Queensland 2020 Election Statement

appea

Long-term vision and political leadership in Queensland have served the state and its citizens well. Where other jurisdictions have faltered, Queensland is in the enviable position of producing more than enough natural gas to supply its own requirements for gas-fired electricity generation, manufacturing feedstock and domestic use in homes and businesses.

The natural gas export industry has also played a prominent role in Queensland's strong economic track record over the last decade. Between 2011 and 2018, the oil and gas industry spent more than $49.7 billion in Queensland across business purchases, community investment and government payments. Over the same period, the industry employed 4600 Queenslanders every year, spent more than $23 billion in regional areas and paid $505 million directly to landholders.

The development of Queensland's gas fields is also enabling the uptake of renewable energy generation. As the state looks to reduce its greenhouse gas emissions, gas power generation is the ideal partner for solar and wind, providing reliable energy into the grid when the sun is not shining, or the wind is not blowing.

Like many other industries, oil and gas faces an enormous challenge in recovering from the economic impacts of the COVID-19 pandemic. Current market conditions are arguably the most challenging the industry has ever seen with demand destruction, excess supply and oil prices falling more than 75 per cent over the first four months of 2020.

The challenge now is to support the recovery of Queensland's economy. The strength and speed of that recovery is dependent on decisions government takes now and the actions that industry implements in response to a positive reform agenda.

Unpredictable regulation and unscientific prohibitions in other states mean Queensland will need to continue to do the heavy lifting when it comes to supplying the broader east coast market. It is imperative that regulatory regimes are predictable and increasingly efficient to support investment in our energy and economic future. There is much potential to streamline regulation and implement reform that supports growth, investment and productivity, without compromising safety or environmental protections.

APPEA's Queensland 2020 Election Statement outlines the key actions government can take that will see investment, job opportunities and revenue for government, helping to secure a brighter future for Queensland and Australia.

The Queensland economy is intrinsically linked with the oil and gas industry.

Between 2011 and 2018 Queensland's oil and gas industry:

$49.7 billion

Accounted for more than $49.7 billion in direct spending in Queensland via business purchases and community and government payments

$23.6 billion

Spent $23.6 billion in Queensland's regional areas

4600

Directly employed 4600 people (yearly average)

$4.9 billion

Paid $4.9 billion in wages and salaries

$505m

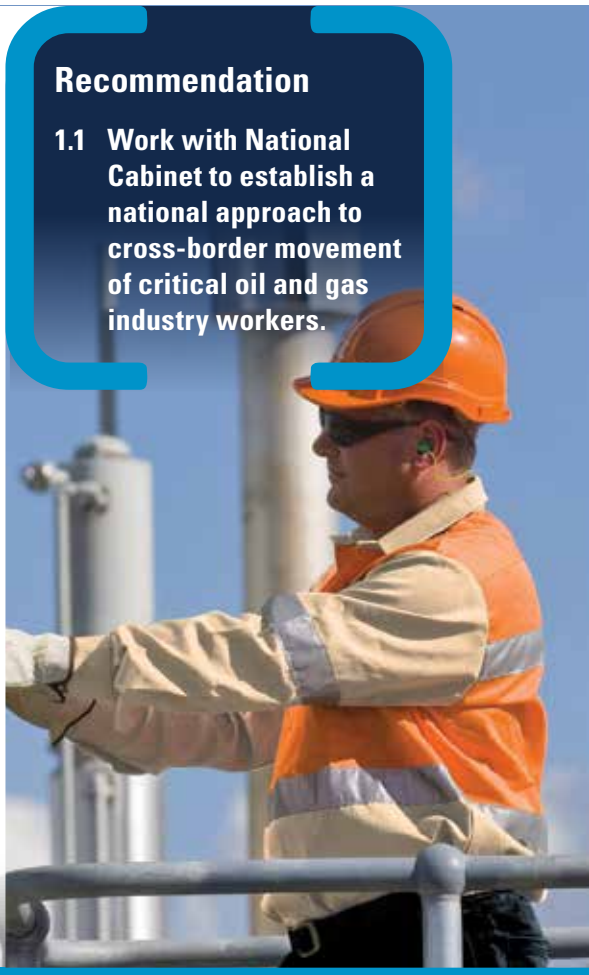
Paid $505 million directly to landholders

1 Support a national approach for cross-border movement of critical oil and gas industry workers

The oil and gas industry is a critical source of energy for our society and economy. The industry moved quickly and proactively to introduce additional COVID-19 protocols at the beginning of the pandemic emergency where movements of oil and gas workers have not been identified as a source of community transmission of COVID-19 to date. However, industry recognises that any movement of people across the country needs to be balanced with the safety of both the workforce and broader community.

To date, border control measures have been introduced in New South Wales, Queensland, Western Australia, South Australia, Tasmania, the Australian Capital Territory and the Northern Territory. Many oil and gas operations rely on workers moving across multiple borders, which currently requires them to meet multiple border control measures including exemption processes, self-isolation requirements, use of personal protective equipment (PPE), and COVID-19 testing requirements.

A more consistent, risk-based approach across Australia will reduce complexity for industry and authorities and improve compliance, whilst minimising potential vectors for transmission of COVID-19. Ongoing regular communication between industry, policing and health agencies in each state and territory and the regulators, as well as communication and consultation with industry as outlined in the protocol, will be critical to ensure a smooth implementation of this code.



Recommendation

1.1 Work with National Cabinet to establish a national approach to cross-border movement of critical oil and gas industry workers.

2 Implement the recommendations of the Review of the Australian Market Supply Condition in consultation with gas producers

The Queensland Government commissioned Aurecon to review the AMSC and identify the extent to which the Supply Condition is meeting its policy objectives, and any modifications or alternative policy options that might deliver a better result.

The review made 11 recommendations and APPEA supports full implementation.

Recommendation

2.1 Work with APPEA to implement the 11 recommendations arising from the Review of the Australian Market Supply Condition.

3 Establish a process for government to progressively certify and accept liability for rehabilitated land prior to the surrender of the environmental authority

The petroleum industry shares government's objective of ensuring high rates of progressive rehabilitation, which is already standard practice within the industry. However, the current lack of an efficient and effective system for progressively certifying and accepting liability for rehabilitated land until the surrender of the overlying petroleum tenure is acting to the detriment of government, industry, and landholders coexisting with petroleum activities.

By not progressively confirming rehabilitation has taken place and certifying the same government's reliance on the financial assurance regime is greater than it needs to be, and government is leaving the job of checking thousands of rehabilitated sites until the end of project life years or decades after rehabilitation occurs. Industry bears an ongoing cost and liability for fully rehabilitated land that in many cases has been resumed for farming by landholders. And landholders, notwithstanding they may be able to recommence farming activities, do not regain full property rights over their land until certification occurs.

Section 318ZB(2) of the EP Act imposes a condition on the EA holder to maintain a certified rehabilitated area under the conditions of the EA in force when the certification was given. This obligation continues until either the surrender of the relevant resource tenure, the environmental authority ends or the conditions of an EA that require compliance after an EA ends cease to have effect.

The effect of this section is that the EA holder retains liability for compliance with the rehabilitation conditions of the EA of the certified rehabilitated area, and takes the risk of occurrences beyond the control of the EA holder, such as natural disasters or the acts of third parties (including landholders).

APPEA's suggested solution is to introduce final acceptance criteria that, upon being met to the landholder's and DES's reasonable satisfaction, result in the landholder resuming responsibility for the certified area and the proponent making the required residual risk payment to government so that government assumes liability for the rehabilitation.

Recommendation

3.1 Establish a process for government to progressively certify and accept liability for rehabilitated land prior to the surrender of the environmental authority.

4 Confirm that Lake Eyre Basin protections will go no further than the Bligh Government's Wild Rivers protections

The Cooper Basin lies within the Lake Eyre Basin and has been producing oil and gas for almost 60 years with no environmental impact. The Cooper currently accounts for around 15 per cent of Queensland's gas supply and significant reserves are yet to be developed.

Importantly, the Cooper is an example of how petroleum development and environmental protection can both succeed—the rivers, channels, and flood plains remain pristine after many decades of natural gas exploration and production. Petroleum activities take up a fraction of 1 per cent of the Cooper Basin in Queensland and, in a remote area of the state, the petroleum industry already provides significant economic stimulus, playing an outsized role supporting hundreds of direct and indirect jobs.

For these reasons APPEA considers there is ample evidence that existing environmental protections are already achieving the government's objective of maintaining the pristine status of the Basin's river systems. Further, banning a key economic activity in an area that covers around a third of Queensland's land mass would have a chilling impact on investment and economic growth in the state and act in direct opposition to any economic stimulus package.

APPEA nevertheless understands and respects the government's election commitment to protect the rivers and floodplains in the Lake Eyre Basin. However, the ongoing uncertainty surrounding how this commitment will be given effect is of considerable concern.

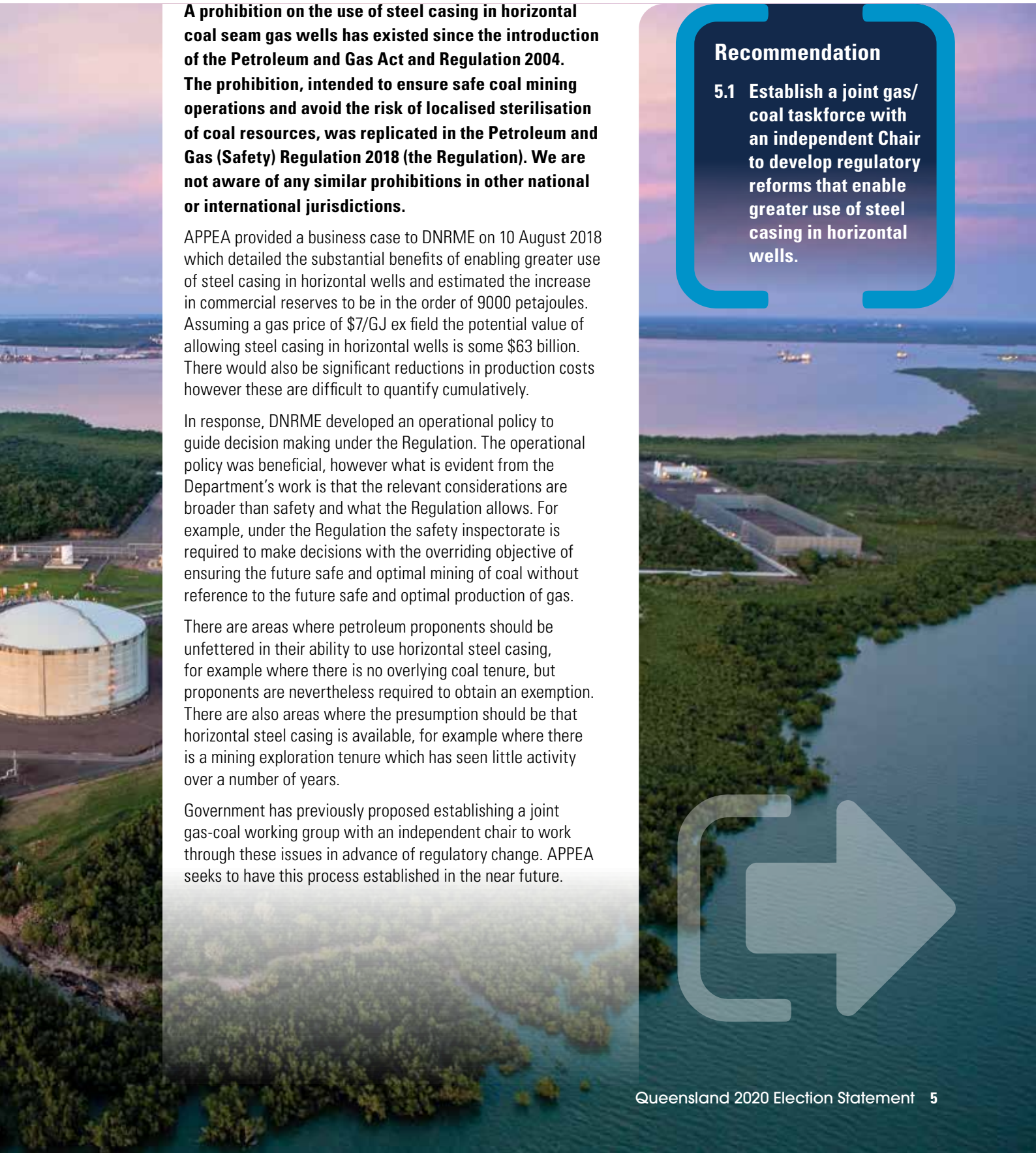
A particular issue is the Lake Eyre protections are proposed to be introduced via the *Regional Planning Interests Act 2014*, which is an Act that impacts most oil and gas operations. All APPEA members are concerned that new protections for the Lake Eyre Basin under this Act will inevitably lead to pressure on your government to roll out similar changes across Queensland. We have witnessed first-hand this dynamic in southern states which, having shut down production, are now demanding that Queensland meet their demand for natural gas.

APPEA understands that the government intends to give effect to its election commitment by reintroducing protections equivalent to the Bligh Government's Wild Rivers protections, but this is yet to be confirmed. We do not oppose this approach, but any increased prohibitions are likely to have a significant impact on the industry's ability to operate in the Cooper. Banning hydraulic fracturing, for example, would not only be unscientific and unnecessary but would go far beyond Wild Rivers which did not prohibit this important activity.

Recommendation

4.1 Confirm new Lake Eyre Basin protections will go no further than Wild Rivers protections.

5 Implement reform to enable the use of horizontal steel casing



A prohibition on the use of steel casing in horizontal coal seam gas wells has existed since the introduction of the Petroleum and Gas Act and Regulation 2004. The prohibition, intended to ensure safe coal mining operations and avoid the risk of localised sterilisation of coal resources, was replicated in the Petroleum and Gas (Safety) Regulation 2018 (the Regulation). We are not aware of any similar prohibitions in other national or international jurisdictions.

APPEA provided a business case to DNRME on 10 August 2018 which detailed the substantial benefits of enabling greater use of steel casing in horizontal wells and estimated the increase in commercial reserves to be in the order of 9000 petajoules. Assuming a gas price of $7/GJ ex field the potential value of allowing steel casing in horizontal wells is some $63 billion. There would also be significant reductions in production costs however these are difficult to quantify cumulatively.

In response, DNRME developed an operational policy to guide decision making under the Regulation. The operational policy was beneficial, however what is evident from the Department's work is that the relevant considerations are broader than safety and what the Regulation allows. For example, under the Regulation the safety inspectorate is required to make decisions with the overriding objective of ensuring the future safe and optimal mining of coal without reference to the future safe and optimal production of gas.

There are areas where petroleum proponents should be unfettered in their ability to use horizontal steel casing, for example where there is no overlying coal tenure, but proponents are nevertheless required to obtain an exemption. There are also areas where the presumption should be that horizontal steel casing is available, for example where there is a mining exploration tenure which has seen little activity over a number of years.

Government has previously proposed establishing a joint gas-coal working group with an independent chair to work through these issues in advance of regulatory change. APPEA seeks to have this process established in the near future.

Recommendation

5.1 Establish a joint gas/coal taskforce with an independent Chair to develop regulatory reforms that enable greater use of steel casing in horizontal wells.

6 Enter into strategic assessment and/or bilateral agreements under the EPBC Act

The foresight of successive Queensland government's has seen our state become Australia's leading onshore oil and gas jurisdiction. Queensland is at the forefront of regulation of the industry as a result.

The strength of this framework provides opportunity for the Queensland Government to leverage provisions of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC) regarding strategic assessments and bilateral agreements to create key areas of Queensland that are investment ready while ensuring appropriate environmental standards are achieved.

Queensland is currently the beneficiary of a $20 million investment from the Commonwealth Government to support geological and bioregional assessments in emerging basins targeting shale and tight gas. The output of these assessments should deliver materials that should allow the Commonwealth Environmental Minister to approve strategic assessments over these areas.

The strategic assessment would contain conditions applicable to petroleum and gas activities and create investment ready areas in Queensland where EPBC requirements have been met. The strategic assessment would not be binding on proponents wanting to operate in the area covered, individual proponents could nominate to secure individual approvals to operate. Strategic assessments have been utilised by the Victorian Government to manage EPBC requirements for planning purposes and resource proponents over development precincts.

There is also scope to leverage the world class water assessment framework established under the Water Act to manage impacts to underground Water resources and secure a strategic assessment over the Surat CMA. This would reduce the current duplicate regulatory requirements experienced by proponents conducting activities within the CMA.

For more than 12 months APPEA has been progressing an initiative to align EPBC approval requirements with Queensland regulatory requirements under a Joint Industry Framework (JIF). Commonwealth and Queensland agencies have supported this work, and the review of Queensland's regulation of water by the Commonwealth indicates that it is fit for purpose for EPBC requirements.

Completion of this project would go a long way towards reducing EPBC approval costs and timeframes. These gains could be magnified by Queensland leveraging the Commonwealth's work on baseline studies and understanding management measures for cumulative impacts, and securing a strategic assessment under the EPBC legislation. This would further decrease approval timeframes which can take many years under the current regime. A bilateral agreement between Queensland and the Commonwealth for EPBC approvals would further accelerate development. The objectives of federal environmental legislation are very similar to Queensland's objectives and, as noted above, Queensland regulation is already achieving most if not all federal requirements through its own regulation. Therefore, to the extent the EPBC duplicates Queensland requirements, federal environmental regulation acts to delay and diminish Queensland's economic growth with no environmental benefit.

> "Queensland is Australia's leading onshore oil and gas jurisdiction."

Recommendation

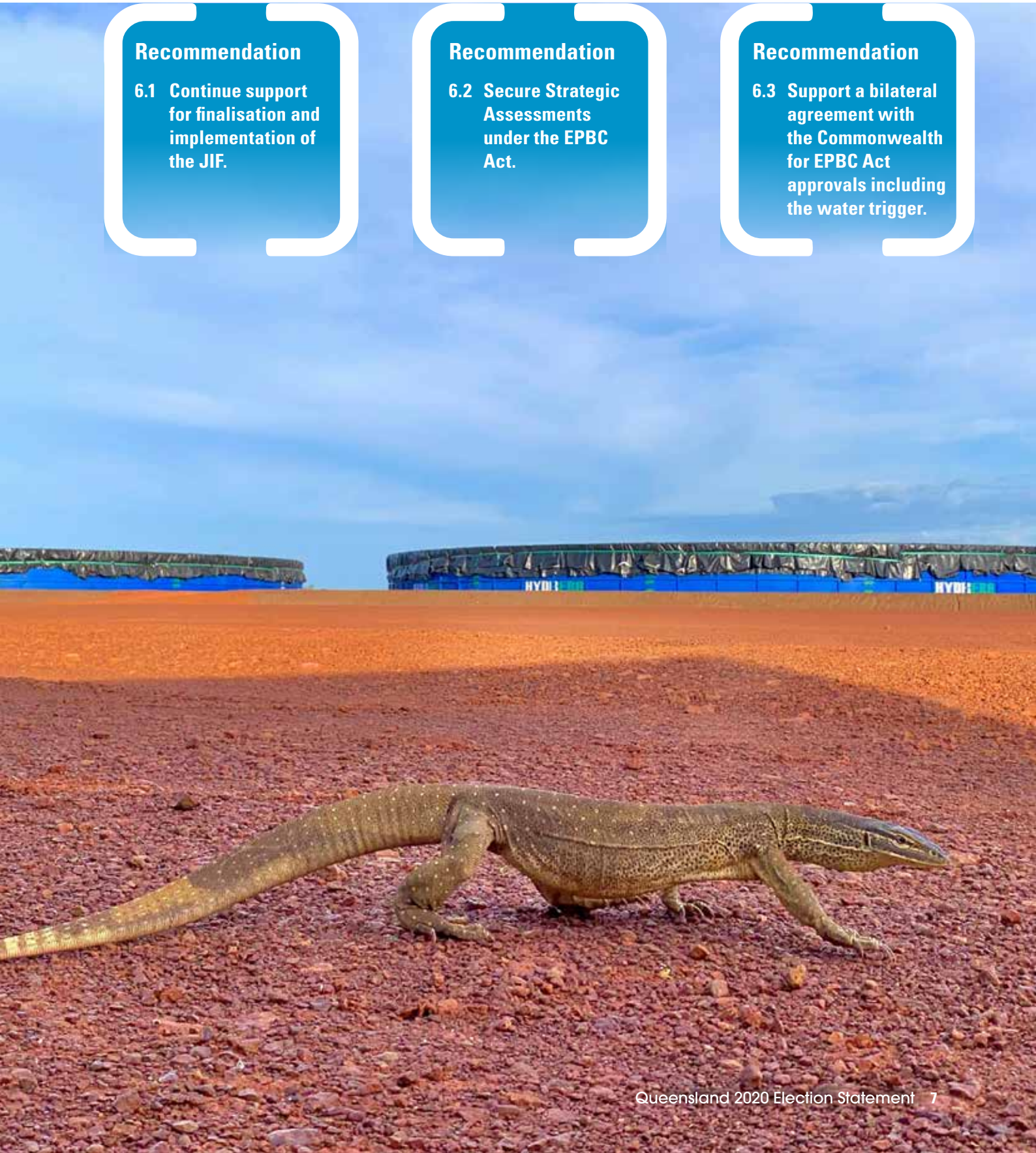
6.1 Continue support for finalisation and implementation of the JIF.

Recommendation

6.2 Secure Strategic Assessments under the EPBC Act.

Recommendation

6.3 Support a bilateral agreement with the Commonwealth for EPBC Act approvals including the water trigger.



7 Establish a process to create project based environmental authorities for oil and gas operations

The *Environment Protection Act 1994* does not allow for amalgamation of EAs where an integrated project is being undertaken but the underlying tenure holders are different. While this legislative approach generally functions as intended in the context of mining projects, it prevents the management of larger gas projects in Queensland under a single set of environmental conditions.

The result is that administrative costs for government and industry are higher than needs be. The task of ensuring compliance is also made more difficult as there may be similar but different rules depending on whether an activity is being conducted on one side of a tenure boundary or the other. Given that tenure boundaries do not align with other land titles or natural features, on-the-ground rules and operations are made significantly more complex for tenures that are in reality being operated as a single project.

APPEA's suggested solution is to remove section 245(2) of the Act, which precludes EA holders from amalgamating EAs unless all EAs are held by the same entity.

Recommendation

7.1 Implement legislative reform to enable project-based administration of environmental authorities for oil and gas operations.

8 Develop and implement a standard approval for production based on updated streamlined model conditions

The Standard Model Conditions were negotiated with industry as a mechanism to protect environmental values while also improving approval efficiency and certainty.

In some instances the conditions are outdated and there is an abundance of data that supports changing the conditions. Updating the conditions has been on the DES work program for some time but work has been deferred a number of times.

APPEA requests that the purpose of the condition set be reconfirmed and the condition set be reviewed and updated to make them more relevant to the current operating environment.

Development of a standard approval for production based on the standard model conditions offers a way to significantly improve approvals certainty and efficiency.

Recommendation

8.1 Update the Standard Model Conditions

Recommendation

8.2 Develop a Standard Approval for Production

9 Establish performance standards for environmental approvals

Queensland's petroleum industry is heavily regulated and numerous approvals are required to commence activity.

Increased economic activity in the petroleum industry will require approvals to be issued so it is important to ensure an efficient approval system. In this regard environmental approval timeframes in particular have increased significantly in recent years. Given there has not been significant relevant policy change over the same period, a substantial reduction in approval timeframes is possible without compromising environmental outcomes and without requiring legislative change.

APPEA seeks a commitment to introducing a performance standard for environmental approvals under which, by the end of 2021, 80 per cent of new EA applications and major EA amendment applications would be fully processed (i.e. the proponent is able to commence work) within five months, unless the proponent seeks more time.

Performance standards should then be adjusted post 2021 with the objective of achieving ongoing efficiency improvements.

While the above items and potentially other improvements could be achieved without legislative change, legislative options should also be considered.

Recommendations

9.1 Establish a performance standard for environmental approvals under which, by the end of 2021, 80 per cent of new EA applications and major EA amendment applications would be fully processed within five months.

10 Provide prompt approvals for hydraulic fracturing

There has been a significantly increased focus on hydraulic fracturing environmental approvals over the past 12 months. APPEA members also report inconsistent treatment across different projects.

Of concern, some APPEA members have been advised that any proposal that involves hydraulic fracturing will go straight to public notification. This represents a significant change in the approval process for a core industry activity that has been undertaken in Queensland for decades.

Hydraulic fracturing has also been the subject of multiple government scientific reviews around Australia that have all come to the same conclusion—the practice is safe and has minimal environmental impact. Further evidence of this fact is found in an independent and authoritative review by Australia's leading scientific agency, the CSIRO, which was released in recent weeks and found no negative impacts of hydraulic fracturing that aren't being managed by existing regulation and the industry's operating standards.

A blanket requirement for public notification of a normal business practice with no negative impacts is unjustified and inappropriate.

> "The practice is safe and has minimal environmental impact."

Recommendation

10.1 Confirm that hydraulic fracturing will be approved in the same manner as other standard activities in the industry.

11 Establish a consistent approach across government for the regulation of groundwater dependent ecosystems (GDEs)

There appears to be a fundamental difference between DES and the Office of Groundwater Impact Assessment (OGIA) with respect to the regulation of GDEs. This variation exists despite both the Environmental Protection and Water Acts requiring the protection of environmental values. Industry is subject to the requirements of both agencies and the variance in treatment results in significant additional expense and significant delays in project approvals.

In particular, DES has written to APPEA members advising that the most recent 2019 Underground Water Impact Report (UWIR) is not adequate for assessment of potential impacts to GDEs and asking for extensive further assessment.

The UWIR is produced by OGIA and approved by DES every three years. The new requirement by DES for further assessment outside the three-year update/approval cycle has led to internal reviews which adds at least a month to approvals, and then additional weeks for notification of the decision.

Consistent with the requirements of the Water Act within the UWIR, OGIA has a defined and risk-based process for identification and assessment of potential impacts to GDE in the Surat CMA. This process is based on Queensland herbarium data and classifies GDES from no risk to high risk.

DES have advised members that DES needs to use the *Environment Protection Act 1994* to apply management actions to regulate GDEs, and that the UWIR is regional scale and therefore not appropriate for this purpose. However, the UWIR states that if a GDE is not classed as high risk then no local scale assessment and additional modelling is required.

APPEA suggests that consistency would be achieved by amending the *Water Act 2000* to allow OGIA to assign management actions for GDEs in the same it does for springs and water bores. This would ensure a single and consistent regulatory approach.

Recommendation

11.1 Confirm the risk-based process set out in the UWIR and approved by DES will be used for the identification and assessment of potential impacts to GDEs.

Recommendation

11.2 Amend the *Water Act 2000* to allow OGIA to assign management actions for GDEs.

12 Review public notification and internal review requirements

Large resource projects regularly utilise the SDPWOA to secure approvals for complex projects. The SDPWOA provides a comprehensive assessment process that examines project impacts including construction, operations, rehabilitation and cumulative impacts. These assessments are subject to public scrutiny and require various rounds of public consultation and input. The CG report/approval provides conditions for the life of the project.

Section 150 of the EP Act provides that new EAs and EA amendments that relate to CG projects are not required to do public notification. These provisions where introduced as streamlining measures on the basis that extensive public consultation had already occurred for these projects/activities. Recently DES have formed the view that other considerations in the Act override s.150 and amendments to EAs for resource projects are being subject to public notification even when the activities were subject to assessment and approval through the CG process.

DES assessment teams have been requiring public notification for EA amendments that relate to activities approved as part of a Coordinator–General Environmental Impact Statements. This creates a duplicative system where the same process is imposed by different parts of the Queensland Government.

Over the past year APPEA members have also reported a significantly increased proportion of approvals being referred for public notification by assessment teams. This approach leads to public objections by serial activists—who are entitled to raise objections—but given the propensity to object to everyday industry activities in order to frustrate economic development, there is a need for improvements to internal review process to quickly resolve objections and provide a clear standard for public notifications that does not result in duplicative notification processes.

Recommendation

12.1 Clarify public notification requirements for EA approvals.

Recommendation

12.2 Reform the internal review process to ensure objections are promptly resolved and reviews are undertaken by an independent third-party expert.

Recommendation

12.3 Amend the EP Act to clarify that s.150 overrides all other provisions with respect to public notification for EA assessment processes.

13 Work with industry to enhance education and training opportunities for approvals staff

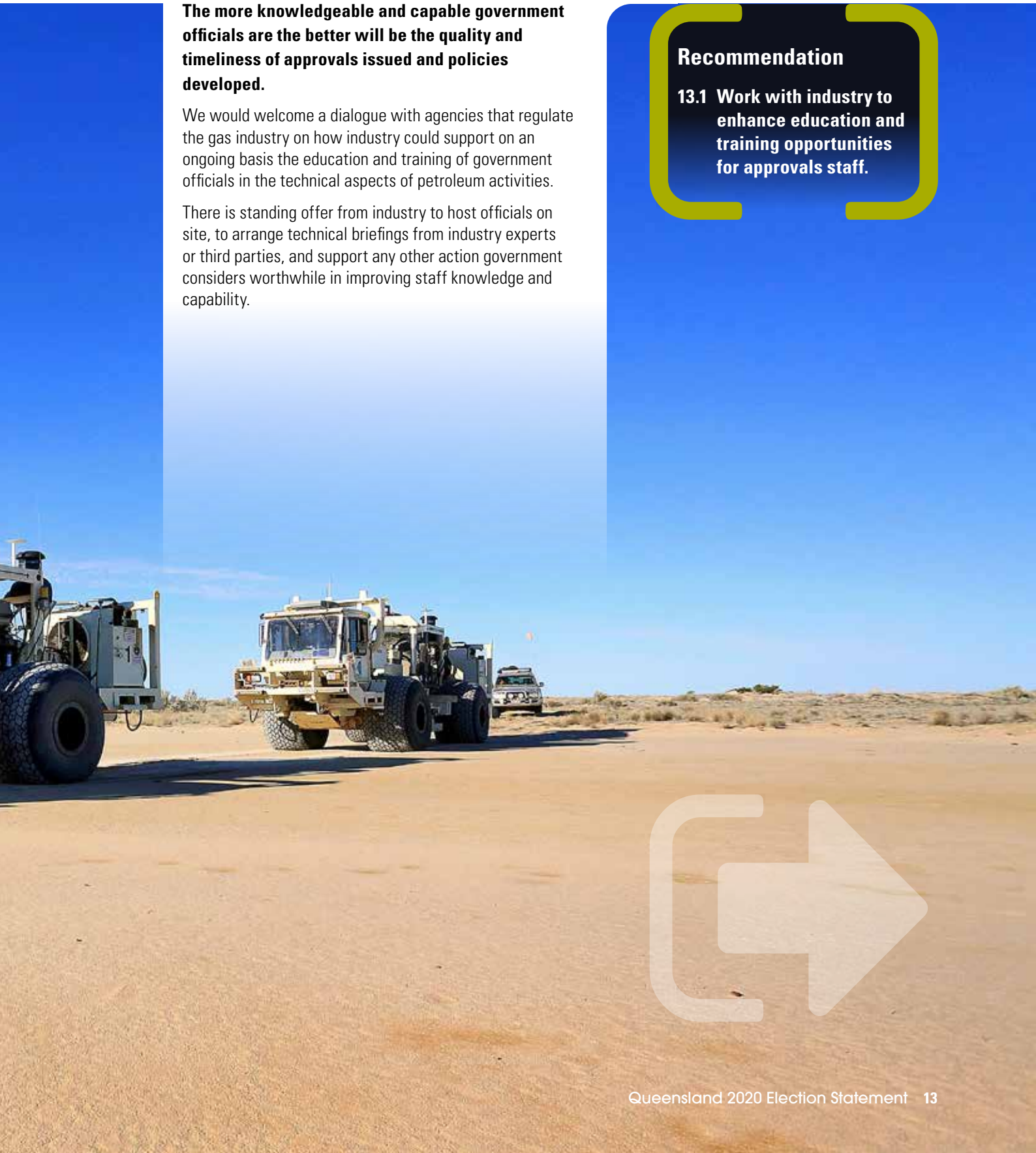
The more knowledgeable and capable government officials are the better will be the quality and timeliness of approvals issued and policies developed.

We would welcome a dialogue with agencies that regulate the gas industry on how industry could support on an ongoing basis the education and training of government officials in the technical aspects of petroleum activities.

There is standing offer from industry to host officials on site, to arrange technical briefings from industry experts or third parties, and support any other action government considers worthwhile in improving staff knowledge and capability.

Recommendation

13.1 Work with industry to enhance education and training opportunities for approvals staff.



14 Ensure accurate and objective valuations are provided to landholders

Oil and gas proponents must reimburse landholders for the cost of reasonable and necessary valuation advice incurred during land access negotiations. Over time the industry has seen an increasing trend of certain valuation and legal firms, acting in tandem, using this important legal provision to provide misleading and inflated valuations to landholders.

The effect of this tactic is to sow division by immediately causing a disagreement between the landholder and proponent, and cause landholder dissatisfaction as unrealistic expectations are created at the outset of negotiations. In turn, this leads to extended negotiations, delays in accessing the land, and delays in commencing construction and operations.

As shown in the real-world examples in the chart below, it is not uncommon for oil and gas proponents to receive valuations from firms advising landholders that are 200–300 per cent more than the valuations produced by the independent firms advising proponents. The difference is much greater in some cases.

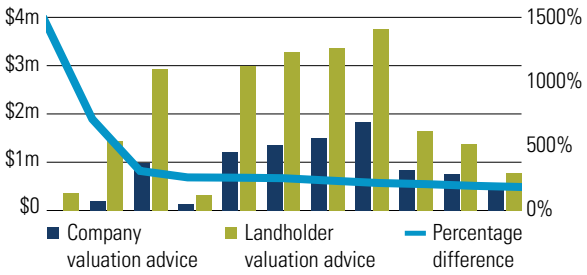
Inflated valuations to landholders are typically based on nebulous claims that include landholder time, double assessment of the same impacts, and diminution to land at 40 per cent regardless of well quantum.

In these instances, valuers are not acting impartially and, based on anecdotal advice to APPEA members, are taking instructions from solicitors to include certain items within their assessment of compensation irrespective of the facts at hand.

The valuations in question are provided on a 'draft' and 'without-prejudice' basis. If the valuer was acting impartially then the advice would be delivered as a final document, signed (not draft) and issued excluding 'without-prejudice' references.

APPEA supports the reimbursement to landholders of reasonable and necessary valuation costs. However, we submit that valuers providing such advice need to be accountable for the quality of the advice given to ensure that high standards are maintained. We seek reform to ensure this occurs.

Company v landholder valuations



Recommendation

14.1 Establish a process for reconciliation of company and landholder valuations before they are provided to the company/landholder.

Recommendation

14.2 Assign responsibility for facilitating reconciliation of valuations and reviewing disputed professional fees to the Land Access Ombudsman.

15 Provide guidance on the definition of 'necessary and reasonable' professional costs for land access and make good negotiations

Similar to the valuation issue above, the loose definition of professional costs associated with land access and make good negotiations opens the door for inflated and ambit claims. This increases cost for proponents and delays economic activity.

Queensland's oil and gas industry is a mature industry and it would therefore be feasible and appropriate for government to further define exactly what advice should be reimbursed by proponents. For example, government should clarify that fees charged to landholders where the final product remains 'draft' or 'without-prejudice' is not a necessary and reasonable cost.

Recommendation

15.1 Publish improved guidance on what constitutes 'necessary and reasonable' professional costs.

16 Streamline the land access alternative dispute resolution (ADR) process

Under current arrangements, landholders are able to object to the type of ADR and ADR facilitator without an upper limit of challenges.

This can result in a cyclical process of issuing an election notice and it repeatedly being objected to by a landholder intent on obfuscating the statutory process.

Recommendation

16.1 Work with stakeholders to streamline the land access ADR process.

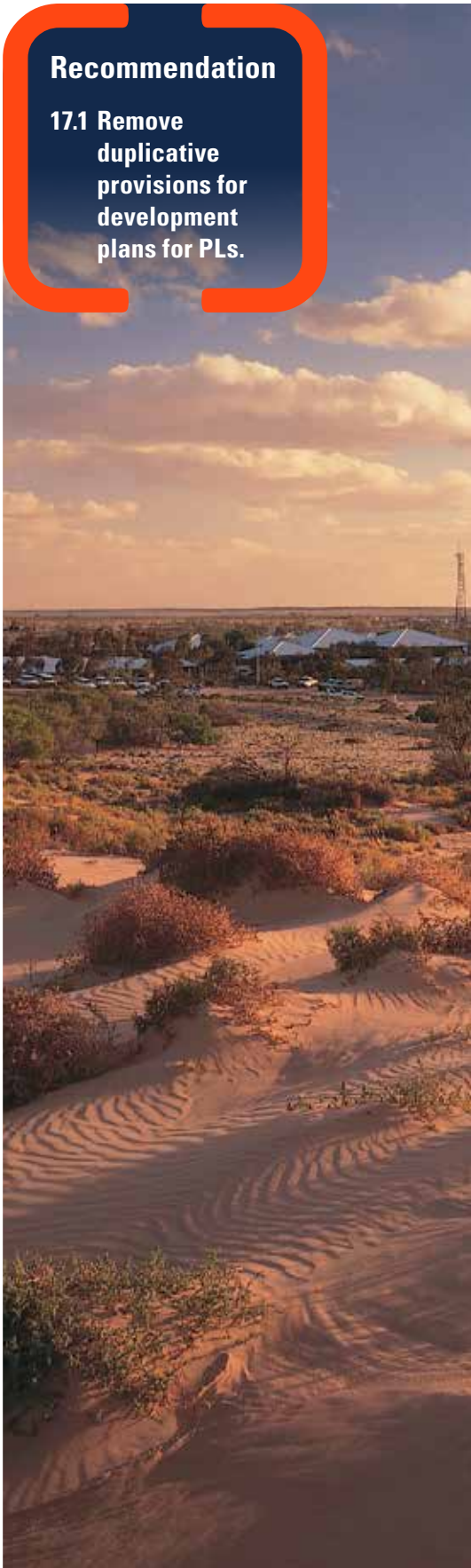
17 Removing unnecessary administrative burden—tenure development program requirements

Five-year Development Plans for Petroleum Leases were introduced with the *Petroleum and Gas Act 2004*. Prior to this development plans did not exist as PLs were only granted once the Minister was satisfied with the information provided by proponents regarding the development of the resource over the life of the project. Annual reporting requirements were used to ensure compliance with PL commitments over time. The same if not more information is still required under the 2004 Act associated with PL decisions and is supported by six-monthly production reporting. The Act has several other mechanisms to deal with any non-compliance.

With the limitation of DNRME resources, it would be preferable for these resources to be focussed on granting ATPs, PCAs and PLs. There would similarly be a significant cost-saving to industry from the removal of these provisions which simply duplicate info provided for the initial PL grant and data already provided through six-monthly and annual reporting.

Recommendation

17.1 Remove duplicative provisions for development plans for PLs.



> “Removing duplication would make a considerable cost saving for industry”

18 Introduce statutory timeframes in the *Petroleum and Gas (Production and Safety) Act 2004*, *Petroleum Act 1923* and *Water Act 2000*

There are two key pieces of legislation in Queensland that are enablers of economic development that do not provide a contemporary approach in providing statutory timeframes for regulatory decisions.

The regulatory framework for the resources industry including the *Petroleum Act 1923* and *Petroleum and Gas (Production and Safety) 2004* does not provide certainty for industry around decision making timeframes. Similarly, the *Water Act 2000* lacks statutory timeframes for decisions and lacks clear application processes for industry to access water. Allocations for water are controlled by tender processes that are initiated as determined by the Department and are not responsive to market demand.

The lack of statutory timeframes provides no certainty for proponents on when decisions might be made or the criteria that will be applied via the various guidelines that sit outside the legislation. In an environment where governments are seeking to drive economic development it is unacceptable that projects seeking to invest can be waiting for decisions or even the ability to apply for access to resources.

Commitments could be made to contemporise key enabling legislation to provide certainty to industry, these reforms would not result in reduced standards or protections.

Recommendation

18.1 Introduce statutory timeframes in the *Petroleum and Gas (Production and Safety) 2004*, *Petroleum Act 1923*, and *Water Act 2000*

19 Amend the *Petroleum Act 1923* to allow appropriate management of water

There has been a longstanding issue in the 1923 Petroleum Act where it is silent about the movement of produced water off a 1923 tenure to a 2004 Petroleum and Gas Act tenure.

While the 1923 Act does not prohibit this sort of activity it equally doesn't clearly provide authorisation. This effectively means that there are areas within gas fields where water cannot be efficiently managed (e.g. plumbed into existing water reuse schemes) adding significant costs to gas production. The Origin Peat field will cost $30 million more in capex because of this rule and have significantly increased opex.

An alternate way to 'fix' the problem is amending the 2004 Petroleum and Gas Act via the changes to the definitions, for example:

15A What is produced water

Produced water is:
CSG water; or
Associated water for a petroleum tenure or a 1923 Act petroleum tenure.

A reference to produced water includes:
Treated and untreated CSG water; and
Concentrated saline water produced during treatment of CSG water

CSG water means underground water brought to the surface of the earth in connection with exploring for or producing coal seam gas under a petroleum tenure or under a 1923 Act petroleum tenure.

This proposal has been presented to government previously and rejected. The alternate solution presented by government is to transition tenures to the 2004 Act to avoid these issues. However, this not considered a viable option for many proponents as this extinguishes other rights relied upon under the 1923 Act.

Recommendation

19.1 Amend the 2004 Petroleum and Gas Act to allow appropriate management of water.

20 Align rehabilitation requirements for coal and gas core holes

DNRME has a number of different standards for the activity of sealing core holes. If a core hole is drilled by the gas industry the standard is more rigid and costly than if it was drilled by the coal industry.

Rehabilitation standards for sealing core holes should be consistent and outcomes focussed rather than prescriptive and variable across commodities.

Adopting an outcomes-based approach will drive innovation. For example, the government's abandoned mines unit has successfully sealed core holes using bentonite materials. This methodology is cost-effective but is prohibited by the current gas industry standard.

Recommendation

20.1 Establish consistent outcomes-based standards for core hole rehabilitation.

21 Abolish the fee charged for transferring to landholders petroleum wells that have been converted to water bores

Existing regulation enables petroleum proponents to convert wells to water bores and transfer ownership to landholders. A fee of $2,000 is charged per transfer.

Government should abolish this fee in order to facilitate transfer of a productive asset to landholders.

Recommendation

21.1 Abolish the $2,000 fee charged for converting petroleum wells to water bores for landholders.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