

TRANSCRIPT

STANDING COMMITTEE ON THE ENVIRONMENT AND PLANNING

Inquiry into unconventional gas in Victoria

Sale — 30 June 2015

Members

Mr David Davis — Chair

Ms Samantha Dunn

Ms Harriet Shing — Deputy Chair

Mr Shaun Leane

Ms Melina Bath

Ms Gayle Tierney

Mr Richard Dalla-Riva

Mr Daniel Young

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Witness

Mr Alexander Arbuthnot (sworn).

**Necessary corrections to be notified to
executive officer of committee**

The CHAIR — I welcome in the first instance Alex Arbuthnot to the microphone. I think we have done the introductions already. I will restate, though, that at these public hearings of the Standing Committee on the Environment and Planning all evidence is protected by parliamentary privilege. Therefore you are protected against any action for what you say here today, but if you go outside and repeat the same things, those comments may not be protected by this privilege. I am going to ask here to get Alex to take the oath or affirmation. He might want to put his name and address and contact details there as well.

Mr ARBUTHNOT — My name is Alexander William Arbuthnot. I come from [REDACTED], which is in the Macalister irrigation district.

The CHAIR — Alex, you might want to begin with a short statement, and then we will ask a few questions.

Ms SHING — About 5 minutes.

Mr ARBUTHNOT — Thank you, and can I say, welcome to Sale. I am delighted that you are up here, because in Sale, we, the top dairy farmers of the district and the vegetable growers, have worked for 50 years with a mining company. Although I am aware of some water issues at Yarram, and somebody may well in the next two days bring those up, I think we have coexisted and worked together to the benefit of everyone. Although I sit on a number of committees, of which you will all be aware, I am here today representing Alex Arbuthnot, so I am not wearing my VFF hat, my Landcare hat or my regional development hat.

My theme today really is: why can't regional Victoria have the same benefits from gas as does Melbourne? Melbourne has, in actual fact, the highest per capita consumption of gas of any city in Australia and the highest industrial use. I even notice the plastic cup that you give the water in is made out of probably coal seam gas or gas. Melbourne people enjoy and can switch on their gas, at pretty reasonable prices, I might add. I cannot on the farm, and I probably never will be able to, but what I will be advocating is that gas should be connected to most of our regional towns in Victoria. I note that when Leongatha was connected to gas my dairy company, Murray Goulburn, the biggest dairy company in Australia, switched over to gas connection, and I am sure that if we had more towns connected to gas, we would have more manufacturing industries in regional Victoria. So my message today is coexistence, and the biggest winners would be employment and economic development in our regions.

The CHAIR — All right. Thank you for that contribution. I think all of us are very aware of the need for jobs and economic growth in the state to enable us to have the standard of living we desire. Do you think it is feasible to connect every town in country Victoria? Is that a feasible objective?

Mr ARBUTHNOT — Yes. I think it should be an outcome that we in regional Victoria should work towards. Naturally there would be some economics in it. When I drive through some towns and see Lock the Gate signs, I presume these people would not connect to gas, would they, if it came to their town? But no, I am being facetious. I think there would be an increase in our regional living — in the population — in our regional towns, and hopefully some industries could move from Melbourne.

Although I cannot speak for Patties Pies. If Patties Pies were not connected to gas now, there would probably be a high chance that they would have been moved to Melbourne, and I do not think that is good for Melbourne. If we want to grow this wonderful state and the resources in our regions, I think gas will be a critical player.

The CHAIR — Alex, just following up your comment about the dairy industry in the town. As you were saying, it was connected. What was the impact of that connection?

Mr ARBUTHNOT — To Murray Goulburn?

The CHAIR — Yes.

Mr ARBUTHNOT — I think all of Murray Goulburn's factories now are connected to gas, but Murray Goulburn is moving into the value-added market. It is new technology that is being introduced into the Leongatha factory. It is producing UHT milk for the global market, and I would expect that if it had not been connected to gas, none of that would have happened. So we are seeing not only a growth in opportunity here, we are also seeing a growth in global opportunities for Gippsland. It does not just stop there. I think there are opportunities in education, training et cetera as well — even research.

Ms SHING — Thanks, Alex, for your contribution and your earlier statement. I would like to hear your views on the best way to manage risk in the context of growing industry and the benefits you have talked about for regional Victoria in relation to gas availability and specifically at what point you think risk can be managed to a level that enables agriculture and dairy, as well as Landcare management, which obviously you are very familiar with, to be able to be maintained and sustained and then also grown into the future.

Mr ARBUTHNOT — Yes, thanks. There is a lot of risks, including social risks and including impacts on agriculture. This is spelt out in a number of reports. If we are to build confidence with the community, we have to manage all of those risks.

I note that gas is in two acts. You will notice that I mentioned that in my report. Coal seam gas is in the mining act, and all other gas is in the Petroleum Act. The Petroleum Act has particularly good clauses covering risk management, and those risks not only cover the operation, they cover community. In fact they cover everything in the community, and the minister has very good powers in that respect. Although we do need a number of changes in both Acts, and the Victorian Farmers Federation will talk about that. I think changes are necessary and we must ensure that the regulations are appropriate.

The SLR report commissioned by the Australian Dairy industry actually outlines the regulations covering gas in all the Eastern States — and I do recommend that you read it, or if you do not read it, there is certainly a very good summary. You almost get tired of reading the regulations that are in the acts by the time you read the 150 pages. But one of the issues I have found from farmers is that the community does not have a lot of confidence that the regulations can be enforced. I am a little bit surprised to hear that because in this report and in the Stakeholder Engagement Report released in April, they say that the majority of people do have confidence in the government being able to regulate it, so that is a plus.

Ms SHING — Sorry, just to take you back to my initial question, though, I have asked about the nature of risk in terms of whether or not and for the purposes of this inquiry unconventional gas risks can be managed in such a way as to balance the competing interests of economics — the social elements of it and the community elements of it. You have talked about, and I do not want to verbal you, but you have indicated already that there are risks associated with agriculture. In terms of the practical risks as they might play out on the ground, putting to one side the legislation, how do you propose it would be possible to manage the competing risks of going ahead with unconventional gas on the one hand versus what those risks to, amongst other things, agriculture that you have referred to already could be managed?

Mr ARBUTHNOT — Thank you, Harriet. I will talk a little bit more about the risks that I understand, which are farmers' risks. I am a humble farmer, and you need to ask the industry people the questions regarding the industry.

Ms SHING — That is okay; this is just for the purpose of understanding what your position is.

Mr ARBUTHNOT — The risks to the farmer are, firstly, that mining is without doubt the most confronting issue that any farmer who manages his land can face. I have seen, even recently, tears in a person's eyes when they had recently just bought a farm and somebody wanted to explore on it. It is a very emotional issue for a farmer. That is why — here I am speaking for the Victorian Farmers Federation — for many years we have worked very hard to strengthen the clauses in the Victorian Act, and if some of you are familiar with the Victorian Mining Act, it without doubt has the strongest protection in it for farmers, for agricultural land and for the community.

When I say agricultural land, we have an economic clause in there that covers mining versus farming. So that is the first protection. There would not be one other Act in Australia that has that. We have a rehabilitation clause stating that land should be returned back to its agricultural use. If a company goes broke, the government picks up the tab, which has always been a bit of a concern, so we have the bonds, and the Auditor-General ensures that that has happened. The VFF put those clauses in the Act.

But not only that, we have some very good examples at Wemen, Balmoral and Drung South, where land has been mined and has now returned back and is probably producing more in agricultural output from the rehabilitated land than before mining — —

Ms SHING — Open cut, you mean?

Mr ARBUTHNOT — Yes, it was mineral sands... —

Ms SHING — So talking about unconventional gas then, what I would really like to home in on is the risk management around unconventional gas.

Mr ARBUTHNOT — As well as that, we do need to give farmers information, so we have produced this document — which I know the audience cannot see — *Property Access Information — What to do When Someone Wants to Use Your Land*. I am happy to table that; I can send you a copy. When I read it, I noted it not only covers mining, it says exactly, I might say, things relating to the Lock the Gate signs. The Lock the Gate signs state that nobody should enter your property without your permission, and that is the number 1 policy of the Victorian Farmers Federation.

The other issue is the word ‘compensation’. We prefer to use the word payments as well as compensation, and that is in the Petroleum Act. The Petroleum Act says quite clearly the farmers or the landowners should be paid for the use of their land. That in my opinion means not only are you getting compensated for damage, you are getting compensated for the use of your land. If I was giving advice to farmers, I would say that every day those people are on your land, you are charging them rent, you are charging them the value of your time, so that farmers are financially and commercially looked after. Our policy is quite clear, the VFF will tell you that: payment should be based on commercial payments. That is why we believe that the farmers should have the right to say no. We had that right in the extractive industries for years — the right to say no. It is the Mines Act now and, quite frankly, I do not know any farmer who has said no, because what he wants is a level playing field to be able to negotiate with the miner, and most of them are commercially minded people and they negotiate a favourable arrangement.

It is the same in the Western Australian Act, which is stronger than the Victorian Act when it comes to rights to negotiate. If you do not want people to come onto your land, that is your right, and we appreciate that, but most farmers — and it is interesting in the Engagement Report and it says it quite clearly too — those who have had gas exploration on their farms were very happy with the outcomes that they had achieved with the mining company.

Ms BATH — Every time I wrote a question down, you answered it! I guess there is a question that I would relate to, first of all, endorsing their right to say no. Say Farmer Z says yes and away they go, then what sort of community benefit should there be in your opinion from that farmer saying yes to mining rights to coal seam gas on his property? What other beneficial events should occur for the community as a whole?

Mr ARBUTHNOT — Farmers I find, and Simon would know this, are individualists. I have been involved in — in fact I started — the mining subcommittee. I have been involved for 30 years, and farmers have often said to me, ‘Why can’t we all group together and say no?’. There is nothing stopping you from grouping together, except I have found over the years it is hard to get two farmers to group together. This is not a criticism of them; they are in different commodities, so the issues are different. They are strongly individualistic, and that is a strength, and although maybe in some cases it is a weakness.

In relation to the benefits to the community as a whole, I note Peter Reith recommended that there should be financial benefits that come back to the region. I would personally support that, that there should be benefits that come back to the region. Another issue is the payment of solatium, and solatium under the current mining act is 10 per cent on top of all your other issues. The VFF policy once again is that there should not be a 10 per cent limit; there should be no limit on solatium. I think that clause of solatium, and this panel can give it some thought, could be used more wisely. I know when the township of Flynn was under an exploration licence, I believed that the community at Flynn had the right to ask for a community solatium. Is that how you say that word? It is Latin, isn’t it, for something?

Mr LEANE — Why did you ask her for? You could have asked me, and I would have known it. So, Alex, basically is your submission that you are in favour if a farmer had the opportunity for unconventional gas to be mined on their property? Are you saying that that should be the case, that they should be allowed to do that?

Mr ARBUTHNOT — No. I have articulated, I thought fairly clearly — and not only do I believe it personally, but so does the VFF — that there is the right of the farmer to say no.

Mr LEANE — But has the farmer got the right to say no to his neighbour doing this type of exploration because of the obvious reason that if there are any potential effects, those potential effects would affect adjacent land?

Mr ARBUTHNOT — That raises a number of issues. Whoever my next door neighbour is, I would not be happy about that person telling me how I could farm or whether I could have a contractual arrangement. If there are what I would call community and neighbour issues, they should be addressed through the planning process and through the objection process. Once again, every person has the right to launch an objection with the minister.

Ms HARTLAND — Alex, I was interested to hear you talk about how strong the various acts are that control these issues.

Mr ARBUTHNOT — The Victorian ones, yes.

Ms HARTLAND — But just recently, in the last year, there was a major mine fire in Morwell. Clearly it comes under those acts, yet those regulations did not help the situation in Morwell. If you are so convinced that regulation is strong enough, why did we have the Morwell mine fire, and how do you think the regulations could prevent contamination of farmland if this went ahead?

Mr ARBUTHNOT — That is a broad question. I am not that familiar with the pros and the cons of the Morwell fire. Although I have said the Acts are strong, there is still a lot of work that does need to be done in the Acts to strengthen them. I also believe that Acts of Parliament do have their limitations, and that is why regulations are important. But at the end of the day, those people who have memories will recall we had a bad fire in our gas plant here at Sale. I suppose the world does not exist where you can totally prevent accidents, although we would like it to. To better understand actions — and this was going to be one of my recommendations to you at the end — I believe, and Simon will be aware of it because the VFF has already done it, that the VFF in government, industry, Landcare and the environmental movement should produce best management guidelines for best practice. We have done it in the pipelines industry, and we have already done it with the mining industry. In these guidelines we can pick up what I would call some of the people issues on farm.

In my view no activity should happen if there is any threat to water, but let us assume that it has got the green light from all of the processes. There still can be unhappy farmers. If you come in and leave a gate open, or if you come in and run over their dog and all of those things — entry things, and biosecurity is a big issue for farmers — I think those issues are picked up in what I would call best management guidelines. If they are signed off by both industries, as they were in these other cases, I think you would have a little bit more confidence that the right things will happen.

Ms HARTLAND — Alex, my experience of living in Footscray and also of having grown up in Morwell is that you can have all the regulations in the world, but if governments do not enforce them — I do not see any will that any kind of regulation would be enforced or that it would stop farmland being contaminated. If you are basing all of your beliefs that this will work out all right as long as we have got good regulation, how can you assure us that that is exactly what would happen?

Mr ARBUTHNOT — I cannot assure you of anything. All I am suggesting is a couple of things that have worked in the past. We have had the mining warden, who is a fairly powerful man; if there are issues, I have always said, ‘Go and talk to the mining warden’. The VFF and the industry have put out what we call a compensation agreement, and that is based on that document I had. These are the points you should look for. And I have always advised farmers, ‘Make sure that there is a one-contact person with the company’, because often the work is done by contractors, so you have got to be able to deal with the one person in the company, and if there is any concern, we have always given the farmers the name of the mining inspector so that he or she can come. If somebody is doing something wrong, as we have seen in New South Wales, where a company was taken to court — and so it should be if it is doing something wrong, because you are dealing with people, with communities and with farmland.

Mr YOUNG — Thanks, Alex. There seems to be a hell of a lot of public opinion against this kind of mining. What are your views on the best way to overcome that, as it is something that will have to be addressed if this is to go forward?

Mr ARBUTHNOT — I found the summary of this Report fairly enlightening, actually — —

Ms SHING — For the purposes of Hansard, can you indicate which report you are referring to?

Mr ARBUTHNOT — This is the Stakeholder Engagement report that was released in April. I think this report said that 27 per cent of people were opposed and 29 per cent were in favour — or 31 per cent or something — and the rest were in this middle ground. One should have a good hard look at what that middle ground were looking for. I think they were looking for the issues that I have already talked about.

I can appreciate that there are people who have very strong views. Once again, this report says quite clearly that they are probably not going to change their views; it does not matter how much information there is. On the other side there are the people who are very pro. We have this middle group, and I would think some farmers sit in there, and some farmers sit in both.

I tried not to be anti any industry. If I have my VFF hat on, it is my job to look after farmers. As I said at the start of my address, how can you live in Sale and not say the two industries have worked together — or how can you live in Morwell, where they have a very strong agricultural industry and a power industry? A lot of our sons and daughters work here. I must admit that an anti-mining resolution was put at the VFF conference last week, and it was defeated because of that very point. If our sons and daughters and people work in these mines and work in communities, why should we be anti? You can ask the mining industry tomorrow. Somebody told me — and I am on mining, not gas — there are six big mining operations in the state of Victoria. My personal view is the biggest threat to agricultural land comes from towns and buildings and people building houses on our land, not from mining.

Mr DALLA-RIVA — Thanks, Alex. I followed this up earlier with previous witnesses, in particular the first point. You make the assumption that there is gas — coal seam gas, shale gas or — what is the other one?

Mr ARBUTHNOT — Tight gas.

Mr DALLA-RIVA — Tight gas; I am still learning. It is predicated on the assumption that there is gas available, so I want your views on that assumption and why you would spend effort and time when there accessibility to gas offshore. The second part — and you may not have been here earlier — but as you would understand, the dairy industry and the agricultural business in Victoria in particular is highly regarded overseas in the emerging Chinese markets, the Indian subcontinent and elsewhere. How do you see the development of proposed — if there were, to take the first part that there is, but I am still not convinced there is. Taking the second part, how do you then establish that we are not damaging our dairy/agricultural business — with your VFF hat on — to the benefit of an industry that may or may not be there?

Mr ARBUTHNOT — The first part of your question — and you need to ask the miners tomorrow — I am not too sure in the reports that I have read that there is coal seam gas onshore. It is there, but whether it is in commercially viable quantities —

Mr DALLA-RIVA — Sustainable, yes.

Mr ARBUTHNOT — The suggestion that I read in that energy report is that deep gas is in the Otway Basin and in the Gippsland Basin. Richard Owen, the Chairman of ExxonMobil, spoke here last week, and I asked him about his comments on future onshore exploration because when addressing the Business Council of Australia in Sydney he did say — and this is in my report — that ExxonMobil would need to come on shore. He also told me — and you can check this out — that the federal government is looking at extending towards Flinders Island and licences to do more exploration. I am only quoting what Richard Owen says. Richard Owen says they are going deeper and deeper now to get gas, it is costing more and there are impurities in it — mercury — which is why the new gas plant is being made to take the mercury out. It is a good question to ask the industry tomorrow. Coming back to the food —

Mr DALLA-RIVA — Sorry, what is to be taken out?

Mr ARBUTHNOT — They are going deeper for it, and there are more impurities in it which have got to be taken out. Mercury is one.

Mr DALLA-RIVA — If there are more impurities, does that not then add risk and add to the argument of people opposed to it that we are actually exposing issues that would perhaps not have been exposed in other types of gas exploration — for example offshore, where there are issues such as high levels of mercury and other things? In other words, does that not justify the concerns of the community that if they are identifying higher levels of toxicity in the gas, it therefore justifies the argument that it should be onshore.

Mr ARBUTHNOT — These are questions you need to ask the industry, but that is why ExxonMobil are spending \$1 billion or something on building new gas plants to take the mercury out. Otherwise it would not meet the regulations. Coming back to healthy food —

Mr DALLA-RIVA — Then we will go on to the issue about the dairy industry.

Mr ARBUTHNOT — Yes.

Mr DALLA-RIVA — You would know this, as I do, given my former role: the dairy industry is well regarded around the world. Victoria in particular is well regarded. When they buy dairy from Australia, particularly Victoria, people know they are getting the best. I know you are busy arguing about New South Wales et cetera, but would it not at the expense of a secondary industry put at risk a primary industry that is now in existence and developing and growing?

Mr ARBUTHNOT — There is no way we should do anything that will put our food and agriculture at risk. Not only that, if I can put my Gippsland hat on, I see — and I see this for the whole of Australia with my Landcare badge on — that we should be able to value-add our food by promoting our clean, green image and best management practices. When you have 92 per cent of farmers in the Landcare group or practising it, it is fairly easy to market our food with Landcare values. In Gippsland I want to include greenhouse gas emission sustainability. For those of you who are not in Gippsland, I have this vision that we will market our food overseas as being the cleanest and the greenest. So the industry itself would have to be absolutely assured that there are no problems. When you have Claire Miller here tomorrow you will see that there is a whole chapter — 40 to 50 pages — in the briefing booklet from the dairy industry on food safety. It starts from how milk is tested and goes through everything from the factory. That is a very good question, and I urge you to ask her that tomorrow.

Mr DALLA-RIVA — This is a final question. If you were a betting man — I am not a betting man — would you put at risk the dairy industry in place of the gas industry?

Mr ARBUTHNOT — Not at all. Food quality and those productions are paramount. Unless the community is assured that they are protected, we should not encounter that. And quoting from the Dairy Report, you would not expect any industry to have more concerns about the impact of gas production or development than the dairy industry. For them to come out and advocate coexistence is a significant statement.

Mr RAMSAY — Thank you, Alex, for your presentation and contribution to the committee. I just need some clarity about some of the things you said. I do note and respect your work in regional development, Landcare and environmental stewardship and in representing farmers. And I apologise to everyone, as there has been a lot said about farmers in this particular session, but certainly Alex has a long history of supporting that constituency. When you came into this room you said to us that you see there is opportunity for coexistence of mining and agriculture without detriment to either. You went on to talk about the importance of gas and access to gas in regional areas. Certainly the previous government spent a lot of money in providing small towns with gas connections. I do not think anyone is disputing that.

The issue for us of course is whether offshore gas or onshore gas should be used to allow that regional development in towns. Only two days ago the VFF extended their moratorium for five years on the basis that they were not yet convinced and science has yet to prove that maybe 30 years down the track our aquifers and groundwater would not be contaminated by the use of ad hoc coal seam gas. As you well know, Alex, Gippsland has a history of problems associated with their aquifers. I am still not clear whether you still believe — and if you do, on what basis — coal seam gas mining can coexist with agriculture in Gippsland if there are regulatory frameworks that protect agriculture. In fact the science clearly indicates there are no harmful effects. Your very own organisation only two days ago said they are not yet convinced that agriculture can coexist with coal seam gas exploration. The science is not there and neither are the regulatory frameworks.

Mr ARBUTHNOT — The vote was very close at the VFF, but the VFF's policy is I think built on — and this will be the role of your committee — to ensure that the science and the policies are in place so that the communities here on land are confident that the two can coexist. It is three years since I went to Queensland, and a lot of the reports here show that in those towns, although the dairy industry is stronger down here, there is coexistence.

Once again the evidence is quite clear, even in this report, that there are clear community benefits at Narrabri and in those towns. I think I have suggested that perhaps you should contact some of the mayors up there and talk to them. I think your question is whether the farmers themselves are satisfied about the product, which is Richard's question, and I think that is a pretty fair question. I would like you to pursue that with Claire tomorrow.

The other thing I noticed in the recommendation of this report and some other reports this year that have come out is that CSIRO is working — I saw it in two reports — with Lloyds in the UK to develop world best practice guidelines, and I believe that world best practice needs to be adopted quite clearly before any decisions are made. I think this is part of building the confidence for all of our industries to work together.

The price of gas will go up, and that may well dampen the developments — it has already dampened them. But you would be aware that last year Australia exported \$16 billion worth of gas, so it is a resource industry. I noticed the chairman of the National Farmers Federation said that with the free trade agreement we should be able to double our Agricultural exports in Australia, and I would like to think, with the farmers behind me, that we could triple our production in Gippsland. Some of that will be intensive farming, no question about that, and what will those intensive farmers use — this is hydroponics. They will use gas.

The CHAIR — Alex, thank you for your contribution. No doubt the secretariat will want to talk further to you over coming weeks, but thank you very much for your time. We are very appreciative.

Witness withdrew.