



Kristina Keneally MP

Monday, 21st March 2011

Mr Tony Harris ^{21/3}
Acting Parliamentary Budget Officer ^{Harris}
NSW Parliament
Macquarie Street
SYDNEY NSW 2000

Dear Mr Harris

I am writing to you to formally request, under Part 4 (Election policy costings) of the Parliamentary Budget Officer Act 2010, an official costing for the following announced policies under Section 18(2) of the Act:

- *Shell Cove Marina*
- *Lily Street Bridge, Allawah*
- *Newcastle University Relocation*
- *Blue Mountains National Park Walking Track and Safety Beacons*
- *Labor's Coal and Coal Seam Gas Plan (Ombudsman)*

Please find attached a copy of this policy outlining the purpose of the policy and relevant details required to complete the costing as per the requirements of the Act.

A copy of the NSW Treasury costing and budget impact statement for the policy has also been included for your reference.

Should you require any further information on this request, please contact my office on (02) 9228-5239

Yours sincerely

Kristina Keneally
Premier of NSW
Leader of NSW Labor Party



LABOR'S COAL AND COAL SEAM GAS PLAN

Tuesday, 15 March 2011

NSW Premier Kristina Keneally today released a 10-point plan to deal with coal mining and coal seam gas exploration – an emerging environmental concern across the State.

Under the 10 point plan, a re-elected Keneally Government will ban:

- Mining licences in waterways adjoining national parks; and
- the use of Benzene, Toluene, Ethylbenzene and Xylenes (BTEX) chemicals in coal seam gas operations.

The 10-point gas plan is an initial response to community and industry consultation.

NSW's \$13.3 billion coal industry underpins almost 90,000 jobs – comprising 19,000 direct jobs and a further 70,000 related jobs across the State.

"The plan strikes a balance between the needs of the mining industry and community concerns about environmental protection," Ms Keneally said.

"We recognise that there are concerns about the impact of coal seam gas mining and the technique known as hydraulic-fracturing or 'fracking', but we also need to protect jobs in the industry – this policy strikes a balance."

Fracking is a process that results in the creation of fractures in rocks. Fracturing is done from a wellbore drilled into reservoir rock formations to increase the rate and recovery of oil and natural gas. Recently, there has been concern about the possible contamination of ground water, air quality and movement of gases and chemicals to the surface.

The 10 point plan was shaped by Labor's Coal and Coal Seam Gas Strategy community consultation in Gunnedah, Illawarra, Hunter and the Central West.

A re-elected Keneally Government will:

1. Ban exploration activities in waterways adjoining national parks and wind back exploration licences from other sensitive areas

In addition to banning exploration activities in waterways adjoining national parks, Labor will remove exploration licences on waterways in close proximity to national parks.

2. Ban the use of BTEX chemicals in coal seam gas operations

While there is currently no evidence of the use of these chemicals in NSW, a re-elected Keneally Government will eliminate their potential for use in the future.

3. Introduce exclusion zones to assist strategic land use planning

Under a re-elected Keneally Government, work will commence immediately to develop criteria to identify areas that will be permanently protected from mining and extraction activities because they are environmentally, socially or economically significant.

Examples of potential exclusion zones include those which support valuable industries such as the Hunter Wine Industry, the thoroughbred industry as well as prime productive agricultural land.

4. Appoint three additional regional planning compliance officers to ensure industry best practice standards are maintained – bringing the number to six

Doubling the number of regional compliance officers will ensure industry best practice standards are maintained and community concerns are investigated appropriately.

5. Conduct an audit of gas wells and drill sites across NSW to examine how operators have complied with conditions of approval for their exploration licences and operational wells

The findings of the audit will be used to inform the final outcomes of the coal and gas taskforce.

6. Introduce new exploration protocols with increased minimum payments for exploration and production wells to guide coal seam gas industry practice regarding the use of farming lands

A re-elected Keneally Government will mandate minimum payments to landowners to recognise the business consequences of exploration and extraction activities on farming.

7. Provide State guidelines to assist Councils negotiate contributions from mining companies

Voluntary Planning Agreements are currently negotiated between local councils and companies with development applications before the Department of Planning. A re-elected Keneally Government will develop guidelines to provide greater equity and clarity to mining and extraction companies and local communities, as well as providing a more strategic and regional focus to these agreements

8. Appoint a Coal and Gas Ombudsman to investigate and respond to complaints related to mining and exploration and extraction activities

9. Ensure future approvals for gas pipelines are conditional on being located on public land corridors and Travelling Stock Routes to avoid agricultural land

A re-elected Keneally Government will ensure certain categories of agricultural land will no longer be available to host gas pipelines due to the impacts on agricultural production. Alternative routes, in particular publicly owned crown reserves and travelling stock routes, will be preferred pipeline and infrastructure corridors.

10. Establish new State Rehabilitation Awards to recognise excellence in returning mining lands to their natural state

This will encourage and recognise high quality mine and gas well rehabilitation projects to highlight exemplary practice.

NSW Planning Minister, Tony Kelly said: "Our 10 point plan will provide greater certainty for all sides of the coal debate and make a difference for local communities, bringing greater balance to the sustainable management of our resources."

"This is about ensuring a sustainable industry that respects its neighbours – whether it is other industries like farming, winemakers or thoroughbred breeders, as well as surrounding communities themselves.

"While coal seam gas exploration and extraction in NSW is far less common than in Queensland, Labor's 10 point plan provides a way forward on a number of key issues of community concern.

"The 10 point plan is an initial response coming out of the Government's Coal and Gas Strategy, with further work to be undertaken in conjunction with the reference group and relevant agency heads."

The plan follows the Keneally Government's introduction of tough new rules for coal seam gas exploration licences in December 2010.

These include rigorous community consultation and tighter environmental controls during the approval process.

The new requirements will be subject to a staged implementation and involve the Department of Environment, Climate Change and Water, the Department of Planning and Industry & Investment NSW.

Background:

Coal mining

- Coal is a major contributor to the State's economy, providing major investment, regional job creation and significant export revenue.
- In 2008-09, NSW received more than \$ 1.3 billion in coal royalties.
- In the last four years, the NSW Government has approved around 80 proposals for either new coal mines or coal mine extensions. These projects continue to support the NSW economy and provide full-time employment in communities across the State.
- Investment in new mining proposals in NSW is always balanced with environmental considerations.
- Mine approvals are subjected to rigorous and comprehensive environmental impact assessment and strict conditions of approval.

Coal seam gas

- Coal seam gas is a relative newcomer to the energy landscape in NSW, particularly in comparison with the coal mining industry.
- Eastern Australia's coal seam gas resources are estimated to be at more than 7,000 billion cubic metres - enough to power a city of one million people for 5,000 years.
- In December 2010, the NSW Government announced the introduction of tough new rules for coal seam gas exploration licences – including rigorous community consultation and tighter environmental controls during the approval process.
- The new requirements will be subject to a staged implementation and involve the Department of Environment, Climate Change and Water (DECCW), the Department of Planning (DoP) and Industry & Investment NSW (I&I).

Costing of Proposal

Title/Subject:	Establishment of the Office of the Coal and Gas Ombudsman
Pink/Physical ID:	EA1645459
Proposal by:	Government
Agency:	Department of Planning
Cluster:	Planning
Detailed description:	Coal and Gas Ombudsman to investigate and deal with complaints. Estimated recurrent cost of \$600,000 per annum.
FIS No: 497	
Classification: GGB	

General Government Sector Financial Impact

	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000	Ongoing \$'000
Expenses (incl. depreciation)	0	615	630	646	662	679
Less Agency Offsets (1)						
Less Agency Revenue						
Less Crown Provisions						
Budget Result Impact	0	-615	-630	-646	-662	-679
						Residual
Capital Expenditure						
Less Capital Offsets (1)						
Net Capital Cost	0	0	0	0	0	0
Depreciation						
Net Lending (2)	0	-615	-630	-646	-662	

Public Trading Enterprises Sector Financial Impact

	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000	Ongoing \$'000
Revenues						
Expenses						
Operating Result	0	0	0	0	0	0
						Residual
Capital Expenditure						
Less Capital Offsets (1)						
Net Capital Cost	0	0	0	0	0	0
Depreciation						
Net Lending (2)	0	0	0	0	0	

Accumulated Net Financial Liabilities as at 30 June (3)

	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000
General Government Sector	0	615	1,245	1,891	2,553
Total State Sector	0	615	1,245	1,891	2,553

(1) Includes items such as available funding within existing estimates, expenditure offsets, recurrent savings associated with capital projects, linked assets sales.

(2) Equal to Budget Result or Operating Result Impact plus Net Capital Cost.

(3) Equals cumulative Net Lending Impact. Total State Sector equals sum of General Government and PTE (and PFE) sectors.

Key costing assumptions

The Office of the Coal and Gas Ombudsman will investigate and deal with complaints received in relation to coal mining and the coal seam gas industry. It is estimated that the Office will cost \$600,000 per annum in 2010-11 dollars and is escalated at 2.5% per annum. This costing is based on information provided by the Department of Planning. The costing assumes that the Office of the Coal and Gas Ombudsman will commence operations on 1 July 2011.

Key data

The Department of Planning advises that the Office of the Coal and Gas Ombudsman will require \$400,000 per annum for three full time staff, \$100,000 for consultancies and external advice, \$80,000 for other operating costs and \$20,000 for accommodation. These estimates seem reasonable and is similar to the costs associated with the mining compliance office in Singleton.

Caveats or qualifications





The Department of Planning advises that the Office of the Coal and Gas Ombudsman is a separate entity that will operate in addition to the recently established Singleton Office, which is involved in auditing and compliance of mining approvals in the Hunter Valley. There may be scope for the Office to cost recover over time, as with the Energy and Water Ombudsman NSW.

Implementation issues (including how Treasury can assist in speedy implementation and any potential difficulties and how these might be overcome)

The Department of Planning can draw on input from the NSW Coal and Gas Strategy Working Group and Reference Group in establishing the Office of the Coal and Gas Ombudsman.

Other comments (including explanation where Treasury costing differs from agency or PBO estimates)

N/A

Position	Name and extension	Signature	Date
Analyst(s)	Lee Wong		15/3/11
in consultation with	Glenn Grimshaw		15/3/11
Director	Ziggi Lejins		
Deputy Secretary	Matt Roberts		15/3/11