

NSW GAS PLAN

Common questions and answers

Common questions and answers

Why does NSW need a Gas Plan?

NSW is facing potential gas supply shortages and higher gas prices over the next five years. This could have a serious impact on NSW manufacturers, electricity generators and other industry that relies on gas. These businesses employ over 300,000 people. Rising prices will also impact on household budgets, with over 1 million households connected to gas.

NSW is heavily dependent on gas imported from other States – only five percent of the gas we consume is from NSW. We are facing increasing competition for gas from other States as producers move to export their product overseas. Under the NSW Gas Plan, the NSW Government will take steps to diversify the sources of gas supply to NSW. Development of NSW's domestic reserves is a critical part of this strategy.

The NSW Government recognises that change is required to build community confidence in the gas industry. The NSW Gas Plan will provide that reset.

How does the NSW Gas Plan respond to the independent review of coal seam gas activities conducted by the Chief Scientist and Engineer?

The Chief Scientist and Engineer is clear that the risks of gas development can be effectively managed with the right regulation, engineering solutions and constant learning through monitoring and research. The Government accepts all of the recommendations of the Chief Scientist and Engineer's independent review and is committed to building a world class regime for the extraction of gas. This is the foundation of the NSW Gas Plan.

A Government Response to all of the Chief Scientist and Engineer's recommendations has been released and can be found at www.nsw.gov.au.

How is the Government changing the way it approves gas development?

The NSW Government is introducing a more strategic and transparent approach to releasing land for gas exploration, which takes account of other land uses from the very start.

The NSW Government will introduce a Strategic Release Framework to release new areas for gas exploration. New exploration licences will only be issued in areas released by the Minister for Resources and Energy after an assessment of economic, environmental and social factors. This will draw on the new approach to coal exploration recommended by the Independent Commission Against Corruption.

The freeze on assessing applications for Petroleum Exploration Licences will be maintained until the strategic release program is in place. Legislation has been introduced to extinguish the 16 applications received before the freeze. No new exploration licences will be granted during this time.

For the first time, the Government will publish minimum standards that applicants and titleholders seeking renewal must meet, including in relation to the financial and technical capacity of the applicants. The new standards are expected to come into force at the start of 2015.

The Government will also lift the performance of the industry with new licence conditions and codes of practice. Consultation on the proposed approach to licence conditions and codes will commence in late 2014. Legislation to impose the new conditions will be progressed in early 2015.

To make it clear who is responsible for approving gas development, the Government will amend the State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007 so that all gas exploration is assessed and determined by the Minister for Resources and Energy and all gas production is assessed and determined by the Minister for Planning or the independent Planning Assessment Commission.

Common questions and answers

This will help the community to hold the Government accountable for its decisions. All activities will continue to be subject to rigorous environmental assessment.

When will the strategic release framework be ready?

The Strategic Release Framework will be implemented from 1 July 2015.

How will this impact on current applications?

The current freeze prevents the Government from granting any new petroleum exploration licences. Legislation will be introduced immediately to extinguish all current applications for petroleum exploration licences and petroleum special prospecting authorities.

This will impact on 16 applications received before the freeze commenced on 26 March 2014, which are yet to be determined. These applications cover 43% of the State.

There will be no compensation, but application fees will be refunded.

The Bill will not affect applications to renew an existing exploration licence or applications to proceed from exploration to an assessment lease or production lease.

Will there be CSG wells in the Sydney water catchment?

In November 2013, the then Minister for Resources and Energy imposed a hold on exploration and extraction of natural gas from coal seams in the 'Special Areas' zone within Sydney's drinking water catchment. The hold remains in place.

The Government will give careful consideration to the Chief Scientist and Engineer's recommendations to build knowledge and information about the Catchment.

What impact will the Plan have on gas activities in Camden?

Camden is home to NSW's only gas production site, which has been in operation for the last decade and provides five percent of the gas consumed in NSW.

The NSW Government expects this and other projects to meet the new higher standards of performance and build a positive and productive relationship with the local community. Investment in data and monitoring is a key part of this relationship.

What impact will the Plan have on gas activities in Gloucester?

The Gloucester gas project has the potential to make a substantial contribution to NSW gas supply.

The NSW Government expects this and other projects to meet the new higher standards of performance and build a positive and productive relationship with the local community. Investment in data and monitoring is a key part of this relationship.

The Gloucester basin is one of the first areas to benefit from the Groundwater Baseline Program, which maps groundwater resources and how they are used across different industries to set a baseline for monitoring.

Common questions and answers

What impact will the Plan have on gas activities in Narrabri?

The Narrabri gas project has the potential to make a substantial contribution to NSW gas supply.

The Narrabri gas project and other titleholders in the New England area will be expected to meet the new higher standards of performance and build a positive and productive relationship with their local communities. Investment in data and monitoring is a key part of this relationship.

The Gunnedah basin is one of the first areas to benefit from the Groundwater Baseline Program, which maps groundwater resources and how they are used across different industries to set a baseline for monitoring.

Three applications for Petroleum Exploration Licences and Petroleum Special Prospecting Authorities in the New England area will be extinguished by legislation.

What impact will the Plan have on gas activities in the Northern Rivers?

There are currently seven Petroleum Exploration Licences in the Northern Rivers area, which will be expected to lift their performance to meet the new standards. Consultation and engagement with the community will be a priority under the new standards.

Some projects in the Northern Rivers are targeting conventional gas, tight sands gas and/or shale gas. The Environment Protection Authority will have direct oversight of these projects, and they will now be required to obtain an Environment Protection Licence, consistent with the approach to coal seam gas.

Four applications for Petroleum Exploration Licences and Petroleum Special Prospecting Authorities in the Northern Rivers and North Coast area will be extinguished by legislation.

What impact will the Plan have on gas activities in Western NSW?

There are currently no petroleum titles in Western NSW.

There are nine applications for Petroleum Exploration Licences and Petroleum Special Prospecting Authorities in Western NSW, which will be extinguished by legislation.

What is a Strategic Energy Project?

The Government may declare a project to be a Strategic Energy Project if it has the potential to make a substantial contribution to energy security and economic growth (across the State or in a region). Gas companies will be asked to demonstrate to the Government how the development of NSW gas reserves under their proposed project will benefit NSW consumers.

Agencies will work together to ensure that development proposals in relation to a Strategic Energy Project are assessed and determined in an efficient way. The Department of Trade and Investment will appoint project case managers to help facilitate this whole of government process. This will provide certainty of process. All Strategic Energy Projects will be subject to rigorous environmental assessment.

Common questions and answers

How will the NSW Government lift the performance of the industry?

To lift the performance of the industry, the Government will introduce:

- » Minimum standards for assessment of applications to ensure that titleholders have the necessary skills and financial backing to meet the Government's expectations.
- » Licence conditions that focus on outcomes, promote best practice but still leave space for innovation. They will be updated regularly to keep up with international best practice. Conditions will be tailored as necessary to respond to the risks associated with different places and activities, backed up by new and revised Codes of Practice.
- » Legislation to ensure that conditions are enforceable and regulators have the powers they need to ensure compliance.

Legislation to impose the new standards will be progressed in early 2015.

Who will be responsible for ensuring that industry meets the new standards?

The independent Environment Protection Authority (EPA) will take the role of lead regulator for compliance and enforcement of conditions of approval for gas activities. That includes conditions set in petroleum titles and activity approvals issued by the Office of Coal Seam Gas, development consent granted by the Minister for Planning or Planning Assessment Commission and Environment Protection Licences issued by the EPA.

The NSW Government will ensure that the EPA has the tools and resources that it needs to perform this role.

When will the EPA take the lead in the compliance and enforcement of conditions of approval for gas activities?

Legislation to expand the EPA's functions will be progressed in early 2015 and it is expected that the EPA will assume its new role by 1 July 2015. This is a major change and the Government will ensure that EPA has the technical and regulatory skills and expertise it needs to fulfil its lead role.

In the interim, the NSW Government will require all gas activities (including conventional gas, coal seam gas, tight gas and shale gas) to hold an Environment Protection Licence issued by the EPA. The new regulation will commence by the end of the year. This gives the EPA direct oversight of these activities.

The EPA will continue to work closely with the Office of Coal Seam Gas and Department of Planning and Environment in the assessment of proposed gas development and setting conditions.

How does the NSW Gas Plan assist landholders?

The Government will introduce legislation in 2015 to require gas companies to agree to a land access arrangement with landholders at both the exploration and production stages. Compensation will be a mandatory component of these arrangements.

To give landholders the information they need to negotiate a fair deal, the Government will commission the Independent Pricing and Regulatory Tribunal to set annual benchmark rates for compensation, which can help guide those negotiations.

As previously announced by the Minister for Resources and Energy, the Government will implement the recommendations of the independent review of the arbitration system conducted by Bret Walker SC. This will make arbitration processes more efficient, balanced and transparent, and ensure the costs of negotiating an access arrangement are borne by the gas companies, not landholders.

Common questions and answers

What benefits are there for local communities where gas development takes place?

The NSW Government will establish a Community Benefits Fund with contributions from gas companies and the Government to fund local projects in communities where gas development takes place. The NSW Government will refund \$1 from its natural gas royalty take for every \$2 provided to the Fund by industry, capped at 10 percent of the royalty take. Companies may choose to make a contribution upfront at the exploration stage.

A consultation paper seeking community input on how the Fund is operated will be released shortly.

This builds on the jobs and investment that gas development can deliver to local communities.

How is the NSW Government engaging with the community?

Drawing on the insights of the Chief Scientist and Engineer, the NSW Government will invest in better and more accessible data and information as the foundation for a respectful and open dialogue with the community.

This includes:

- » An online portal that will bring together environmental data collected by NSW regulators and make it easier for the community to view and interact with this information.
- » Clear information for the community on gas supply and demand trends and projections.
- » Expansion of the NSW Office of Water monitoring bore network and surface water quality monitoring. The network of 3,500 bores across the state provides data to quickly identify and respond to pressure on our water resources. Hundreds of these bores are equipped for real-time monitoring, and this information is available online to anyone, anywhere.

- » Drawing on the Government's existing datasets, the Groundwater Baseline Project is gathering the facts we need to make informed decisions that ensure our water resources are protected. Starting first in the Gunnedah, Gloucester and Clarence Moreton basins, experts have studied groundwater availability and carefully analysed where industries such as agriculture and mining draw their water from and the volume allocated. The project is now being rolled out across the state. Further information on the project can be found on the NSW Office of Water website at www.water.nsw.gov.au.

How will the NSW Gas Plan help to secure gas supply for NSW?

Under the NSW Gas Plan, the Government will take action to diversify the sources of gas supply to NSW. The development of NSW's own gas reserves is critical to this strategy.

The NSW Government will request gas companies to voluntarily disclose gas supply agreements to demonstrate that the development of NSW gas reserves will benefit NSW gas consumers. The Government will review this information and recognise projects making a contribution to NSW gas supply.

An independent expert will be appointed to review the settings required to develop a competitive gas industry and facilitate investment to secure NSW's gas supply needs.

The Government has also signed a Memorandum of Understanding with the Northern Territory Government to work together to facilitate the connection of gas reserves in the Northern Territory with gas users on the East Coast.

It will also work with all jurisdictions to promote a more competitive national gas market.

Common questions and answers

How will the NSW Gas Plan support gas companies that do the right thing?

The NSW Gas Plan will give industry the stable and certain regulatory environment they need to earn a social licence to proceed in NSW.

The new framework will reduce duplication across regulators and improve the timeliness of decision-making. To make it clear who is responsible for approving gas development, the Government will amend the State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007 so that all gas exploration is assessed and determined by the Minister for Resources and Energy and all gas production is assessed and determined by the Minister for Planning or the independent Planning Assessment Commission.

Case managers from the Department of Trade and Investment will be appointed to ensure that the assessment of proposed projects with the potential to make a substantial contribution to NSW gas supply, known as Strategic Energy Projects, is done on time. There will be no reduction in the environmental standards applied to these projects.

How will this help gas consumers faced with rising gas bills?

The Government will support households and businesses to use gas more efficiently to help reduce their bills and release pressure on overall gas supplies, by:

- » Assisting gas users including industry and households to implement gas efficiency projects, including by expanding the Energy Savings Scheme to include gas, and
- » Leveraging the Commonwealth Government's Direct Action Plan to facilitate gas efficiency in NSW.

How can you help shape the NSW Gas Plan?

There will be a number of opportunities for industry and community stakeholders to get involved as the NSW Gas Plan is rolled out. Further details will be published on the website of the Division of Resources and Energy at www.resourcesandenergy.nsw.gov.au.