. They are very competent people.

Dr JOHN KAYE: You do not know because you have not appointed them yet.

Mr CHRIS HARTCHER: But they will be very competent people. I can assure you that there will not be any former Labor politicians on it, with all due respect to the Hon. Greg Donnelly.

Dr JOHN KAYE: An entity has just been created called the Snowy River Technical Advisory Group?

Mr CHRIS HARTCHER: Yes.

Dr JOHN KAYE: You have just created that group?

Mr CHRIS HARTCHER: No I have not.

Dr JOHN KAYE: Who created that group?

Mr CHRIS HARTCHER: That comes under Primary Industries. That comes under the Minister who has responsibility for water.

Dr JOHN KAYE: Are you concerned as a Minister who at least has partial responsibility for the scientific committee that the technical advisory group has cross-over responsibilities with the scientific committee?

Mr CHRIS HARTCHER: These matters essentially are internal—I hate the word "bureaucratic"—administrative matters. If you have the right people with the right spirit, they will work it through. They are not coming at these things from a political perspective; they are coming at them from the best interests of the Snowy Mountains, its river flow and energy creation. That is what they will achieve. It has worked successfully now since the 1950s and it will continue to do so. I have had meetings on the issue with Michael O'Brien, my Victorian counterpart. I have had meetings with Martin Ferguson on the issue. There are not two peas in a pod; there are three peas in the pod. All three of us agree on getting the right result, and all three of us will work towards it and make sure that we have the right people to achieve that result. While you may have some concerns about time constraints, I do not think there is any difficulty.

Dr JOHN KAYE: Why was it possible to create a technical advisory group but not the scientific committee? What is the justification from the O'Farrell Government for creating two separate committees?

Mr CHRIS HARTCHER: I think the technical advisory group relates to the water. It is specialised on water. That was my understanding.

Dr JOHN KAYE: So it is the scientific committee. The scientific committee is about the environmental consequences of releases.

Mr CHRIS HARTCHER: Yes, it is. With the greatest respect, those questions should be addressed to the Minister for Primary Industries, not to me.

Dr JOHN KAYE: So you are abrogating your responsibility—

Mr CHRIS HARTCHER: No I am not.

Dr JOHN KAYE: —for the scientific committee?

Mr CHRIS HARTCHER: No. I think that is going a bit far. I have a statutory responsibility as the portfolio Minister in respect of the scientific committee, which I will discharge in conjunction with my Victorian and Federal counterparts.

The Hon. JEREMY BUCKINGHAM: Minister, you would be aware that an inquiry into coal seam gas [CSG] is being conducted by General Purpose Standing Committee [GPSC] No. 5?

Mr CHRIS HARTCHER: Tell me about it.

The Hon. JEREMY BUCKINGHAM: The Government has made a submission to that inquiry, which concerned me greatly. Did you or your department author or sign off on the Government's submission to that inquiry?

Mr CHRIS HARTCHER: How would the GPSC have received the Government's submission if it was not sent by the Government? I am sorry; I just do not follow your question.

The Hon. JEREMY BUCKINGHAM: The document is just referred to as "Government submission". The question is: Did you or your department author or sign off on that submission?

Mr CHRIS HARTCHER: The submission was sent by a letter signed by me to the chairman.

The Hon. JEREMY BUCKINGHAM: So it was signed off by you?

Mr CHRIS HARTCHER: Signed off by me.

The Hon. JEREMY BUCKINGHAM: And it was authored by your department?

Mr CHRIS HARTCHER: It was authored by my department in collaboration with other government departments. It is a government submission.

The Hon. JEREMY BUCKINGHAM: But it came from your department. Do you believe that coal seam gas represents a clean, green transition fuel? If you do, on what research do you depend to make that assertion, as the Government did in its submission?

Mr CHRIS HARTCHER: The Government's submission stands and it speaks for itself. The committee is constituted by the Legislative Council to investigate, deliberate and make recommendations. The committee has received a number of submissions, including a submission from the Government that speaks for itself. I do not propose to add to or detract from that submission. I stand by that submission.

The Hon. JEREMY BUCKINGHAM: My question related to the research that underpins that submission because it has no footnotes and there are no references.

CHAIR: Order! This question may be resolved if and when the Government provides witnesses to the coal seam gas inquiry. If you have any further questions, please proceed.

The Hon. JEREMY BUCKINGHAM: Okay, I will move on then. Fair enough. I have been gagged straight up. That is fine.

The Hon. SCOT MacDONALD: Point of order: the matter is before a current committee and under the standing orders the member is not supposed to address it.

CHAIR: Order! There is no point of order. The member has agreed to move on.

The Hon. JEREMY BUCKINGHAM: What research does the Government intend to commission into fugitive emissions from coal seam gas?

Mr CHRIS HARTCHER: That is addressed in the report we are referring to. It is set out in the report.

The Hon. JEREMY BUCKINGHAM: With due respect, no it is not. That is one of the key—

Mr CHRIS HARTCHER: No, it is there in the report. In fact, you have made public comments about it.

The Hon. JEREMY BUCKINGHAM: So you say that there is data in your submission on fugitive emissions?

Mr CHRIS HARTCHER: Yes.

The Hon. JEREMY BUCKINGHAM: Previously you have said that this Government is committed to being open, transparent and dissimilar in every respect to the previous Government. On two occasions in the upper House I sought under Standing Order 52 the production of documents relating to the Cobbora coalmine. I was informed by the Leader of the House that my motion would be blocked. I was told first that you could not be found because you had to sign off on the request. I was then told that the motion was blocked by you. If you are committed to open and transparent government, why have you blocked a request for a call for papers into the Cobbora coalmine project?

Mr CHRIS HARTCHER: Mr Buckingham, you are a member of the Legislative Council, which has made those decisions. The Legislative Council is a worthy body and I support its ongoing existence and role. I do not question the decision it has made.

The Hon. JEREMY BUCKINGHAM: That decision was made completely independently of you?

Mr CHRIS HARTCHER: It is not for me to comment on the decisions of the Legislative Council.

The Hon. JEREMY BUCKINGHAM: Did you confer with your colleagues about it? Did you give them any direction about it? Surely, it would have been discussed?

The Hon. Dr PETER PHELPS: Point of order: Is this getting into the realm of reflecting on a decision of the House?

CHAIR: Not so far, but perhaps if the Minister answers the question the member could leave it at that.

The Hon. JEREMY BUCKINGHAM: Just to be clear, it has nothing to do with the decision of the upper House; it is about whether there were discussions between the Minister and his colleagues and any direction given to his colleagues in relation to the calling for papers on the Cobbora coalmine and the Government's commitment to be open and transparent.

Mr CHRIS HARTCHER: All the discussions I have with my colleagues are confidential. I do not ask you, Mr Buckingham, what you discuss with Dr Kaye.

Dr JOHN KAYE: I could tell you.

The Hon. RICK COLLESS: They are in two different factions, you know.

Mr CHRIS HARTCHER: I am well aware of that; I have seen some of the debates. Mr Buckingham, I respect your right to put questions to me but they need to be couched in the terms of the estimates hearings and not in the terms of what advice I may have given fellow Ministers in relation to motions when debated in Legislative Counsel. That is way outside the estimates hearing.

The Hon. JEREMY BUCKINGHAM: I think it is pertinent to the—

CHAIR: Order! The Minister has answered the question. The member will move on.

The Hon. JEREMY BUCKINGHAM: You may be aware of an article in today's *Sydney Morning Herald* written by Paddy Manning that quotes an eminent energy analyst, Gundi Royle, in relation to coal seam gas:

"This is a very large investment that needs to be fed," she says. "Once they get going they're very cash-rich but they need to march on, to feed the LNG manufacturing plants. The industry will just roll over the country. It's too late to stop them now, in my view. Australian voters should know they will be carrying the can."

Do you acknowledge that if the coal seam gas industry is allowed to get a foot-hold it will roll over New South Wales?

Mr CHRIS HARTCHER: That is a matter being considered by your committee. Your committee will hear evidence. I am prepared to make the senior representatives of the department available to the committee if your chairman so requests and those are matters that you will comprehensively consider and report on to the Parliament. For you to go to today's paper and quote one person in one article using somewhat hysterical language evoking an image that they are going to roll like Nazi panzers over New South Wales, and to assume that to be a matter of fact, is not worthy of comment. With the greatest of respect, that is not a question worthy of you.

CHAIR: You have little time left.

The Hon. JEREMY BUCKINGHAM: I am done.

The Hon. RICK COLLESS: Minister, could you advise the Committee what the Government is doing to promote sustainable, affordable and lower-emission technology?

Mr CHRIS HARTCHER: Thank you, Mr Colless for that excellent question. The New South Wales Government is committed to developing clean energy in New South Wales. My portfolio takes a broad approach to the development of clean energy, recognising that solutions will come from a range of new and existing technologies. We need to recognise that coal is an existing integral part of our electricity generation fuel mix, and will be for many years to come. This means that we need to test solutions that may allow coal to be a part of

our clean energy future. To this end, the New South Wales Government has committed \$100 million over four years to the Coal Innovation Fund to assist research and development in low-emissions coal technologies. Initiatives include the Delta Carbon Capture and Storage Demonstration project, which will be an Australian first, to demonstrate integrated post-combustion capture, transport and permanent geological storage of carbon dioxide from a black coal power station.

Stage one of the project is the development and approvals stage valued at \$28.3million, which is jointly funded by the Commonwealth and Australian Coal Association Low Emissions Technology Ltd [ACALET], with each funding partner contributing \$9.43m in funding. Finally, the Coal Innovation Fund is funding nine research and development programs for low-emissions coal technology. These programs aim to improve the whole cycle of the generation of electricity. Programs include reducing fugitive emissions released through the mining process, improving combustion efficiency, improving capture efficiency and examining alternative storage technologies. For New South Wales to successfully transition to a low-carbon future it will require the Government to remove barriers and streamline regulatory processes. Therefore, it is important that New South Wales expand and develop its gas resources to ensure secure and reliable energy supplies for New South Wales consumers.

In particular, if the introduction of a price on carbon sees coal-fired generation in Victoria being the first to start closing down, this generation capacity will need to be replaced by gas-fired generation and there is likely to be insufficient gas available to support this unless Queensland and New South Wales produce gas. Over the longer term, a price on carbon will also see pressures put on New South Wales coal-fired generation to be replaced by less carbon-intensive gas-fired generation. Therefore, there is also a longer-term need to see more gas available in New South Wales to meet this future domestic demand.

One of our key commitments, reflected in the NSW 2021 plan, is to contribute to the national renewable energy target of 20 per cent by 2020. To achieve this, the New South Wales Government is developing a 2020 renewable energy action plan. The renewable energy action plan will build on the work of the Solar and Renewable Energy Summit held in Newcastle on 1 July 2011. It will focus on sensible, sustained, but affordable, progress for renewable energy. The plan is being overseen by the Parliamentary Secretary for Renewable Energy, Mr Rob Stokes. This position was created by the O'Farrell Government to ensure that the renewable energy sector gets the attention it deserves. Poorly designed renewable schemes that are high cost to taxpayers and electricity consumers will not be considered.

It is a question as to what this Government can efficiently and effectively deliver. This is why the New South Wales Government is taking steps to develop clean energy with a holistic view of the needs of customers, industry and of course our environment. We have already made significant progress. A Solar and Renewable Energy Summit was held on 1 July. This summit was the first step in engaging with the community and industry on renewable energy issues. Development of the renewable energy action plan is being led by a joint industry-Government task force, chaired by the Chief Scientist, Professor Mary O'Kane, and includes Dr Brian Spalding, Commissioner Australian Energy Market Commission; Mr Mark Twidell, Chief Executive Officer of the Australian Solar Institute; and Mr Matthew Warren, Chief Executive Officer of the Clean Energy Council.

A draft of the plan is expected to be released for public consultation very shortly. The plan will, among other things, develop better processes for deploying commercial-scale generators, solar and wind farms, and practical measures for reducing red tape. This Government believes that options should be thoroughly explored to ensure green schemes are cost effective. This is supported by the Independent Pricing and Regulatory Tribunal. This Government is determined to find the appropriate role for New South Wales and that is about ensuring support for programs already available through other avenues, such as the Commonwealth, are not duplicated at the State level. Large-scale renewable generation is also flourishing in New South Wales. We currently have over 3,400 megawatts of renewable generation proposals in development stage. These include wind, solar, biomass, and other zero-emission technologies.

More New South Wales will also be home to the world's largest solar plant. The 150 megawatt plant, with funding from the Commonwealth under the Solar Flagships program and a contribution from the New South Wales Government, will be capable of running 45,000 homes. It represents a significant regional investment and places regional New South Wales at the forefront of solar technology. The New South Wales Government will continue to progress renewable electricity generation in a measured and responsible manner in consultation with industry and the community.

The Hon. RICK COLLESS: Minister, can you advise the Committee what the Government is doing to boost smart electricity technology?

Mr CHRIS HARTCHER: Smart technology is being rolled out across the New South Wales electricity networks to varying degrees. Smart meters allow electricity suppliers to collect more detailed information on energy use to help better understand customer behaviour and improve management and operation of the networks. They also provide customers with more information on how much electricity they are using. Smart meters can be coupled with what is known as time-of-use tariffs. Time-of-use tariff means that the price a customer pays for electricity varies depending on the time of day or night. Usually there are three pricing bands—off peak, peak and shoulder. The price bands broadly reflect the different costs of supplying electricity at these times.

Prices are highest at peak times, reflecting the increased demand for the available supply and the high costs of building the network to meet peak demand, even if it is for only a small period each year. It also reflects the high costs of building power stations to supply peak demand for only a small period each year. Reducing electricity used during peak times reduces the need to expand and undertake costly network and power station investment. The time-of-use tariffs are designed to send a signal to customers about the cost involved in using electricity at different times during the day and provide an opportunity to reduce the cost of electricity where possible. By running appliances such as dishwashers or clothes dryers in off-peak times customers on time-of-use tariffs can save money on their bills.

For customers who can change their electricity consumption patterns this is a very convenient way to save money on electricity bills. However, some customers are disadvantaged by time-of-use tariffs. Shift workers and people who either work from home or are at home during the day may not be able to limit their electricity consumption when prices are at their highest. That is why the New South Wales Government has no plans to introduce a mandatory rollout of smart meters and time-of-use tariffs. Since the Council of Australian Governments committed to the rollout of electricity smart meters in 2006, the New South Wales Government has been working with the Commonwealth and other jurisdictions to develop national arrangements. We are working closely with the electricity networks to establish the costs and benefits to New South Wales customers with smart meters.

Ausgrid is undertaking a large-scale pilot trial program that will see the first integrated smart city in Australia. The Smart Grid Smart City Project is designed to demonstrate the technical and commercial viability of a number of smart technologies, including electric vehicles, energy storage and smart metering services. The Smart Grid Smart City Project is expected to run until 2013 and participation in the project is voluntary. Ausgrid was awarded \$100 million from the Commonwealth Government to undertake the project. It will occur across New South Wales, including customers in Newcastle, Scone, the Sydney central business district and suburban Ku-ring-gai. The New South Wales Government will continue its work to assess the potential benefits of smart meters, including reducing energy consumption and greenhouse gases, using existing infrastructure more efficiently and reducing the cost of capital investment in the electricity network.

The Hon. RICK COLLESS: Could you tell the Committee what will be the impact of the carbon tax on New South Wales?

Mr CHRIS HARTCHER: The New South Wales Government is deeply concerned about the proposed carbon tax, which starts on 1 July 2012. The Premier has made a number of statements on its potential impact, as has the Treasurer. The New South Wales Treasury has done modelling that it believes is an appropriate analysis of the impact of the carbon tax on New South Wales. The Treasury analysis has found that the carbon tax will cost at least 31,000 jobs and deliver a \$3.7 billion annual hit to the State's economy—\$3.7 billion. It will force up electricity prices for New South Wales households by up to \$500 a year. Businesses will pay from \$927 to \$4,000 more a year, depending on usage. In the Hunter and Illawarra regions the impact will be at its most severe, with 18,500 jobs estimated to be affected in the Hunter region alone and 7,000 in the Illawarra. Central western New South Wales, which is of great interest to the member who asked the question, the Hon. Rick Colless, also will be seriously impacted.

Power prices are expected to rise by at least 15 per cent under Labor's carbon tax. In addition, the tax will also reduce the dividends from New South Wales electricity generators by about \$45 million this financial year alone, rising to \$290 million in 2014-15. Further to the Treasury modelling, there has been independent modelling by the well-reputed energy analyst ACIL Tasman. An independent report by ACIL Tasman on the impact of the tax has found that 12 of the 30 underground mines and three open-cut mines in New South Wales

face early closure. It also has found that 27 per cent of future employment from new mining projects is under threat. These represent thousands of families in the Hunter, the Central West of New South Wales, the Illawarra and my own area of the Central Coast. These are battlers, people trying to do the best for themselves and their families. Figures show that a carbon tax could force almost half of the State's underground coalmines to close down prematurely.

Fifteen New South Wales mines face premature closure, investment and thousands of jobs for people planning to come into the industry will also be lost and the New South Wales economy stands to lose more than \$12 billion in the first 10 years of the carbon tax. The New South Wales Government will offset the impact of Labor's carbon tax by increasing mining royalties but ensure that companies are no worse off. I pledge to this Committee that the New South Wales Government will fight this carbon tax. I will not be Churchillian and pledge to do so on the beaches, but we will fight this carbon tax right through to the Federal election. It is going to impact on our economy, our jobs, our industry and our electricity prices. It is something that has to be stopped and will be stopped. [*Time expired.*]

CHAIR: Thank you, Minister, for your presentation on the energy sector. We will have a short adjournment until 11.00 a.m. and recommence with the Resources portfolio.

[*Short adjournment*]

BRAD MULLARD, Executive Director, Mineral Resources and Energy, Department of Trade and Investment, Regional Infrastructures and Services, sworn and examined:

CHAIR: This session we will be inquiring into budget estimates in relation to the Resources sector of the Resources and Energy portfolio.

The Hon. GREG DONNELLY: In the Treasurer's Budget Speech presented in the Legislative Assembly there was no reference to resources, specifically mining, except in the context of increasing State mining royalties. For a policy area so important to the State economy why would they be ignored in that way in such an important speech?

Mr CHRIS HARTCHER: The Government's policy position on resources is reflected in the NSW 2021 plan, which the Premier tabled at the same time. So it was not thought necessary to duplicate the two. The NSW 2021 plan tabled by the Premier argues that the New South Wales Government will seek to increase the value of our agriculture and resource productivity by 30 per cent by 2021, and that is the Government's target. Accordingly, there was no need to put that in the Treasurer's speech.

The Hon. GREG DONNELLY: Could you take us to which goal that was?

Mr CHRIS HARTCHER: It is in the 2021 plan.

The Hon. GREG DONNELLY: You say there is reference to a 30 per cent increase?

Mr CHRIS HARTCHER: Yes, in the very early stages of the document. Go to the very front of the document—the objects. If you pass it down I will have Mr Paterson find it for you.

The Hon. GREG DONNELLY: Perhaps you can find the reference and we will come back to that. Minister, in the media release at the time of the budget it was stated that the Government will invest \$100 million in the State's mining industries. You are familiar with the media release, I gather? It was a media release on the website under your portfolio responsibility about a \$100 million investment in the future of the New South Wales mining industry. Was that \$100 million a figure that you took to Cabinet and argued for as an amount for investment in the mining industry of New South Wales?

Mr CHRIS HARTCHER: You will understand that Cabinet discussions and submissions are confidential.

The Hon. GREG DONNELLY: I appreciate that.

Mr CHRIS HARTCHER: So I cannot comment on that aspect of your question. The \$100 million commitment relates to the Coal Innovation NSW Fund; that is the \$100 million that we are referring to. The separate submissions related to the New Frontiers Program of \$5.5 million, and the \$2.1 million to develop a land use policy—I hope Mr Buckingham is paying close attention now—for coal and coal seam gas assessment.

The Hon. GREG DONNELLY: The \$100 million relates specifically to what?

Mr CHRIS HARTCHER: To coal innovation—that is over four years.

The Hon. GREG DONNELLY: As the New South Wales budget is around \$60 billion, do you think that \$100 million is a satisfactory figure to strike?

Mr CHRIS HARTCHER: The mining industry contributes to the State's income in huge amounts—I think the projected figure for royalties for next year is \$1.7 billion. It is a giver to the State not a receiver from the State. Education, Health, Roads, Police are the recipients of State largesse. Even the Coal Innovation NSW Fund, while it is managed by the State Government under the Coal Innovation Act, does not come from the taxpayers through the Treasury; it comes from the coalmining companies. The actual financial allocation to the industry is very small; it is the New Frontiers Program, which investigates the precompetitive assessment of the land—

The Hon. GREG DONNELLY: I will come to that in a moment. The \$100 million figure, what advice did you receive from Treasury about striking that amount?

Mr CHRIS HARTCHER: That is not determined by the Treasury; that is determined by a joint party of the department and the industry and there is a third one. There is a tripartite body that determines that: it is the Australian Coal Association and the New South Wales Government—they are the principal bodies that work to get that figure and then allocate it to the fund. It is not done through Treasury.

The Hon. GREG DONNELLY: So Treasury had no input into the striking of that figure?

Mr CHRIS HARTCHER: It is not taxpayers' money.

The Hon. GREG DONNELLY: Can you explain the analysis behind the amount of increase in the New Frontiers exploration initiative of \$5.5 million? How will that be allocated and distributed? What formula is used?

Mr CHRIS HARTCHER: That is a longstanding program. It was initiated, I think, under the previous Government. It is designed to do this: Mining companies go out and explore but they need to know what areas are appropriate for exploring. If you are a tin company you do not just want to get out an exploration licence somewhere and hope that there is tin there. The whole idea is to assay the State's mineral and geological qualities. They do not tell you whether there is anything of commercial value there but they tell you what minerals are there and what therefore you could be looking at if you had an exploration licence. Then you get an exploration licence and you explore and you try to find out whether it is commercially quantifiable or not. It is only a small program but it has been extremely productive and has led, for example, to the map I unveiled in August at the Minerals Council conference, which indicates a lot of mineral deposits across the State, and it is administered through the Office of Resources.

The Hon. GREG DONNELLY: Can I just clarify something? The \$5.5 million is in addition to money that is already in that fund? I am trying to establish what the fund value is at the moment.

Mr CHRIS HARTCHER: It is not an additional payment; it is the continuation of the program. There are a number of programs. They just do not all end on 30 June. With all due accommodation to the previous Government, it was a good program. The previous Government had a number of programs and they are being continued by this Government.

The Hon. GREG DONNELLY: That is for the forthcoming 12 months?

Mr CHRIS HARTCHER: Yes, for the current financial year.

The Hon. GREG DONNELLY: The \$28.6 million announced in the budget with respect to clean coal technology research, I understand that that is part of a total amount of a \$100 million commitment to the Coal Innovation Fund. Is that right?

Mr CHRIS HARTCHER: Yes—that is over four years.

The Hon. GREG DONNELLY: Can you explain what are the processes and procedures that operate to determine the distribution of that money in that fund?

Mr CHRIS HARTCHER: That is a very good question. The Coal Innovation Board is the oversight body, whose membership, as I said in an answer to an earlier question, has yet to be announced. It was too large—it was 15 people—and it tended to be a representative board rather than a competency board. The new board is going to be a competent body and a much smaller body. Submissions are made by coal companies, by environmental groups, by any interested party, but they largely arise from within the academic and the technical area like the CSIRO.

Programs that are worthy of further investigation are professionally assessed. There is a small secretariat which administers it, but they are professionally assessed usually by outside consultants and they are recommended to the Coal Innovation Board, which then decides to fund them. That is why they are largely done through the university. To avoid ongoing duplication of programs, of course, there is close collaboration with the CSIRO and with other bodies that are working within the same space.

The Hon. GREG DONNELLY: With respect to the allocation in the budget of \$6.1 million for the rehabilitation of derelict mines, that is for a 12-month period, the current financial year?

Mr CHRIS HARTCHER: Yes. There are hundreds of derelict mines, and that is only a drop in the bucket. It is only a 12-month period.

The Hon. GREG DONNELLY: Can you shed any light on the information or the detail used to come up with a figure of \$6.1 million?

Mr CHRIS HARTCHER: Ideally we would like to have a lot more, but where are we going to get it from. As you know, we have had a history of mining since 1790. It is only in recent years that mining companies have been required to lodge bonds and comply with rehabilitation programs. I do not think before the Second World War there was any such requirement. A company would just mine and then walk away from the derelict site. There are a lot of derelict mines, both big and small.

The Government has a bipartisan program to gradually rehabilitate the more serious dereliction sites. They have got to be prioritised because some of them pose potential environmental threats. I think Mr Buckingham would be well aware of the antimony problem at Wild Cattle Creek in the Coffs Harbour area. The Government has a program to identify the more serious ones and gradually remediate them. If you were going to do the remediation in one hit it would cost billions of dollars. We have got to find the money—which is always hard—for the serious ones, rehabilitate them and then find more money for the other ones. That will be an ongoing program for many years. Just to conclude, the rehabilitation of derelict mine sites is an issue faced all over the world.

The Hon. GREG DONNELLY: Minister, I gather you would agree with the proposition that the mining and resource industry is a significant and important industry for New South Wales?

Mr CHRIS HARTCHER: Absolutely.

The Hon. GREG DONNELLY: In light of that, and given competition from resource-rich States like Western Australia and Queensland that we hear so much about in the media, do you not think that the announcement of \$100 million plus these other smaller amounts really is quite small in terms of a commitment to what is and what you want to be a significant industry for this State?

Mr CHRIS HARTCHER: The industry is a commercial industry. It is government regulated, but it is not government run. Government will not ever put investment into the actual production. Historically you will be aware the Government did own coalmines in New South Wales. They were sold off under the previous Labor Government. All governments across Australia and across the world have moved out of mining. Where does the

Government's responsibility lie? The Government's responsibility lies in proper regulation for the environment and for safety. The Government's responsibility lies in providing the infrastructure in conjunction with the development companies for rail and road transport and for the housing and servicing of people living in the mining areas. Apart from that, these are commercial decisions to be made by the companies involved. After all, the companies extract a reasonable amount of return on their capital. They do not need the Government to assist them.

In recent years all governments have moved towards identifying the mitigation of environmental impacts, especially with coal. This involves the issue of carbon dioxide. That is why we have the Coal Innovations Board, but even that is only a new creation. Should the Government be investing more? I think the Government strikes the right balance. It has got two challenges—

The Hon. GREG DONNELLY: I am not suggesting that the Government re-enter mining itself or resource development itself. But given the nature of the competition being led in resource development in these other two large States, and the long history of New South Wales having a strong mining industry, surely there is a case for the Government to be taking a firmer and stronger role in trying to drive mining and resource development in this State?

Mr CHRIS HARTCHER: I know exactly where you coming from. We are, in fact. You may not be aware but the New Frontiers program identified magnetite iron ore deposits 60 kilometres south-west of Broken Hill. They are worth \$3 billion a year if they are developed. In the north-west of New South Wales it has identified huge opportunities in relation to tin. It has assessed new opportunities in relation to gold. All of these are undeveloped and have come through the geoscience mapping program.

The Premier has been to China. Former Premiers Nathan Rees and Kristina Keneally have both led missions to China and India to sell the attractiveness of our resources in New South Wales. We are doing this in conjunction with our Federal colleagues. Mr Ferguson does not have any mines of his own, but Mr Ferguson and the Federal Government are constantly pushing the potentiality of Australia. We can rival Western Australia for iron ore. We have a huge capacity. The cost of processing our iron ore is higher than Western Australia because it is magnetite rather than hematite, but the opportunities are there. I have had endless delegations come to see me from China, India, South Korea and Japan. They are all interested in investment.

The Hon. GREG DONNELLY: When they come to see you what do you say to them?

Mr CHRIS HARTCHER: I set up the meetings with the department to show them where the mineral deposits are and advise them of the opportunities in this State and of the requirements we have as far as environment, water protection and planning issues. I also advise them of the logistics. Though neither you nor I are sympathetic to communism, you will recall that the number four member of the politburo was here in April 2011, just after we were elected. The number four member of the politburo said through his interpreter, "If you have got the resources we are interested in them. If we need to develop the infrastructure to get to them, we will work with you on developing the infrastructure." The opportunities are enormous—it is just a question of how we manage them.

The Hon. GREG DONNELLY: So they are offering to invest in infrastructure, are they?

Mr CHRIS HARTCHER: They are offering to cooperate in the investment in infrastructure, yes, if the resources are there.

The Hon. GREG DONNELLY: Also in the budget announcement there is \$2.1 million to be spent on developing a land use policy for coal and coal seam gas assessment. Minister, can you explain how this process of developing the policy is going to be done and who is going to be involved in it?

Mr CHRIS HARTCHER: I think you are pre-empting where Mr Buckingham wants to go. This is a demarcation dispute.

The Hon. GREG DONNELLY: I have had no discussion with Mr Buckingham about this.

Mr CHRIS HARTCHER: That is part of the strategic land use study, which I think you know is underway, identifying the appropriate areas in the New England and Upper Hunter areas. That accounts for the \$2.1 million as far as the mining aspect of that study.

The Hon. GREG DONNELLY: Just in those two areas?

Mr CHRIS HARTCHER: Yes, at the present time. Then it will move across to central western New South Wales and the Southern Highlands, but we cannot do it all at once so we are doing those two areas first.

The Hon. GREG DONNELLY: Who is going to be involved?

Mr CHRIS HARTCHER: The strategic land use study is being conducted by the Department of Planning. It is receiving input from the Office of Resource and Energy, the Office of Environment and the Office of Water. It is working in conjunction with a reference group which comprises the Minerals Council, the Petroleum Exploration Association, the Construction, Forestry, Mining and Energy Union, the New South Wales Farmers Association, the Nature Conservation Council and the Total Environment Centre. A wide-ranging group of interested people is working with it in the reference group. It did not contain a representative of the Shooters and Fishers Party.

CHAIR: No, we are not interested in designing camels.

The Hon. GREG DONNELLY: Minister, have you created a section, subsection or unit in the department you preside over which is specifically dealing with this big issue of coal seam gas?

Mr CHRIS HARTCHER: No. It has not got a separate department. It is being run within the existing office.

The Hon. GREG DONNELLY: Just within the existing office? There is no special secretariat that has been established to look at that range of issues?

Mr CHRIS HARTCHER: No, there is no special unit.

CHAIR: Order! Before we proceed to the crossbench questions I will advise the Committee members and the Minister's office of the rulings in relation to questions related to the current Committee inquiries. This was raised in the last session. The standing orders state:

The Budget Estimates inquiry might be one of several inquiries before an individual committee. The purpose of Budget Estimates hearings is to inquire into and report on the conduct of the government, and government policies for expenditure of public monies authorised by Parliament. In exercising this role, there is necessarily a degree of overlap with current committee inquiries.

Questions asked during the Budget Estimates hearings should not attempt to debate the unreported proceedings of other committee inquiries. However, this does not prevent members from asking questions that deal with the subject matter of an inquiry. There is a significant difference between debating the unreported proceedings of a committee and asking questions on the general subject of an inquiry before a committee.

My interpretation of that will be that members should not ask the Minister to foreshadow what may or may not be given in evidence before the coal seam gas inquiry. I have a couple of questions for the Minister. In relation to the question the Hon. Greg Donnelly asked earlier about the mining restoration fund, what is the total value of the rolling fund?

Mr CHRIS HARTCHER: Right now the Government holds \$1.3 billion in security bonds for future mines.

CHAIR: My next question arises from debate on the Supreme Court action in *Brown and Alcorn v Coal Mines Australia Pty Ltd*, which was the subject of legislation in the last Parliament. During that time then Minister Macdonald and the then Opposition spokesperson, Duncan Gay, and I discussed the creation of a similar type of fund for the exploration side. As I understand it, the rolling fund is funded only out of the mining leases.

Mr CHRIS HARTCHER: Mr Mullard will answer that.

Mr MULLARD: No, the rehabilitation fund covers exploration titles as well as mining leases.

CHAIR: Thank you. That has clarified the matter. As we are now moving into a period of large scale gas exploration and extraction, has the Government considered perhaps looking at the Petroleum (Onshore) Act and the Mining Act to see whether there would be some benefits in updating or upgrading either of those?

Mr CHRIS HARTCHER: There is no proposal at present before the Government. Your committee's report would be welcome in that respect.

The Hon. JEREMY BUCKINGHAM: Thank you for your guidance previously, Chair. Minister, you would be aware that there is a blockade currently underway at Spring Ridge on the Liverpool Plains. Does this Government support those farmers who are resisting Santos entering their land?

Mr CHRIS HARTCHER: I cannot comment on those sorts of matters any more than I want to comment on what happened in Martin Place last week. In our society people have a legitimate right to express their concerns. The Government supports that, but those concerns must be expressed in accordance with the law.

The Hon. JEREMY BUCKINGHAM: Do you understand why those farmers are taking that unprecedented action?

Mr CHRIS HARTCHER: It is certainly not unprecedented. In their own release they talk about previous blockades, one of which they say went for 638 days.

The Hon. JEREMY BUCKINGHAM: It is unprecedented in relation to coal seam gas.

Mr CHRIS HARTCHER: There are many viewpoints in our society. We are a democratic society. Members of your Chamber represent many different expressions of opinion. We resolve things through the ballot box, through the courts and in accordance with the law. This Government will always recognise the legitimate right of people to petition and lawfully raise their concerns through freedom of speech and freedom of assembly. We will always respect that and enhance it and we will make our decisions through the Parliament. That is what people would expect in a democratic society.

The Hon. JEREMY BUCKINGHAM: You were quoted in the media recently as saying the Queensland approach to coal seam gas has been "ill conceived". Can you elucidate on that? What did you mean?

Mr CHRIS HARTCHER: Since I took over this portfolio I have had the opportunity to look at the whole issue of what happened in Queensland. I made it clear—I hope you saw the full report—that I do not intend any disrespect to the Queensland Government. I believe they have acted in good faith. The Queensland Government initially had legislation, which has now changed, which did not properly respect the rights of landowners. All that was required was for the company to give notice of access. It did not even have to negotiate with the landowner. That was objectionable and contrary to what we would expect.

The Queensland Government did not, in my understanding, have proper processes in place to evaluate the potential impact on groundwater. In my view that also was ill conceived. The Queensland Government allowed the rapid proliferation of these sites without proper planning and without putting into place detailed and appropriate environmental safeguards. All of those matters are largely acknowledged now by the Queensland Government. That did not necessarily mean there was a serious impact in all cases. It meant that in some cases it was badly carried out. A lot of the debate now taking place in New South Wales has been fuelled by the Queensland experience. The New South Wales Government has made it clear it is not going to go down the Queensland route.

The Hon. JEREMY BUCKINGHAM: In relation to the exploration occurring on the Liverpool Plains, Santos this morning justified its actions by saying its gas pilot production will provide information for the Namoi water study. Do you think that is a tenable position for the company to take? In your previous answer you referred to the fact that the industry rolled out in Queensland without the groundwater studies being done. The Namoi water study has not been done but Santos is arguing that its pilot production will go towards that crucial research.

Mr CHRIS HARTCHER: You first get an exploration licence and then you proceed to pilot production. It is not actual production. Then, having gone through all the safeguards and requirements you may go to actual production. As you are aware, the only areas of production are at Pilliga and Camden. This is not production that is proposed by Santos; it is only a pilot study.

The Hon. JEREMY BUCKINGHAM: But Minister—

Mr CHRIS HARTCHER: Sorry, Mr Buckingham, I will complete my answer. The pilot production in this case is designed to achieve two objectives: to ascertain whether there are appropriate quantities of gas there and, secondly, to obtain information about the groundwater, which will then be fed into the Namoi River study. How else do you do a river study without testing what is in the groundwater? You cannot test what is in the groundwater by simple visual observation; you have to drill the holes.

The Hon. JEREMY BUCKINGHAM: So, you think it is appropriate for the company to be conducting that testing? Are they actually part of the Namoi water study? My understanding is they are not and this pilot production is not part of the Namoi water study as had been proposed.

Mr CHRIS HARTCHER: Mr Buckingham, I can only answer one question at a time. I think that is reasonable. Do I think it is appropriate? I make no comment on commercial decisions made by companies. All I can advise you is whether or not it is within the law. It is within the law. How was that law constructed? The consent was granted to them by the previous Government. They are operating within the law.

CHAIR: Order! I will make the point that I have made on a number of occasions. Hansard has difficulty reporting when a number of people speak at the same time. I ask that only one member speak at a time. If the Minister is answering a question, members should allow him to answer before they ask the next question. All interjections are disorderly.

The Hon. JEREMY BUCKINGHAM: Minister, how much would it cost the Government to annul or cancel the petroleum exploration licences over the Liverpool Plains?

Mr CHRIS HARTCHER: I do not know.

The Hon. JEREMY BUCKINGHAM: Are you aware that under section 22 of the Act you have the power to suspend or cancel a petroleum title without any compensation?

Mr CHRIS HARTCHER: I accept that.

The Hon. JEREMY BUCKINGHAM: Before the election what was the Coalition's policy on Wallarah 2 coalmine?

Mr CHRIS HARTCHER: For the benefit of members of the Committee, the Wallarah 2 coalmine relates to a proposal by the Kores company, which develops coal production in the Lower Hunter and upper Central Coast area. That proposal was not supported by the New South Wales Coalition and the application by Kores was refused by the then New South Wales Government in March 2011.

The Hon. JEREMY BUCKINGHAM: Is that the position of the Government now? I note the comments you made on MBN TV on 12 July this year when you referred to the Wallarah 2 coalmine project and said:

We cannot stop people lodging applications but we can make it clear there will be no mining. So anyone who wants to do that is simply wasting their money and their time.

Do you stand by your statements and is this how you will stop the Wallarah 2 coalmine project?

Mr CHRIS HARTCHER: There is no Wallarah 2 coalmine, so that is a hypothetical question.

The Hon. JEREMY BUCKINGHAM: Do you still have your red T-shirt which states, "Water not coal"?

Mr CHRIS HARTCHER: The Hon. Amanda Fazio showed me that last Tuesday. We had an excellent interchange about it.

CHAIR: Order! I remind members that props are disorderly.

The Hon. JEREMY BUCKINGHAM: Do you still have your "Water not coal" T-shirt?

The Hon. Dr PETER PHELPS: Point of order: The sartorial splendour or otherwise of the Minister is hardly a matter for the estimates process.

CHAIR: Order! There is no point of order. I am sure the Minister is quite capable of handling himself.

The Hon. JEREMY BUCKINGHAM: I am sure that the Minister has misplaced his T-shirt. Minister, do you know who Ian Moore is?

Mr CHRIS HARTCHER: No, tell me more about Ian Moore.

The Hon. JEREMY BUCKINGHAM: Ian Moore, a blind farmer from Jerrys Plains, can only farm his land because he knows it so well. Ian, who is a fourth generation farmer at Jerrys Plains, is legally blind and he has been forced into arbitration in the Land and Environment Court by NuCoal Resources NL. Do you support a system that forces a blind farmer into the Land and Environment Court because a coalmining company is demanding access to his land for exploration purposes?

Mr CHRIS HARTCHER: I get the feeling, as I am sure does the Hon. Jeremy Buckingham, that that is a fairly loaded question.

The Hon. JEREMY BUCKINGHAM: It is a loaded issue.

Mr CHRIS HARTCHER: I would have thought that a responsible Minister would make announcements about government policy. He will not make announcements about individual court cases. As this matter is now before the court it is not appropriate for me or for any member of Parliament to comment on it.

The Hon. SCOT MacDONALD: Point of order: Will the Chair clarify paragraph 4.11 and explain the sub judice rule?

CHAIR: Order! Paragraphs 4.11 and 4.10 relate to objections to questioning. The Minister has made clear his objection to answering that question. I do not want to get into a legal argument about what is and what is not sub judice. I rule that question out of order.

The Hon. JEREMY BUCKINGHAM: In relation to antimony mining, does the Government support Anchor Resources plan to mine highly toxic antimony at Wild Cattle Creek on the headwaters of the Nymboida and Clarence rivers?

Mr CHRIS HARTCHER: Mr Buckingham, you need to look at your questions. Highly toxic? Your questions are not designed to elicit information. With the greatest respect to you, they are designed to make a political statement. I will move on from that and answer what would be an appropriate question. What is the Government's attitude in relation to the proposed antimony mine in Wild Cattle Creek? That is an appropriate question. The Government's attitude is that all environmental safeguards will need to be complied with, all water requirements will need to be complied with, all proper consultation will need to be done and all planning consents through the Department of Planning, which is the consent authority in these matters, will need to be determined.

The Hon. JEREMY BUCKINGHAM: Minister, that seems to be a departure from the Strategic Regional Land Use Policy, which states that in some areas mining should not occur—not a gateway process for all mining in all areas. The Government's policy, which was put to the people of New South Wales, states that in some sensitive areas—this is not a loaded political question; it relates to your policy—mining should not occur. Surely mining highly toxic metals—and they are highly toxic metals—in steep terrain at the top of significant catchments meets the sensitive area criteria?

Mr CHRIS HARTCHER: That is a matter for the strategic land use study, which is why it is being held. Some members of the former Government believed that these were political decisions to be made by Ministers and their mates behind closed doors. We have abandoned that. This Government said it would establish a strategic land use study, which is under way and investigating appropriate areas. That mine or mining proposal, just like any other proposal, is caught up in that study. The Government's position is clear. This will be done through the Department of Planning. It will be determined, first of all, as part of the gateway process for

the strategic land use study and there will be requirements relating to aquifer interference, community consultation and its agricultural impact.

At every level of farmland, environment, water and community there will be full, careful and transparent public deliberation. The whole process will be overseen not by me—I have an interest in it as resources Minister—but by the Department of Planning. That should be contrasted with the position in which New South Wales found itself on 25 March. A Minister who has disappeared off the radar and who is now in Singapore was making big decisions behind closed doors that affected a number of people. New South Wales has advanced and will continue to advance and people like you will see the benefit of those proposals.

The Hon. JEREMY BUCKINGHAM: You said that this proposal would be guided by the strategic regional land use policy, but no policy proposal has been put before the people of New South Wales regarding the development of Dorrigo Plateau, even in the short term. There is nothing in the budget. You said that there would be a proposal for the Upper Hunter, New England north-west, the Central West and the Southern Highlands. Considering that exploration is now being conducted, how is the strategic regional land use policy, which has not even been formulated, guiding current exploration?

Mr CHRIS HARTCHER: We are setting up the framework. The aquifer interference regulation, the agricultural impact statement, the community consultation and the overarching role of the Department of Planning are all being established. The strategic land use study will then proceed to identify the appropriate areas which are, firstly, New England and Gunnedah, and in conjunction with that, the Hunter. Stage two will include the Central West and the Southern Highlands. The whole State will be covered by this comprehensive program, all within the framework of those parameters of agriculture, water, environment and community. That is what is happening.

The Hon. JEREMY BUCKINGHAM: I understand that Minister. However, because exploration is occurring now in the Clarence catchment—there is a suggestion that the proposal is being advanced now—how will the strategic regional land-use policies, which have not yet been developed for this area, guide or inform decisions on the Dorrigo Plateau?

Mr CHRIS HARTCHER: That is a planning matter.

The Hon. JEREMY BUCKINGHAM: Minister, you were talking about gold and the new frontiers proposal. Just off the top of your head, do you know what the total revenues from gold to the State were last year?

Mr CHRIS HARTCHER: I do not have the breakdown.

The Hon. JEREMY BUCKINGHAM: I do have it. It was \$22 million, an effective royalty rate of 2 per cent. Do you think that is a pathetic amount for the goldminers to be contributing to the State considering the infrastructure and services that the State provides?

Mr CHRIS HARTCHER: Mr Buckingham, words like "pathetic" illustrate—

The Hon. JEREMY BUCKINGHAM: Well, \$22 million is pathetic.

Mr CHRIS HARTCHER: That is your opinion. It is the New South Wales Government, through the Parliament, of which you are a member, that sets the rates that determine the budget. Those are matters for parliamentary consideration.

The Hon. JEREMY BUCKINGHAM: Will you consider raising the royalty rate for gold?

Mr CHRIS HARTCHER: The royalty rate is determined by Treasury in conjunction with the Parliament. You will have every opportunity to comment upon that when the matter comes before the Parliament.

The Hon. JEREMY BUCKINGHAM: So the Government would consider it?

Mr CHRIS HARTCHER: It is a matter for the Treasurer as to what he puts before the Parliament.

The Hon. RICK COLLESS: Minister, can you advise the Committee what the Government is doing to meet the growing demand for gas in New South Wales?

Mr CHRIS HARTCHER: I would have hoped Mr Buckingham would have asked this question. I am sure he is listening. Boosting the gas industry will be vital to ensure New South Wales has reliable, secure energy supplies, a more efficient generation sector and is buffered against rising energy prices. It will also be necessary to support the New South Wales Government's primary objective—to restore the New South Wales economy, bringing jobs and industry to our State.

New South Wales produces a mere 6 per cent of its gas needs and is heavily dependent on imported gas supplies. For the past 30 years we have relied upon imports from South Australia and Victoria. Evidence suggests these gas sources are dwindling, meaning New South Wales faces a potential gas supply crisis unless it identifies new sources of supply. The Australian Energy Market Operator projections indicate that within a few years the traditional flow of gas from Victoria and South Australia to New South Wales will be reversed. Gas will need to flow from Queensland and New South Wales to Victoria and South Australia.

New South Wales gas consumption is forecast to more than triple in the coming 20 years as our population grows and the industry shifts to more efficient forms of electricity generation. Based on these demand growths for gas in New South Wales, the Australian Energy Market Operator's forecasts indicate that additional pipeline capacity may be required from as early as 2013, and additional production capacity may be needed from mid-2015. The key reasons for this change are declining reserves in the traditional areas of supply, along with increasing demand for gas, particularly in the context of a price on carbon. It is therefore important New South Wales finds alternative gas supplies to ensure we have ample gas to fuel power stations and the local domestic and industrial markets. I am constantly reminded there are one million gas customers in New South Wales.

There is significant potential right here in New South Wales. Current possible gas reserves represent more than 250 years of supply. It is widely accepted that emissions associated with gas-fired electricity are up to 70 per cent fewer than traditional sources of electricity generation. This figure is quoted by numerous sources, including the CSIRO and the International Energy Agency. Our generation fuel mix is becoming more diverse as we move to meet renewable energy targets and lower emissions from the energy sector. Gas will be integral to this shift as it is an ideal fuel to support the transition to a lower carbon economy.

Growing the gas industry, however, will be done in an intelligent and sustainable manner, following due process and in consultation with industries and the community. Hence the Government intends to develop a Gas Industry Development Plan to ensure the necessary policy frameworks are in place to support the appropriate development of all aspects of the industry. The first aspect of this plan is the land use aspect that is currently underway. The plan will guide the expansion of gas in New South Wales and this includes expansion of the supply of gas resources and the delivery of gas to customers.

In New South Wales the gas network is privately owned and operated. Encouraging investment in new pipelines and infrastructure to deliver gas to more customers will ensure New South Wales reduces its emissions and expands the use of a proven, efficient and cost-effective energy source. Expanding this network will enable more households to connect to gas for uses such as cooking and heating. Increasing gas use industrially will also help reduce energy costs and greenhouse gas emissions for large energy users. The plan will consider mechanisms to increase access to gas for residential and industrial customers.

The tripling of gas demand will occur as the industry responds to a low carbon economy. And this is where the most carbon reductions can be made. Pipelines to connect gas to power stations and the market will be important to develop. A number of pipeline proposals are under consideration in New South Wales to bring the gas to market. These are proposals that will bring jobs, infrastructure, investment and increased energy security to our State. The New South Wales Government will continue to progress options to ensure the gas industry is developed in consultation with the community and to support our future energy needs.

The Hon. RICK COLLESS: Minister, can you also outline what progress is being made on the Government's commitments to strengthen regulations for coal seam gas exploration?

Mr CHRIS HARTCHER: Thank you for that question, Mr Colless. I appreciate your interest in the matter. The Government has made significant progress on its commitment to strengthen the regulations for coal seam gas exploration. On 21 May 2011 the Government released details of its Strategic Regional Land Use

Policy. The policy, which is still under development, aims to strike the right and appropriate balance between our important agricultural, mining and energy sectors while ensuring the protection of high-value and strategic natural resources. Significant changes to the approval process for coal seam gas exploration have also been introduced. The changes mean: one, there is interagency consultation for applications for coal seam gas exploration; two, chemical additives must be disclosed in all new applications; and, three, community information and consultation processes have been improved before titles are granted.

In addition, all new coal and coal seam gas exploration and mining applications will be subject to new rules, including: one, a ban on the use of BTEX chemicals added during coal seam gas drilling; two, an extended moratorium until 31 December 2011 on new hydraulic fracturing or fracking approvals; three, a regulation that requires a water access licence for extraction of more than three mega litres per year from groundwater sources; and, four, new public consultation guidelines to increase transparency and accountability. That's pretty good.

The Government is also developing an aquifer interference regulation to ensure the State's aquifers are suitably protected. Any future proposal for coal seam gas production is subject to approval under the Environmental Planning and Assessment Act 1979. As part of this process, proponents are required to prepare and submit a comprehensive environmental assessment that addresses all potential impacts of the proposal, including potential impacts on agricultural lands, water resources as well as, significantly, cumulative impacts. The planning process also will allow for thorough community and agency consultation. In September 2011 a submission was made to the New South Wales Legislative Council General Purpose Standing Committee No. 5 Inquiry into Coal Seam Gas, which is now publically available on the Government's website.

Among other clear commitments in the Strategic Regional Land Use Policy is a requirement that all new applications for coal, coal seam gas, and petroleum exploration licences be exhibited for public comment. We are undertaking at the same time a detailed audit of all exploration licences for coal and all petroleum exploration licences to ensure strict compliance with the licence conditions. Field inspections by independent auditors have already commenced. The results of the audit will be compiled, analysed and a report provided to Government on the results, together with recommendations for any changes to processes and conditions.

The New South Wales Government is delivering on its election commitments to set up a better framework to deal with competing land uses. The Strategic Regional Land Use policy is being developed to strike the right and appropriate balance between our mineral and petroleum resource industries, agricultural production and environmental protection. It is about recognising the broad factors that need to be considered to support increased minerals and agricultural production. These two industries can and do coexist. The Government is taking significant steps to strengthen regulation of coal seam gas operations. With this stringent regulatory environment in place, the New South Wales Government is keen to develop the gas industry to support our needs and help to drive economic growth, consistent with protecting and expanding agricultural output.

The Hon. RICK COLLESS: I believe that in response to a question from Mr Donnelly you mentioned a recent iron ore discovery in western New South Wales. Can you expand on that and provide an update on that discovery?

Mr CHRIS HARTCHER: As a member who always takes a keen interest in western New South Wales, it is an appropriate question from you, Mr Colless. I was not even aware of this when I became Minister and I do not think many people in the community are aware. This information is of great interest. The New South Wales Government's exploration initiatives have been credited with a number of major discoveries in recent years. The current initiative, the New Frontiers program, about which the Hon. Greg Donnelly was talking and which recently received extended funding of \$5.5 million, has led to a major discovery of a magnetite iron ore deposit in far western New South Wales. The Hawsons Iron Ore Project, about 60 kilometres south-west of Broken Hill, will involve the construction and operation of a large-scale open cut mining operation, subject to necessary approvals.

Carpentaria Exploration Limited has identified a resource of 1.4 billion tonnes and proposes to produce 220 million tonnes of iron ore concentrate. The 20 million tonne per annum proposal is comparable to the three Greater Paraburdoo mines operated by Rio Tinto in Western Australia—two-thirds the size of the giant Mount Tom Price mine. The deposit was identified using government aeromagnetic data. Hawsons and other iron ore deposits are clearly visible on the images from this data. I thank the Hon. Greg Donnelly for his keen interest in the development of this data program.

The discovery of this potentially world-class deposit relied heavily on the wealth of historical exploration data held within the Digital Imaging Geological Systems, whose conference I launched here at Parliament House some months ago. This is the department's online geoscience information database, which has been funded by the New Frontiers initiative. The iron ore resource at Hawsons has many upsides, including a very low waste to ore ratio. Additionally, ore from these deposits is soft, at the surface and easily mined. This is good news because it would require less water and electricity than other forms of iron ore. The deposit is close to existing heavy rail and power infrastructure.

Carpentaria Exploration anticipates that at full operation the mine could employ around 1,500 people, who largely would be based in Broken Hill. What an opportunity for Broken Hill for the future. The mine life is projected to be 22 years and there is a great deal of potential to expand the mine and extend its life. Indeed, this would be wonderful news for the city of Broken Hill. New South Wales has a rich history of iron ore production. During World War II iron from the Cadia mines near Orange—now one of the world's biggest gold mines—supplied the steelworks and munitions works in Lithgow. Iron deposits such as Cadia occur in many locations in New South Wales and are expected to continue to provide high-quality magnetite iron ore for coal washing and other important uses, including the production of magnets.

Elsewhere, data obtained by the New Frontiers initiative is driving discoveries of iron ore. For example, channel iron deposits are being identified in the Cobar and Lockhart areas. These types of deposits mainly contain maghemite and are a worldwide major source of iron, including that being developed by the Fortescue Metals Group in Western Australia. The identification of these deposits relied heavily on airborne magnetic data gathered under the New Frontiers initiative. All these good news exploration stories were made possible by the high-quality data collected and made available by the Geological Survey of New South Wales, including the State Government's New Frontier initiative. Iron ore price is expected to remain strong. Together, these deposits have the potential, if carried forward, to contribute significantly to the development of the State's economy. The export of iron ore could benefit greatly from the State's rail and deep water port infrastructure, such as that at Port Kembla. In short, thanks to the New Frontiers initiative, the future for discovery and production of iron ore in New South Wales looks very bright. Move over Western Australia, we say.

Members of this Committee may be interested also in the recent development of tin as a productive resource in New South Wales. Though the current level of Chinese investment in New South Wales is fairly small, our State remains of ongoing interest for the Yunnan Tin Group, which is the world's largest tin producer. Yunnan floated on the Australian Stock Exchange as YTC in 2007 in association with an Australian junior partner, Big Sky Resources. YTC has interests in the New England region covering large tin resources. It also has acquired the Hera gold project in the central west of New South Wales, which is currently proceeding through our comprehensive approval planning process.

The Hon. RICK COLLESS: The Standing Committee on State Development will be meeting in Broken Hill next week. No doubt the local community will be pleased to hear that news.

Mr CHRIS HARTCHER: Excellent.

The Hon. RICK COLLESS: Can you outline what new stringent conditions have been placed on resources companies carrying out exploration on the Liverpool Plains?

Mr CHRIS HARTCHER: Again I thank you for a comprehensive question. The New South Wales Government has listened to community concern and enacted tough new conditions for the renewal of the Shenhua Watermark coal exploration licence and BHP's Caroonah project. The New South Wales Government will not under any circumstance compromise the health and sustainability of our water resources. Coexistence with rural industries is possible and the Government will continue to work with all stakeholders to achieve the appropriate balance. The granting of renewals of exploration licences in no way moves the application any closer to the granting of a mining lease. Any application for a mining lease and development consent will be subject to a comprehensive assessment process that provides for full community input.

New provisions for the renewed Shenhua Watermark exploration licence include no longwall mining underneath the deep alluvial irrigation aquifers or floodplain, or open cut mining anywhere on the floodplain; maintenance of prime agricultural activities on land it acquires; three-dimensional groundwater modelling of the project to be subjected to a peer review; and retention of a minimum 150-metre horizontal barrier between mining and the Gunnedah/Namoi Groundwater System in any future mine plan. Foreign investment, of course,

is a matter for the Federal Government. Shenhua has advised that all its land purchases have gone to the Foreign Investment Review Board for approval, with land purchase approval granted strictly on the basis that it was for mining purposes only.

This means that if the land no longer is required as part of the mining or the mine is at the end of its life, Shenhua will be required to dispose of that land. Agricultural land that has been purchased—including the buffer zones surrounding the mine—is being leased back to farmers to allow continued agricultural activity on the land. The New South Wales Government has urged the Federal Government to review the current level of foreign purchases of agricultural land. The New South Wales Government is determined to put in place completely transparent processes covering all aspects of mining, including ownership. Stringent conditions will remain in force for the renewal of the exploration licence for BHP Billiton's Carooona Coal Project.

The renewal conditions of the Gunnedah-area licences prohibit any open cut mining or longwall mining on or under the areas of the alluvial floodplain and the black soil of the Liverpool Plains. I will repeat that because people seem to argue endlessly about this. The renewal conditions of the Gunnedah-area licences prohibit any open cut mining or longwall mining on or under the areas of the alluvial floodplain and the black soil of the Liverpool Plains. There will be no open cut mining anywhere on or underneath the floodplain. This is a requirement introduced by this Government. The renewal of this existing exploration licence—

The Hon. JEREMY BUCKINGHAM: Go and tell Jim Duddy.

Mr CHRIS HARTCHER: —does not fall within the scope of the moratorium under the transitional arrangements in the strategic regional land use policy as it applies to the granting of all new coal, coal seam gas and petroleum exploration licences in New South Wales. The exploration licence review. The New South Wales Government is currently undertaking its statewide audit of all coal and coal seam gas exploration licences as part of the staged implementation of the strategic land use policy. The first phase, which has now been completed, involved a detailed desktop audit of all exploration licences for coal and petroleum to ensure compliance with the licence conditions.

Phase two, which has already commenced, involved in-depth on-site audits by independent auditors at the licence holder's expense. As per our election commitment, this process involves a more detailed review of the Mount Penny mine and Doyles Creek mine licences. The results of the audits will be provided to the Government together with any recommendation for change. As part of the review procedures have been put in place for community input to be sought prior to the grant of any new exploration licences for coal or coal seam gas. Those procedures will apply to any new tenders for coal exploration licences when and if they occur.

The Hon. RICK COLLESS: Thank you, Minister. That is good news. [*Time expired.*]

The Hon. AMANDA FAZIO: Minister, as part of your strategic land use study would you rule out allowing mining to be undertaken in world heritage areas?

Mr CHRIS HARTCHER: The whole purpose of the strategic land use study is to identify the appropriate areas. I cannot pre-empt the strategic land use study. The strategic land use study will look at issues like world heritage as an important part of any program of study it undertakes.

The Hon. AMANDA FAZIO: Do you have an individual view on mining in world heritage areas?

Mr CHRIS HARTCHER: I do not express individual views. I am here as a Minister of the Government to express Government policy.

The Hon. AMANDA FAZIO: What impact will the mining expansion in the Upper Hunter have on infrastructure, and what have you done to ensure that budget funding is allocated to deal with these impacts?

Mr CHRIS HARTCHER: There are a number of implications in the question. The expansion of mining is not taking place; there is existing mining that is taking place. There is extensive work being done with Newcastle Port. These are matters that fall within Infrastructure NSW and the portfolio of the Minister for Planning and Infrastructure.

The Hon. AMANDA FAZIO: I am trying to get at the issue of liaison across portfolios. Where you know you are going to have expansion you endeavour to make sure you have the infrastructure there to facilitate proper expansion.

Mr CHRIS HARTCHER: That does relate to Government. I appreciate that. I am advised there is a mining community's affectation study underway and Royalties for Regions, which I think you are familiar with. Both of these programs are underway to identify the effect that mining is going to have on communities that relate to infrastructure and how the royalties can be appropriately and properly allocated to those regions. This Government wants to get the right result for everybody, and that is what we are doing.

The Hon. GREG DONNELLY: Minister, in regard to the Budget Speech by the Treasurer in the other place, specifically the last page, he talks about the impact of the Federal carbon tax. You covered that in one of your earlier answers. You then made specific comment about the offsetting process proposed that would, as I understand, provide for an increase in State mining royalties. Did the Treasurer have discussions with you about that matter before the announcement in the budget?

Mr CHRIS HARTCHER: The budget is a Cabinet document. With the greatest respect, obviously discussions take place in Cabinet—quite detailed and drawn out—but I am not at liberty to discuss what happens in Cabinet.

The Hon. GREG DONNELLY: I am not asking you to discuss Cabinet-in-confidence discussions. My question is: Did the Treasurer speak to you about the proposal announced in the budget?

Mr CHRIS HARTCHER: I have to rely on my previous answer. The budget is a document prepared by the Cabinet, and discussed by the Cabinet. I participate in that discussion but I am not prepared to reveal what happens in those discussions.

The Hon. GREG DONNELLY: Outside consideration of this matter in Cabinet—I am not going anywhere near that—were there discussions between the Treasurer and you over the proposition of increasing State mining royalties?

Mr CHRIS HARTCHER: With the greatest respect, Mr Donnelly, that is where you are going, because all conversations in the lead-up to the preparation of the budget are Cabinet discussions. We have to have ongoing consultation between ministries while the budget papers are being prepared and that is the normal role of government. There is ongoing discussion on a whole range of matters that I have with all my colleagues, but I am not prepared to go into those discussions.

The Hon. GREG DONNELLY: You will not answer the question about whether there was any discussion between the Treasurer and you outside Cabinet over the issue of the introduction of State mining royalties.

Mr CHRIS HARTCHER: I must stand by my previous answer.

The Hon. GREG DONNELLY: In terms of the mining royalties tax, which was announced, what discussion took place with industry about that before the announcement?

Mr CHRIS HARTCHER: I realise the Legislative Council does not have any adjudication over the budget, but the Legislative Council takes a close interest in the matter. The budget process involves wide-ranging consultations with a variety of groups who make submissions. Almost every interested group makes some form of submission, however large or small, in respect of potential funding or liability to potential changes. You will recall there was some media speculation before the budget about royalties. I can tell you there were submissions received from interested parties.

The Hon. GREG DONNELLY: I am not talking about speculation. I am not looking at jumping at shadows here. I am trying to be quite clear in my mind: Did you or any officers of your department speak to the mining industry, either collectively or individual miners, about the issue of the introduction of a State mining royalty?

Mr CHRIS HARTCHER: Mr Donnelly, I have ongoing and extensive discussions with all mining companies. I have had discussions with the Australian Workers Union. I have had discussions with the Construction, Forestry, Mining and Energy Union—

The Hon. GREG DONNELLY: This is a specific question.

Mr CHRIS HARTCHER: I am answering the specific question. The answer is: I do not reveal the content of those discussions that I have in confidence with a wide range of bodies. I respect you have an interest in this but I do not believe it is appropriate for me to disclose to you the wide-ranging confidential discussions I have with a large number of organisations, including environmental groups.

The Hon. GREG DONNELLY: You are not prepared to say that you had discussions with either collectively the mining industry or individual mining companies about the proposition of introducing a mining royalty tax?

Mr CHRIS HARTCHER: I stand by my previous answer.

The Hon. GREG DONNELLY: You are not prepared to—

CHAIR: Order. I think that line of questioning has gone far enough. The Minister is obviously standing firm. Perhaps we could move on.

The Hon. GREG DONNELLY: Moving on to the issue of investment in new major projects and the relationship back to the suspension of the operation or application of the part 3A provisions, what transitional arrangements are you arguing be put in place to ensure that major projects are not held up while this matter is being resolved?

Mr CHRIS HARTCHER: That is a matter for the Minister for Planning and Infrastructure. It was probably put to him in his estimates hearing.

The Hon. GREG DONNELLY: No, this is specifically in relation to what you are doing in discharging your portfolio responsibilities with respect to resources and mining.

Mr CHRIS HARTCHER: That is the answer. I do not determine planning consents. That was changed some time ago. It was changed under your Government too. The Minister for Resources does not have any decision-making power. The Minister for Resources, whoever it is—at the present time it is me—regulates the industry once the planning decisions have been made but he or she does not make any of those decisions. That is entirely a matter for the planning Minister.

The Hon. GREG DONNELLY: You are not having any input in this process at all in terms of major projects that are basically standing there waiting to go?

Mr CHRIS HARTCHER: I understand where you are coming from. The Minister for Planning consults with the Office of Resources largely at an officer level. He consults with the Office of Water and the Office of Environment and Heritage. His department has massive consultation processes and the Office of Resources obviously draws his attention to major mining proposals. But the Office of Resources does not have any determining role.

The Hon. GREG DONNELLY: Have you made any particular representations to the planning Minister about the need to deal with this matter, which obviously is building up as a pressure point for your department?

Mr CHRIS HARTCHER: That is a fair question. The Office of Resources and I as Minister both have an interest in ensuring that there is appropriate decision-making by the Department of Planning, that the decision-making does not favour any particular group, company or anyone, and that the Department of Planning processes major projects as expeditiously as possible in the interests of the State. The Department of Planning is cooperating in that. I really do need to answer your question comprehensively. One of the problems faced is this—

The Hon. GREG DONNELLY: The answer you have given is satisfactory in terms of what I was trying to elicit. I will move on to the next question. In terms of the budget specifically in regard to skills training of people to work in the mining and resources industry in this State, which is so important, why is the budget silent on the deployment of resources for the specific training of future employees needed for this important industry? Why has nothing been provided for that in the budget?

Mr CHRIS HARTCHER: That is a huge issue that the Federal Government is concerned about, that we are concerned about as a State Government and that the immigration department is heavily involved in under the 457 immigration permits. It is actually addressed through TAFE. It is not addressed through my portfolio of Resources.

The Hon. GREG DONNELLY: Could you explain how it is addressed through TAFE, given that I cannot see anything in the budget under Education?

Mr CHRIS HARTCHER: TAFE now operates very effectively in conjunction with both Federal and State governments in identifying areas of potential need for skilled employees and developing the appropriate courses, in conjunction with companies. We have those through Newcastle university and Newcastle TAFE. My own campus at Ourimbah, which is a branch of Newcastle university, also has a TAFE on it that tries to identify, along with companies, the appropriate areas of skills required and tries to develop the programs whereby people can be trained or up-trained in those skills.

The Hon. GREG DONNELLY: I am looking for resources in this budget.

Mr CHRIS HARTCHER: They will not come from the Office of Resources; they will come from TAFE.

The Hon. GREG DONNELLY: Did you—

Mr CHRIS HARTCHER: I must complete my answer. They will come through TAFE and they will come through the joint Commonwealth-State programs that are designed skilling programs. There are a number of these in place.

The Hon. GREG DONNELLY: Have you spoken to the Minister for Education about the importance of deploying additional resources specifically for enhancing training and building the skills base for the mining industry?

Mr CHRIS HARTCHER: Once again, Mr Donnelly, I am not going to go into discussions I may have with other Ministers. It is not appropriate. They are held in confidence. I can tell you this: The Office of Resources, like all government agencies, is concerned with the skills shortage and it is encouraging companies.

The Hon. AMANDA FAZIO: To clarify, has your department, your agency, advised the Department of Education and TAFE of the skill shortages in this area and asked them to provide extra resources? That covers the issue of your not wanting to breach confidential private conversations.

Mr CHRIS HARTCHER: No, the Office of Resources has not made that direct approach. Individual companies have made that direct approach. They largely do it through the Federal Government.

The Hon. GREG DONNELLY: Can I—

Mr CHRIS HARTCHER: Sorry, Mr Donnelly, I must insist on completing my answers rather than being continually interrupted.

The Hon. GREG DONNELLY: I am not interrupting you. If you answered—

Mr CHRIS HARTCHER: You are. You are cutting me off, Mr Donnelly.

The Hon. GREG DONNELLY: No, I am not.

Mr CHRIS HARTCHER: Please, Mr Donnelly, you are.

CHAIR: The Minister should be allowed to complete his answer.

Mr CHRIS HARTCHER: I get two sentences out and then I get interrupted.

The Hon. GREG DONNELLY: That is not true.

Mr CHRIS HARTCHER: Well, three sentences. It just happened then. It is largely done by the major companies in conjunction with the Federal Government. It is an issue, I acknowledge that, and it is appropriate that you raise it. But it needs to be raised in the appropriate context, which really is not the budget for the Office of Resources, which looks after the management and regulation of mining. It is looked after by the State and Federal governments through their immigration programs and education programs. Both State and Federal governments are painfully aware of the enormous skills shortage, even in stonemasonry, that Australia suffers from.

The Hon. GREG DONNELLY: I will move on to my next question about Woollahra No. 2.

Mr CHRIS HARTCHER: Wallarah No. 2—Woollahra is where Mr Shoebridge lives.

The Hon. GREG DONNELLY: What is the current status of exploration licences 5903, 4911 and 4912, which are all held by—

Mr CHRIS HARTCHER: Kores.

The Hon. GREG DONNELLY: What is the current status?

Mr CHRIS HARTCHER: They are the ones that cover that area. I refer you back to my previous answer. Those exploration licences have expired. The development applications were lodged and refused in March 2011. I need to clarify: The fact that an exploration licence has expired does not mean it comes to an end. It continues on until it is cancelled. Sorry, no, I am advised that not all of them have expired.

The Hon. GREG DONNELLY: I have referred to 4903, 4911 and 4912.

Mr CHRIS HARTCHER: Those three have expired. The other one is 405.

The Hon. GREG DONNELLY: Minister, given your pre-election commitment with respect to the project and the Premier's "no ifs, no buts" promise that no mine would occur, are you planning to refuse the applications for renewal?

Mr CHRIS HARTCHER: As I said earlier, there is no application. That is a hypothetical question. I am not prepared to answer. There is no application. You might as well ask me if I am going to refuse an application for a goldmine under Parliament House.

The Hon. GREG DONNELLY: On 20 October the member for Wyong told ABC radio that the Government had started the process of rescinding the exploration licences. Then the general manager of the project said the company had been assured by the Premier that the project will be allowed to proceed through the planning and assessment process. I want to establish which is the case. Is what the Premier said the position or is what the member for Wyong said the position?

Mr CHRIS HARTCHER: I am advised that I need to correct my earlier answer. There is a request for renewal in respect of those expired licences now in the Office of Resources. That brings the record to completeness.

The Hon. GREG DONNELLY: Just to be very clear, there is a—

Mr CHRIS HARTCHER: An application for renewal.

The Hon. GREG DONNELLY: Of those three licences?

Mr CHRIS HARTCHER: The three ones I told you had expired. In respect of your question quoting the member for Wyong and the Premier—

The Hon. GREG DONNELLY: I was just trying to distinguish—

Mr CHRIS HARTCHER: There is no inconsistency. The application was made for a consent, which was refused—and properly refused—by Minister Kelly in March 2011. There is nothing else before the Government.

CHAIR: In relation to compliance under the Mining Act and the Petroleum (Onshore) Act, your departments provide compliance in relation to those Acts. What sort of numbers do you have in the departments that do the compliance and the auditing?

Mr CHRIS HARTCHER: I will ask Mr Mullard to answer that.

Mr MULLARD: I do not have the exact numbers because it is covered across a number of areas. We have environmental officers who undertake environmental compliance activities. We also have safety compliance officers who undertake safety compliance activities. We also have officers within the geological survey ambit in the titles area who also undertake compliance activities in terms of adhering to the conditions of title. So we are largely a compliance organisation, a regulatory organisation, and we have staff that are engaged across that in regional offices and so on. A number of staff have a number of different roles they undertake, not only compliance roles.

CHAIR: Could you provide that information to the Committee?

Mr CHRIS HARTCHER: Absolutely. The budget papers show 365 total staff, and Mr Mullard will do the breakdown. That is what you are interested in?

CHAIR: Correct. Thank you. My next questions Mr Mullard or one of your technical advisers may be able to answer. During a previous answer you mentioned that there had been a limitation placed on the extraction of groundwater—I think it was 300 megalitres.

Mr CHRIS HARTCHER: Three megalitres.

CHAIR: Groundwater being water that would be used for other purposes, not water that is coming out of the coal seam itself? It is total?

Mr CHRIS HARTCHER: It is total.

CHAIR: You mentioned that the Government had implemented a ban on the use of what are called BTEX chemicals. BTEX is not a compound, it is just an acronym for a number of dangerous or what could be dangerous chemicals. I understand those compounds are contained in diesel or diesel fuel, which is used as a drilling compound. Are they the same sorts of compounds that are contained in normal water bore drilling?

Mr MULLARD: BTEX is not used in petroleum exploration in New South Wales. In the past diesel has been used in water bore drilling as basically a lubricant for the rods. In fact, going back a while, when water bores were drilled farmers were advised to let the bores flow for a while to get rid of the diesel.

The Hon. JEREMY BUCKINGHAM: Minister, you said in one of your previous answers regarding the gas industry development plan that the plan had stated that the development of the gas industry in New South Wales was vital and the Government submission to the General Purpose Standing Committee No. 5 inquiry said it was essential. But in your comments you referred purely to the domestic market; you made no reference and the Government's submission makes very little reference to an export market. In your words, you said that this development was "for our needs". Have you or your department had any meetings with coal seam gas companies exploring opportunities for the establishment of an export liquefied natural gas [LNG] terminal in New South Wales?

Mr CHRIS HARTCHER: Looking at the plans, most of them related to export through Gladstone. There has been some talk—and I am not sure how viable it has been—that potentially there may be some through Newcastle. But it certainly has not got anywhere at all.

The Hon. JEREMY BUCKINGHAM: So you have had meetings. You said we have 250 years worth of supply in terms of resources. In terms of the gas industry development plan, what allocation of that resource is going to be for domestic and have you done modelling of how much would potentially go through an LNG export terminal either in New South Wales or in Queensland?

Mr CHRIS HARTCHER: We have not finalised the gas industry exploration plan yet. The companies are largely at this stage geared towards Queensland, geared towards Gladstone. I will not hypothesise but our concern as a government is for the future energy needs of the State; we have not been looking so much at the export potential. That may come at a later stage but right now we are faced with a situation where we are only producing 6 per cent of our gas; 94 per cent has to be imported. And we are having to move away from coal-fired electricity at a great rate due to the carbon price. We need something to fill the gap between coal and renewables, which are a long way off, and gas is the only viable option.

So we said we need to look at how we are going to provide the energy needs for the State over the next 5, 10, 15 years until renewables really kick in—and it may be longer than 10, 15, 20 years, which is why we have to have a gas industry plan. You would have seen that the Federal Minister only this week made announcements that the Federal Government is determined to keep the price of gas in Australia at a lower level rather than allow the gas price to rise to the international level, and that is something that we understand. As I said, we support and we will be having further discussions with him about it, but are we looking at the development of a gas export industry in New South Wales at the present time? No.

The Hon. JEREMY BUCKINGHAM: You have pre-empted my next question. How is the Government going to insulate domestic users of gas and potentially large users of gas—say power stations and other big industries that are a lot larger consumers of gas—from price rises if we tap into the export LNG network pipelines and we are exposed to the international price?

Mr CHRIS HARTCHER: It is cheaper to consume it domestically than to transmit it, freeze it, liquefy it and then transport it overseas. There are quite high additional costs. That then reflects in the international price. The domestic price does not have all those add-on costs and should come in cheaper. We are in a free-market economy. These matters have to be worked out. They will be worked out nationally. We are already on a national electricity market where we already have an Australian Energy Regulator in respect of the way electricity prices are structured. The Federal Government—and I once again pay tribute to the Federal Minister—is well aware of this need to make sure that our domestic supply is kept at an affordable price. We will work with the Federal Government on that. I am only too happy to work with him on it.

The Hon. JEREMY BUCKINGHAM: Minister, do you support the right of Santos to access private land at Spring Ridge and exercise its exploration licences?

Mr CHRIS HARTCHER: It is not for me to determine what companies do; it is for me and the Government to set the rules and to announce a policy and for the Parliament to legislate that, and that is what has happened. Each commercial company in New South Wales will make its own decisions. Our responsibility is to make sure those decisions are in accordance with the law, and that is what I and the rest of the Government will do.

The Hon. JEREMY BUCKINGHAM: You equated the Spring Ridge protest with the Occupy Sydney protest.

Mr CHRIS HARTCHER: No, I did not. I said there were legitimate rights to protest in our society. Spring Ridge was an example of that, as was Occupy Martin Place. I strongly object to any attempt to link the two. I did not link the two.

The Hon. JEREMY BUCKINGHAM: You said they were both protests.

Mr CHRIS HARTCHER: No, Mr Buckingham. I object. I am not going to let you get away with that. I said there was a legitimate right to protest in our society. I said the participants at Spring Ridge had a legitimate right to air their concerns, as did the people in Martin Place.

The Hon. JEREMY BUCKINGHAM: Would you support—

Mr CHRIS HARTCHER: I will interrupt you now. You have been interrupting me all morning. I do not link the two. I know exactly what you are trying to do and I will reject it right now. I do not link the two. Your friends, the idiots who were in Martin Place last week who were rightly removed by the police, are not the same people who were outside Santos.

The Hon. JEREMY BUCKINGHAM: Would you support police action to remove those people at Spring Ridge?

Mr CHRIS HARTCHER: I am not linking the two. The Martin Place people were your friends. The people up at Spring Ridge are largely my friends.

The Hon. JEREMY BUCKINGHAM: Let us go up and ask them. We will get in the car this afternoon and drive up there and ask them.

Mr CHRIS HARTCHER: They are the people who are good Australians who are expressing legitimate concern. The people in Martin Place were the idiots who support The Greens.

The Hon. JEREMY BUCKINGHAM: We will go up to Carroona and ask them who they are supporting.

Mr CHRIS HARTCHER: It is interesting, Mr Buckingham, that you do not deny that it is the idiots in Martin Place who support The Greens.

The Hon. JEREMY BUCKINGHAM: I am gobsmacked that you would call any of our good people idiots.

CHAIR: Order! I remind all members, including the Minister, that these proceedings need to be kept relevant to the budget estimates.

The Hon. JEREMY BUCKINGHAM: On 25 August I wrote to you asking 63 detailed questions in an attempt to clarify the detail in a number of media statements you have made in relation to coal seam gas since taking office. Firstly I would like to know why you have not responded to that letter. Secondly, in relation to the fracking moratorium, what is the Government proposing to do in terms of policy on 31 December when the fracking moratorium comes to an end?

Mr CHRIS HARTCHER: All your letters are replied to. You will get a reply to that letter. That is the answer to your first question. In respect of the second question, I have already answered that. The chief scientist is working on a policy in relation to the issue of hydraulic fracturing.

The Hon. JEREMY BUCKINGHAM: That will be ready to be enacted on 31 December?

Mr CHRIS HARTCHER: I stand by my answer.

The Hon. JEREMY BUCKINGHAM: Which was?

Mr CHRIS HARTCHER: I just answered you.

The Hon. JEREMY BUCKINGHAM: I am unclear, to be frank, Minister. That policy prepared by the chief scientist, you say, will be enacted on 31 December, or will the Government look at extending the fracking moratorium?

Mr CHRIS HARTCHER: The Government will make the appropriate decision at the time.

The Hon. JEREMY BUCKINGHAM: In terms of the statewide audit of exploration licences, you said that in depth onsite audits were being conducted. Where and how many of those audits are being conducted, and what does "in depth" mean?

CHAIR: Seven hundred feet.

The Hon. JEREMY BUCKINGHAM: To be fair, it is a massive job. There are thousands of exploration sites across the State. I would like to know what "in depth" and "onsite" mean.

Mr CHRIS HARTCHER: I detailed what is happening with the audits in answer to a question from the Hon. Rick Colless. We have got an audit program underway for coal seam gas. First you have a desktop audit on compliance. Then you have a field audit done by independent auditors.

The Hon. JEREMY BUCKINGHAM: How many of those—

Mr CHRIS HARTCHER: They are underway.

The Hon. JEREMY BUCKINGHAM: One of the key issues with coal seam gas is, as you have said, that you believe it is a transition fuel and it is a clean energy.

Mr CHRIS HARTCHER: What do you believe, Mr Buckingham?

The Hon. JEREMY BUCKINGHAM: I am not here to answer the questions but I am more than willing to talk to you about it in the car on the way up to Caroon. You have made the assertion that it is a clean energy source in the submission you have authored.

Mr CHRIS HARTCHER: No, I did not make that assertion. Mr Buckingham, I wish that in your questions you would at least have some passing familiarity with the facts. The submission that was put in said that it was less emitting than coal. It did not say it was a clean energy source; it said it had lower emission levels than coal. That is the point it made. The whole problem with you, Mr Buckingham, is that you do not understand most of the facts that you are talking about.

The Hon. JEREMY BUCKINGHAM: Speaking of facts, on what research have you based that assertion that it is cleaner than coal? Has your Government commissioned any research into the fugitive emissions from coal seam gas?

Mr CHRIS HARTCHER: You asked this question earlier today.

The Hon. JEREMY BUCKINGHAM: And I did not get an answer.

Mr CHRIS HARTCHER: I gave you an answer earlier today.

The Hon. JEREMY BUCKINGHAM: Minister, can you describe the differences between coal seam gas and shale gas as it relates to fugitive emissions?

Mr CHRIS HARTCHER: Mr Buckingham, I have put a submission in to the inquiry which relates to all matters relevant to the inquiry.

The Hon. JEREMY BUCKINGHAM: But it is silent on the difference between coal seam gas and shale gas.

Mr CHRIS HARTCHER: Because we are not mining shale gas in New South Wales. Mr Buckingham, I am surprised that you would come to this Committee so ill prepared.

The Hon. JEREMY BUCKINGHAM: But the key point is that most of the research that the industry is based on is related to shale gas. There is very little to do with coal seam gas.

CHAIR: Order!

The Hon. JEREMY BUCKINGHAM: I will move to my next question. Is the Minister aware that BHP chief executive officer, Marius Kloppers, told the company's London annual general meeting that shale gas was environmentally safer than coal seam gas, and does the Minister agree with Mr Kloppers?

Mr CHRIS HARTCHER: I am not aware of Mr Kloppers' statement.

The Hon. JEREMY BUCKINGHAM: The Government has announced its plans to ban evaporation ponds for coal seam gas. How does the Government expect the industry to deal with the millions of litres of salty, chemical-laden wastewater that the industry produces?

Mr CHRIS HARTCHER: There is a premise in your question that there are millions of litres.

The Hon. JEREMY BUCKINGHAM: There are.

Mr CHRIS HARTCHER: Can you source that and justify it?

The Hon. JEREMY BUCKINGHAM: Absolutely.

Mr CHRIS HARTCHER: I will await the information from you.

The Hon. JEREMY BUCKINGHAM: The National Water Commission identified that as a key risk with coal seam gas in its submission.

Mr CHRIS HARTCHER: No, I asked you about your premise that there were millions of litres involved.

The Hon. JEREMY BUCKINGHAM: Are you saying there are not millions of litres of salty water or toxic water involved in coal seam gas? Maybe you should check the facts.

Mr CHRIS HARTCHER: Once again you are making wildly speculative statements in the form of questions.

The Hon. JEREMY BUCKINGHAM: That is not speculation; that is a statement of fact.

Mr CHRIS HARTCHER: Mr Buckingham, I would urge you to actually get the facts right.

The Hon. SCOT MacDONALD: Point of order: Can we let the Minister answer the question, please.

The Hon. JEREMY BUCKINGHAM: Certainly. How will the industry dispose of the millions of tonnes of concentrated brine or salt that the industry produces?

Mr CHRIS HARTCHER: Once again I need you to be able to substantiate to me that it is going to produce millions of tonnes of brine or salt.

The Hon. JEREMY BUCKINGHAM: It is widely acknowledged that that is the case.

Mr CHRIS HARTCHER: It is not widely acknowledged at all.

The Hon. JEREMY BUCKINGHAM: Estimates are that in Queensland it is 40 million tonnes of salt over the lifetime of those proposals.

Mr CHRIS HARTCHER: That is in Queensland.

The Hon. JEREMY BUCKINGHAM: Okay. So we have no plans. Recently Ross Dunn, my good friend from the Australian Petroleum Production and Exploration Association, told a public meeting in Leichhardt in relation to coal seam gas drilling that drilling will, to varying degrees, impact on adjoining aquifers. Do you accept that it is the case that coal seam gas drilling will impact on adjoining aquifers?

Mr CHRIS HARTCHER: I am not going to comment on statements other people may or may not have made. I will tell you that we have introduced the aquifer interference regulation, which is designed to protect aquifers from any impact from drilling.

The Hon. JEREMY BUCKINGHAM: Do you guarantee there will be no impact from drilling and, potentially, fracking?

Mr CHRIS HARTCHER: I have given you my answer.

[Time expired.]

The Hon. SCOT MacDONALD: Minister, can you outline the importance of worker health and safety in the New South Wales mining industry?

Mr CHRIS HARTCHER: The New South Wales Government considers the health and safety of workers to be the first priority and of paramount importance for mining operations. On 11 July this year the Government mine safety inspectors were made aware of unsafe methane levels at the Integra longwall coalmine near Singleton in the Hunter Valley. At the time the mine had a methane level of 9 per cent, in the range of the most easily ignited mixture. If ignited, the volume of gas would have resulted in a significant explosion in those confined conditions. Our inspectors subsequently issued a notice to the operator, Vale Australia, to immediately cease all operations and evacuate all personnel to eliminate any danger to mineworkers following concerns of elevated methane levels. Re-entry to the mine at the time was prohibited. The Government took immediate action and the company complied with Government instructions while investigations continued. The mine recommenced normal operation on 5 August 2011.

Prohibition and investigation notices required the operators of the mine to cease work until further notice, preserve evidence and supply documentation to allow time to fully investigate the circumstances at the mine. While the mine was idle certain essential employees were permitted to enter the mine for inspections and pumping operations. All other employees were allocated to work on the surface at the mine. The inspector worked with the operator, the Construction, Forestry, Mining and Energy Union industry check inspector, the mine's occupational health and safety committee and the site check inspector to investigate and resolve allegations of health and safety issues at the mine and restore the mine to full operations. Investigations into the unsafe levels of methane that led to the closure of the mine and the health and safety allegations were investigated and corrective actions have been undertaken.

Prohibition notices on the Vale-operated Integra mine were lifted on Friday 5 August, which permitted resumption of normal operations. A formal notice was issued advising that recovery not be rushed and to avoid any risk in the process. The Construction, Forestry, Mining and Energy Union industry check inspector and the site check inspector were present throughout the proceedings and in agreement with the actions taken. A detailed report on the issue provided information to the chief inspector, who issued notices to two mine officials suspending their certificates of competence for a period of 10 days this month. Clause 175 of the Coal Mines Health and Safety Regulation 2006 provides the power to immediately suspend certificates of competency for a period of up to 10 days if in the opinion of the chief inspector the holder is unfit due to incompetence or negligence. This incident is a prime example of the excellent work carried out by our safety people and is a key to the enviable safety record of the New South Wales mining industry throughout the world.

The Hon. SCOT MacDONALD: Can you outline the long-term benefits to New South Wales delivered through the commitment to fund mineral exploration in this State through the New Frontiers Program?

Mr CHRIS HARTCHER: I am pleased to highlight the tremendous benefits mineral exploration brings to this State. Exploration is the only means available to determine an inventory of the State's resources. Mining is one of the fundamental building blocks of the New South Wales economy and it must be sustained by new discoveries. The benefits of mining and mineral exploration for regional and rural communities and for the State as a whole are often unrecognised. It should be noted that mining is a fundamental, sustainable primary industry. Importantly, the resources industry contributed \$1.2 billion in royalties in 2010-11, and this is estimated to rise significantly to \$1.7 billion in 2011-12.

It was the Coalition Government in New South Wales that established the first exploration initiative, Discovery 2000, in 1994 by providing \$35 million over six years. Subsequent initiatives have since been supported by successive governments. Through these initiatives around \$95 million has been invested by Government over the past 17 years to ensure a sustainable minerals industry for New South Wales. Annual private mineral exploration expenditure in New South Wales is now over \$150 million. A key part of the 2011-12 budget is the extension of the New Frontiers exploration initiative with an additional \$5.5 million of funding to attract further investment.

The New South Wales Government has pledged to restart the State's economy, and the key to that is developing our resources. Government geoscience programs underpin private exploration and lead to new discoveries, which is crucial to encouraging the continued growth of our important mineral and energy sectors.

Additional funding will greatly improve our understanding of the State's geology and economic potential and better inform land-use planning and natural resource management. The focus of these initiatives has been on the collection of new, pre-competitive geoscience information and delivering this information to industry, which reduces the exploration risk for mineral explorers and increases the likelihood of new discoveries. It creates a framework for improved assessment of mineral potential while providing a foundation for selection of exploration areas by explorers.

Attracting increased investment to New South Wales in mineral and energy exploration is critical to maintaining jobs and infrastructure in regional New South Wales. Government-funded initiatives have benefited the State through increased royalties, which go on to fund hospitals, schools and other vital services. The comparatively low cost of exploration and developing new mines in New South Wales compared with in other States and countries makes investment in New South Wales exploration and mineral development particularly attractive. Government-funded initiatives have seen more than 84 per cent of the State covered by high-resolution geophysical surveys, using the latest technology.

CHAIR: Minister, I understand you have some up-to-date information on the Eraring fire. Can you inform the Committee of it?

Mr CHRIS HARTCHER: Firstly, I thank you for your chairmanship of this meeting. A unit 2 generator transformer exploded at Eraring Power Station at about 2.30 this morning. No people were injured. The Office of Environment and Heritage has been notified of the incident by Eraring Energy and Hazmat. Emergency services attended the site, including officers from Fire and Rescue NSW and their specialist Hazmat officers. The fire has been contained, although the oil fire inside the steel vessel is expected to continue for the next two days. The fire is being closely controlled and monitored by Fire and Rescue NSW.

On the advice of Hazmat officers, two booms were deployed at the outlet canal into Lake Macquarie to contain a light shimmer of oil on the water in the outlet canal. The installation of two booms was effective; however, there is evidence of some oil shimmer on the lake. Due to a change in the wind the oil shimmer has blown into Whiteheads Lagoon, which is adjacent to the power station outlet canal at Lake Macquarie. It is not considered an environmental hazard. This is currently being closely monitored by Hazmat officers and Eraring Energy staff.

Units 3 and 4 are secure. Unit 1 is currently out of service for an upgrade. The cause of the fire will be investigated. These types of incidents typically take at least six weeks to repair. Eraring Energy does have a spare generator transformer on site. There will be availability liquidated damages consequences under the Generation Trading Agreement with Origin Energy, anticipated to be approximately \$20 million. Eraring Energy believes this is an insurable event. There is no risk to electricity supplies as a result of this incident. The latest forecasts from the Australian Energy Market Operator [AEMO] indicate demand for New South Wales will peak at around 9,000 megawatts today. However, there is almost 12,000 megawatts of available generation in New South Wales.

CHAIR: Before I close this hearing I remind you that answers to questions on notice should be provided within 21 days. The Committee has 48 hours in which to formulate those questions and send them to you. Minister, I compliment you and your staff on an excellent hearing. You should be complimented; you have an excellent knowledge of your portfolio.

(The witnesses withdrew)

The Committee proceeded to deliberate.
