



# Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party  
 Date Referred: 4/02/2015

Proposal No: A182  
 Date Published: 23/03/2015

Proposal Title: **DECLARE TOTAL BAN ON COAL SEAM AND UNCONVENTIONAL GAS IN THE NORTHERN RIVERS**

Cluster: Planning and Environment

### General Government Sector Impacts

	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 Year Total \$'000
Expenses (ex. depreciation)					-
Depreciation					-
Less: Offsets					-
Revenue					-
<b>Net Operating Result:</b>	-	-	-	-	-

Capital Expenditure					-
Capital Offsets					-
<b>Capital Expenditure:</b>	-	-	-	-	-

<b>Net Lending/(Borrowing)</b>	-	-	-	-	-
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<b>Net Financial Liabilities:</b>	-	-	-	-	-
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### Total State Sector Impacts

<b>Net Financial Liabilities:</b>	-	-	-	-	-
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### Notes and costing assumptions

The policy proposes to implement a moratorium on coal seam gas in the Northern Rivers of NSW. From 1 July 2015, all coal seam gas exploration licences will be suspended and the issuing of extraction licences will cease in NSW. The policy proposes legislation will be enacted so the State is not liable to pay compensation for the license cancellations.

The Northern Rivers area is assumed to include the local government areas of Ballina Shire, Byron Shire, Kyogle Shire, Lismore City, Tweed Shire, Clarence Valley and Richmond Valley. There are no current production licences in this region.

Whilst the policy is shown as having no budget impact, the following should be noted:

1. The legislation to prevent compensation payments is likely to be subject to legal challenge. The costing makes no allowance for compensation which will be payable if a challenge is successful, because Australian Accounting Standards, which are used in the preparation of the NSW Budget Papers, treat possible obligations, whose existence will only be confirmed by uncertain future events, as contingent liabilities. Contingent liabilities are not recorded until there is certainty the liability will arise and can be reliably quantified. If compensation payments were payable, the costs could be considerable.

2. Potential royalties from exploration licences are not included in the forward estimates, therefore no loss of royalty revenue is included in the costing.

3. No costs are included for potential effects such as the increase in sovereign risk and economic costs to NSW from

**Costing assumptions continued:**

lower mining investment and activity, and the loss of state taxes from companies closing operations in the Northern Rivers area. Such effects may be significant but are not reliably quantifiable.

4. Existing agency staffing resources are assumed to be diverted from coal seam gas activities to work on implementing the moratorium.