

# TRANSCRIPT

## STANDING COMMITTEE ON THE ENVIRONMENT AND PLANNING

### Inquiry into unconventional gas in Victoria

Sale — 1 July 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

#### Participating members

Mr Jeff Bourman

Mr James Purcell

Ms Colleen Hartland

Mr Simon Ramsay

#### Staff

Secretary: Mr Keir Delaney

Research officer: Ms Annemarie Burt

#### Witnesses

Ms Claire Miller (affirmed), manager, policy strategy, Dairy Australia;

Mr Chris Griffin (affirmed), member, natural resources management policy advisory group, and

Ms Irene Clarke (affirmed), senior policy manager, Australian Dairy Farmers.

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

**The CHAIR** — I welcome Claire Miller, the manager for policy and strategy from Dairy Australia, and Chris Griffin and Irene Clarke from Australian Dairy Farmers. I ask that you be sworn and that you please give your names and contact addresses.

**Ms MILLER** — Claire Miller, [REDACTED].

**Mr GRIFFIN** — Chris Griffin, [REDACTED].

**Ms CLARKE** — Irene Clarke from [REDACTED].

**The CHAIR** — Claire, you might want to lead off with a presentation, and then we will ask some questions.

**Ms MILLER** — If I can defer, please, Chris Griffin will lead off on behalf of the dairy industry, thank you.

**Mr GRIFFIN** — Thanks, Claire. Thanks for the opportunity to present to you this morning. I am Chris Griffin. I am a dairy farmer in Gippsland, in Westbury, just north of Moe, the immediate past president of Australian Dairy Farmers and the past chair of Australian Dairy Industry Council. With me I have Claire Miller, who works for Dairy Australia in the policy support area for the environment, and Irene Clarke, who works for the Australian Dairy Farmers as a senior policy officer and specialises in this environment area as well.

We appear before the committee today for the Australian Dairy Industry Council, otherwise referred to as ADIC. The ADIC is the national peak body for the Australian dairy industry. We represent the interests of dairy farmers and manufacturers across Australia through two organisations, Australian Dairy Farmers Limited and Australian Dairy Products Federation, which are the processors and manufacturers, supported by Dairy Australia as the industry research and development corporation.

The ADIC will certainly be putting a written submission into the inquiry; we are working on that right now. In advance of that written submission what we would like to do today is provide a quick overview of our industry position on unconventional gas mining and the key findings of a comprehensive technical study the dairy industry has commissioned, and then we can have a discussion. We are keen to keep talking to government as your inquiry continues and as you work on any outcomes from the inquiry.

We currently have around 6300 dairy farmers in Australia; 4268 of those are in Victoria. Some 9.2 billion litres of milk is produced in Australia annually; more than 6 billion litres of that is produced out of Victoria. Victorian dairy companies depend heavily on export markets for ongoing profitability and currently export around 60 per cent of the milk produced in Victoria. It goes out as milk powders, cheese, butter and other products. The dairy industry has potential to grow substantially over the next decade, and to meet growing domestic and international demand Victoria will certainly be a big part of this.

But to achieve that growth and remain internationally competitive we need two things that unconventional gas mining could put at risk. Firstly, the natural resources upon which the dairy industry relies must continue to be available without any negative impact, and our primary focus here is water. Secondly, the dairy industry's reputation as a producer of high-quality, safe dairy products must be protected. Any possibility that unconventional gas mining could impact these two things, whether it is actual impact or the perception of our customers about impact, will need to be carefully managed to ensure all risks are addressed; for example, by having very robust legislative frameworks and limiting expansion of mining into new areas.

The dairy industry has researched the key issues for coexistence of dairy and unconventional gas mining. We now have a large consultant report, along with a series of fact sheets, which summarise the key issues and considerations. Claire will enlarge on that a little bit later. The work that we have done on coexistence is not just about Victoria; it has looked at the issues of our national dairy industry, with a particular interest in Queensland, New South Wales and Victoria. There are already dairy farms in New South Wales with unconventional gas wells on them. So we have an industry of both existing coexistence and potential future coexistence. I will just hand over to Claire to explain a little bit about the report and the fact sheets we have, and then Irene will make a few comments as well.

**Ms MILLER** — Thank you. Just to reiterate, Dairy Australia is the research and development corporation for the dairy industry. It is funded through dairy farmer levies that are matched by federal government funding. We do not set policy for the industry, but it is true to say that we do research and analysis and that that information feeds into the decision-making process at the Victorian and the national levels with representative

bodies. I would also like to make clear that Dairy Australia does not support or oppose the gas industry; we are neutral. When we do our research we have a focus on the evidence and we focus on risk assessment and risk management.

As Chris just alluded to, we have a very substantial report that was completed in July last year. It was done by a consultant. The full report is available on our website; I can certainly make copies available to the committee if you would like to see it. It is fairly substantial bedtime reading, I need to warn you. I should also say that this is a very fast-moving space, and some aspects of the report have been overtaken by events in New South Wales with the completion and release of the chief scientist's report there and the subsequent New South Wales Gas Plan. So we are sort of galloping to keep up with what is changing around the nation.

For those who do not want to spend their bedtime reading nearly 300 pages of highly technical reports, we have also — —

**Ms SHING** — Which would be no-one on this committee because we are all very happy to be here today.

**Ms MILLER** — We have condensed what we see as the key points down into a series of six fact sheets; I have given each of you a full set of those. By necessity they are simplified, but this is a highly complex issue. I know that the fact sheets will also raise questions. We know this because we have taken them out to information sessions with farmers. Unfortunately the answer is usually, 'You need to read the whole report for the full context'.

We have tried to simplify it down. The fact sheets cover various things, such as frequently asked questions, land access and rights, water quality and quantity issues, impacts and opportunities, an overview of regulations and safeguards, and planning and managing a coexistence scenario. Keep in mind that these are for national purposes too, because we do have dairy farms in other states where coexistence is a reality.

I understand that there were some questions yesterday about food safety programs on dairy farms and what a coal seam gas mining and coexistence scenario might mean for that. You will find that is on the planning and managing a coexistence scenario sheet.

**Ms CLARKE** — I will finish off quickly before we open for questions. As a national dairy industry across farmers and manufacturers we are currently working on a policy position statement on unconventional gas and the dairy industry. We are close to finalising that, and I hope we will have that in time to put with our written submission to the inquiry.

I just want to highlight that as part of developing that position statement we have articulated six principles that underpin our position on unconventional gas mining. I will give you the headlines on those. The first one is that productive agriculture must be protected through strategic planning. Secondly, water quality and quantity must be protected for dairy production to be viable. Thirdly, food, animal and people's safety must be protected for the reputation of the dairy industry. Fourthly, farmers must be able to continue their farm operations. Fifthly, robust environmental management must include best practice of today and the future. The sixth principle is that all projects must have reliable monitoring, reporting and compliance. Our position statement will embellish those principles, and we will provide that to the committee as part of our submission.

**Mr GRIFFIN** — That is our opening statement, Chair, and certainly we would invite your questions. I just make the final point that this is a very controversial issue. There are strong opinions amongst dairy farmers and manufacturers. The Australian dairy industry is already a \$13 billion farm, manufacturing and export industry that directly employs 43 000 people, and we have significant potential to grow. We must ensure that the unconventional gas mining activity does not put that at risk.

**The CHAIR** — Let me lead off with the obvious couple of points. First of all, what you are saying is that dairy farming and onshore gas activities coexist in a number of states. It seems that what you are saying — and I may be paraphrasing you here; tell me if I am getting it wrong — that it is possible for them to coexist with certain safeguards and principles regulating and controlling that process.

**Mr GRIFFIN** — There certainly is coexistence. It is quite minimal, as I understand it, at this stage.

**Ms MILLER** — The coexistence at this stage is in Gloucester near Barrington Tops. We have a couple of dairy farms up there that have had trial wells on their properties with AGL, and we have one dairy farm there which has got trial fracking occurring as part of a more advanced exploration, and that is trial based.

**Mr GRIFFIN** — I think geological issues need to be part of the equation here as well. I am not a geologist, but I think there are different geological profiles around the country that may have varying impacts on the ability of these things to coexist.

**The CHAIR** — Internationally are there are some examples that you are aware of?

**Ms MILLER** — Not that we are aware of.

**The CHAIR** — The second point, which follows some evidence that we heard yesterday, is that on the production side of the dairy industry — the manufacturing side — gas may be an important component to guarantee a future in terms of reliability of supply and cost. I do not know whether you accept that general point or not.

**Mr GRIFFIN** — Certainly there are companies that are using gas in their processing and manufacturing facilities, and it is a good, cheap and viable option for them. That is part of the equation. It is obviously not coming from unconventional gas sources now, but they are looking at that I suppose. In the future, who knows, solar might be an option.

**Ms MILLER** — Can I just add to that that gas has been a very cheap and plentiful energy source for our manufacturers and has been really important, but we are also watching the fact that as we begin to export onshore gas out of Queensland we may become exposed to global pricing and global markets. Whether it remains a competitive and cheap energy source remains to be seen.

**Ms SHING** — Thank you for your presentation and for the fact sheets. I also look forward to getting access to the full report for the committee, given the complexity of this issue. It is important to note your position in not having a view for or against the knock-on effects of managing consequences by way of the principles that you talked about, Irene. I think that is important.

I would like to address the issue of reputational risk given that here in Gippsland we produce 23 per cent of total dairy and we have emerging markets in China and Asia more broadly where quality is the stand-out component of branding. In terms of managing reputational risk and challenges, the Gloucester example that you referred to, Claire, is not entirely on all fours with the proposition of unconventional occurring here in Victoria. I was just wondering if you had any view on reputational risk and knock-on consequences, real or perceived, for international markets, given that we do have an upward trajectory in uptake of our product from Gippsland to the world more broadly.

**Mr GRIFFIN** — As I said at the outset, we also represent the Australian Dairy Products Federation, which is the manufacturing side, and we met with them in the formulation of this policy. They are very nervous about an impact of a breakdown, if there happened to be one, in the whole process. If there was a breach of quality as a result of a fracture — who knows what might happen? — they are very nervous about the impact on the overseas markets and the view of Victoria, particularly being a clean, green producer of dairy product.

**Ms SHING** — Just as a little bit of a supplementary to that, Irene, you referred to the importance as part of the principles in dealing with potential coexistence of managing reputational risk. How might that then take shape? How might that look in relation to an area which is so productive and specific in terms of its geography and output?

**Ms CLARKE** — Just to talk about what has happened in Gloucester where we do have some coexistence, one aspect of that reputational risk is that the milk company involved there has put in place extra procedures around testing and quality testing so that they can be sure from their point of view about the quality being maintained. In terms of the broader reputational risk, a lot of it is around perception — that is, perceived risk — and we cannot quantify that. We do not have any information for you about how to quantify that. It is about the potential.

**Ms SHING** — Thank you.

**Mr LEANE** — I had a series of questions around the reputation of the industry which Harriet has covered very well. The second key point at the start of your submission was around natural resources, and you touched on water. Do you see issues around the access to water — that is, the amount of water being utilised to service, say, a well — or do you have concerns about the potential for contamination?

**Mr GRIFFIN** — From our discussions the potential for contamination would be uppermost in people's minds. A lot of that is probably from ignorance. We do not understand it as well as we probably should as far as the whole structure goes. We do experience earthquakes and things like that. I do not know what impact that might have on a well. I think our biggest concern is the potential for contamination.

**Mr LEANE** — It probably ties into the reputation as well.

**Mr GRIFFIN** — Yes.

**Mr YOUNG** — I just want to congratulate you on the little flippy book, because that sucked me into reading it — especially the use of the word 'legendairy' on the front. I thought that was fantastic.

**Ms MILLER** — We are about to do regional ones, for anyone here in Gippsland.

**Mr YOUNG** — You actually did touch on the answer to my question when speaking to Shaun then. If I was a dairy farmer, what is the no. 1 concern I should have about this industry?

**Ms MILLER** — Food safety is absolutely paramount. All dairy farms have a food safety program, which they stick to religiously, and it is all about making sure that nothing comes onto that farm that you do not know about and that all things like agvet chemicals and so forth are declared. That would absolutely be the case if there was ever to be a coexistence with gas mining on a property. They must declare everything that comes onto the property. Food safety is absolutely paramount.

The other one that would be absolutely fundamental is confidence around the integrity of the wells themselves and what is then going to occur in terms of maintaining those wells, in terms of what happens if there is something like a flood or a bushfire. They have got to know that it is going to be shut down.

The other one is the conduct of the companies themselves. Dairy farms are very intensive operations. We have stock moving around a lot during the day. We have stock of all different ages which are deliberately in different parts of the property for various stock management reasons. Am I correct?

**Mr GRIFFIN** — That is correct, yes.

**Ms MILLER** — It is not like big broadacre farms where you could have wells out in the corner and you would never see them unless you flew over it. On a dairy farm the conduct of the contractors and the companies themselves has to be absolutely above reproach and very clearly set out beforehand.

**Ms BATH** — Thank you very much. Being a dairy farmer's daughter I have got a passion around milk — particularly some cheeses, I might add. We have thousands of farmers in Victoria and dairy farms. If you are going around listening to farmers, what would be their perception of their right to veto? Also, I can imagine there would be some farms and some farmers who might see that having a mine on their property is a source of income. Are there two conflicting views around that? Have you spoken with people about this, and what are your views?

**Mr GRIFFIN** — It has certainly come up in our discussions. We are an industry body that looks at an overall policy and a national policy. We cannot dictate whether farmers do or do not allow access for a mine; it is an individual property owner's decision to make that choice. What we have to do is look at all the evidence that we can and make a policy as a result of that evidence. That is what we have done. We do not dictate views of an individual farmer.

**Ms MILLER** — When we have done information sessions around Gippsland and in south-west Victoria the question of access has come up. We have explained that ultimately under the current law in Victoria, for instance, you would lose if you tried to stop a gas company coming on to your property. However, in New South Wales and Queensland, where there are the same laws, they do have codes of conduct now with the major companies where companies have said if a farmer says, 'No, they are not going to come onto the

property', they will not. From a reputational stance, from their perspective this is a better outcome anyway, because it is not a good look to be forcing yourself on anyone's property to begin with. But that question about a right to veto — it is pretty fundamental that farmers would like to know that they could say no if they felt very deeply about it and not have the unpleasantness of having to fight it through any kind of legal levels to maintain it. Yes, it is absolutely right that there is a mix of views out there among farmers as to whether or not it has got more opportunities than impacts. It is mixed.

**Mr GRIFFIN** — It is mixed.

**Mr BOURMAN** — That segues right into my question. You guys roughly have your finger on the pulse of the dairy industry. What percentage would you think would be for or against? Would it be half and half, or 90 to 10?

**Mr GRIFFIN** — It is difficult to know. I could not answer it.

**Ms MILLER** — Up in Gloucester most of them would be in favour of it, but they have had a pretty rough time of it lately so I think they are looking at the potential for the income. But they are also more used to it up there because coal companies have been up there for years digging up the place. They are just more familiar with it. But I think that is a very specific location. There is no way down here in Victoria you would know how many are for or against it.

**Ms HARTLAND** — This may not be something that you could answer, but you might be able to take it on notice. It is around environmental regulation. One of the things — we have heard during the hearings and it is my experience — is that we often have laws or regulations that are not enforced. Do you think it would be really important for your industry to know that if there are regulations around this industry, especially the regulations around contamination of water et cetera, that you know that they are going to be fulfilled?

**Mr GRIFFIN** — I think that is a fundamental for us in our policy. We stated in the submission that the regulations must be adhered to and must be complied with. We hear of mines that go belly up and they leave and you never see them again. Those are the concerns that we have in those situations.

**Ms HARTLAND** — Would you want government or this committee to be looking at the kind of bonds that are required for the clean-up phase rather than just becoming abandoned orphan sites?

**Mr GRIFFIN** — Yes, absolutely.

**Ms CLARKE** — That is part of it.

**Mr GRIFFIN** — That is paramount. It is in the submission.

**Ms CLARKE** — Yes, and ways of resolving any issues that arise, whether it is through a bond or some other means. But the other important aspect that we have been talking about is the transparency through the regulatory process — the transparency of the information if there are any compliance issues as the monitoring occurs, so that it is clear to everyone what has gone on, including the farmer.

**Mr DALLA-RIVA** — I am somewhat confused. Because of my background of being a former minister for manufacturing, export and trade, and having been to China and other emerging economies, I know the amount of potential that the dairy industry has. I think we have just touched the surface in terms of capacity to expose the market elsewhere. We have seen the example of New Zealand, which has captured the market a lot better than Australia. We have heard evidence about New South Wales and Queensland. You have provided us with a document.

It is important that we put this on the record, Chair. It goes to the issue of reputational risk. In Queensland there are 475 farms producing 430 million litres at a farmgate value of \$230 million. In New South Wales it is 710 farms at 1035 million litres with a farmgate value of \$528 million. Yet when we come to Victoria we have 4268 farms producing 6.12 billion litres and the farmgate value is \$3.12 billion. If I was to look at New South Wales and Queensland in comparison to Victoria, we have spoken about reputational risk and you have indicated the evidence is not quite there, but this is a multibillion-dollar industry. I am struggling to work out, if you are representing the dairy industry, why you are not standing here saying, 'We don't want it'.

I am perplexed. We have had other people standing here saying, 'We don't want it', and they have given us the reason. You have got a multibillion-dollar industry which you should be protecting, yet you are not saying it. Please explain.

**Mr GRIFFIN** — It is a very good question. We are not saying no, but we are hopefully making sure that there are enough safeguards in place that it will not have an impact on our industry. I appreciate your taking note of that flipbook. It is a great little pocket information book, and the thing with New South Wales and Queensland as well, which you perhaps may not know, is that very little export comes out of those states at all, whereas in Victoria there is a huge amount. It is something that has been in the discussion, absolutely.

**Mr DALLA-RIVA** — Why are you not standing here saying to this committee, 'We don't want it', for all the reasons — reputational risks, uncertainty about contamination? Why are you not saying that? It is as though you are straddling a rusty barbed wire fence.

**Mr GRIFFIN** — We are representing industry, and we have conflicting views within the industry with regard to yes and no. I think you heard from a dairy farmer representing himself yesterday who is keen on coexistence. They are out there, so we have to reflect the views of the industry to some degree in our formulation of policy.

**Ms MILLER** — We need to look at the evidence.

**Mr DALLA-RIVA** — You have given us no evidence to indicate that it would be a mistake for the dairy industry to coexist in Victoria.

**Ms MILLER** — I recommend then that you read the full consultant's report, which goes through the evidence. We have subsequently had the New South Wales chief scientist's review. We look at that evidence as it applies across Australia, not state by state.

**Mr DALLA-RIVA** — Maybe you should look at it state by state, because I have just said that Victoria has far in excess of any other state. We are far in excess in terms of the dairy industry of any other state.

**Ms MILLER** — But that does not mean that any risks which may or may not occur are any greater in Victoria in relation to gas mining than they are in any other state. This is a very site-specific industry, and the risks have to be considered depending on the geology for the particular areas where it might occur. We have to look at the hydrology for the areas where it might occur, the topography and so forth. I do not know that you can ignore those site-specific considerations, just as you cannot say, 'Because it seems to be working okay in Gloucester, therefore it's open slather in Victoria', but the reverse is also true.

**Ms SHING** — To take up Richard's point, the stakes appear to be significantly higher for Victoria in relation to this issue and the consequences and knock-on effects that it might have for the industry, given the figures he has just set out. I think on that basis we are trying to tease out why there is no stated position and where to from here. We have the principles that you have set out, Irene, we have got the reference to the consultant's report. There have been numerous reports which talk about the need to review and analyse risks, but in a Victorian-specific context I think that is where we are getting to as far as what is at stake here.

**Mr GRIFFIN** — You are dead right. I am a Victorian dairy farmer, but as I sit here I represent the national industry, and that is the approach we have had to take. You need to talk to the United Dairyfarmers of Victoria, which is the state body for dairy farmers, and the Victorian Farmers Federation, which is the body for agriculture in Victoria. I think you would find a different view potentially from them.

**Mr DALLA-RIVA** — Can I just ask a secondary question, which arises from evidence we have heard? Will unconventional gas lower your industry's gas costs?

**Mr GRIFFIN** — I have no idea.

**The CHAIR** — I thank you for your evidence. It has been very helpful.

**Ms SHING** — We look forward to getting your submission.

**The CHAIR** — The secretariat will be in contact with you on a number of points in the next period.

**Ms MILLER** — I will arrange to send copies of the report next week.

**The CHAIR** — Thank you.

**Witnesses withdrew.**