



AGRIBUSINESS GIPPSLAND

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July 6, 2015

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By email

Dear Sir/Madam

Please find as an attached file to this email the submission by Agribusiness Gippsland Inc to the Inquiry into Unconventional Gas in Victoria.

The submission is being made on behalf of AGI by its chair, Mr Paul Ford.

It is not confidential.

Yours sincerely

*Paul Ford,
Chair, Agribusiness Gippsland Inc*

GIPPSL

Submission to:

Inquiry into Unconventional Gas in Victoria

Agribusiness Gippsland Incorporated

July 1, 2015

CONTACT: PAUL FORD, Chair, Agribusiness Gippsland Incorporated

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**Address: PO Box 1312, Warragul VIC 3820
Agribusiness Gippsland Incorporated May, 2014**

INTRODUCTION

Agribusiness Gippsland Incorporated (AGRIBUSINESS GIPPSLAND) values the opportunity to respond to the inquiry into unconventional gas in Victoria. Our organisation represents agribusiness in Gippsland. We define “agribusiness” as all the activities involved in the production, processing and distribution of food and fibre products. In addition to farming and manufacture we see agribusiness includes service industries, raw material suppliers, transport, innovation, education and finance.

Agribusiness Gippsland considers that onshore unconventional gas, and specifically coal seam gas, offers a potentially valuable, but at present unknown resource, which could contribute to the growth of Gippsland’s economy. However the exploitation of unconventional gas reserves also poses threats to agricultural enterprises and water resources. Since exploitation of unconventional gas is essentially an ephemeral industry compared to the enduring necessity of agricultural enterprises and water resources, we consider that that it is essential that an approach to unconventional gas exploration and exploitation be negotiated which does not jeopardise current and future agriculture business or water supply. Environmental protection must also be assured. Our following submission expands these considerations.

Agribusiness Gippsland achieves its mission by building agribusiness networks, identifying priority issues, and partnering in projects at all levels of the agribusiness chain. Our objective is to ensure real outcomes for real people at the local and regional levels.

Agribusiness Gippsland's *GippyAgChat* newsletter is circulated to 9500 stakeholders. This and the annual Agribusiness Gippsland Conferences form the pre-eminent communications links across the sector. In the past five years Agribusiness Gippsland has transacted \$750,000 in federal, state and local funding for agribusiness-related projects

Projections in global demand for healthy nutritious food provide huge and ongoing opportunity for Gippsland which needs to be protected for the wellbeing of all people. Agribusiness needs to substantially grow food production by 2050 with the same amount of arable land and with less water and less energy inputs.

SUBMISSION

AGI acknowledges that non-conventional gas sources offer a potentially valuable resource that is also an environmentally friendly alternative energy source to coal and oil. However, the existence, scale and exploitability of such a resource has yet to be demonstrated. Until such exploration and evaluation is undertaken it is not possible to assess the potential benefits. Exploration is therefore an essential prerequisite to an evaluation of the potential of a new unconventional gas industry.

It is undoubted that whatever unconventional gas resources exist in Gippsland, such a resource will be finite. Further, the necessity for this resource to be utilised will become progressively less pressing as new technologies for renewable energy production and storage are developed. In the short term, though, unconventional gas offers a more environmentally friendly alternative to coal or oil. Such a resource could assist the development of the region's food processing industries as well as attract new industries.

By way of contrast, food production is an enduring necessity for human existence that has no alternative. Moreover, for the foreseeable future global demand for food production will increase. Gippsland is well placed, and probably better placed than much of the rest of Australia, assist to meet this global demand through its strong soils and reliable rainfall and groundwater supplies. Current climate change analyses indicate that Gippsland is expected to be strongly resilient and in some cases a beneficiary of climate change. It would be an act of stupidity to jeopardise the demonstrable and enduring agricultural importance of Gippsland's farms to achieve the short term benefits of an ephemeral unconventional gas industry.

Agribusiness Gippsland considers that exploration and exploitation of unconventional gas reserves must be only undertaken on a basis that they should not affect the land's ability to support continued agricultural production and that any disruption would be remedied by the gas industry.

Groundwater supplies are an important resource supporting Gippsland agriculture. Gippsland's topography and geology is particularly complex. Furthermore, off-shore gas extraction has already significantly affected aquifers. It is therefore important that the hydrology of any exploration area be thoroughly understood as a part of any unconventional gas exploration and permits to develop production should be dependent on assurances that production cannot interrupt or contaminate ground waters. Consultation with Southern Rural Water and off-shore gas producers needs to be part of this process. Similarly surface stream flows which are vital to both agricultural and town water supply must be protected from loss or contamination. A major issue for the establishment of an unconventional gas industry is likely to be to supply the industry with water in competition with existing users and to safely dispose of gas industry effluents.

Another geologically related issue is whether unconventional gas production could affect the management of Gippsland's lignite (brown coal) mining industry which is currently the source of much of Victoria's electric power. As well as ensuring that unconventional gas production does not affect ground water management in the Latrobe Valley mines, it is important that drilling and fracturing of geologic structures to produce gas should not hinder future opportunities to sequester carbon dioxide from power generation underground.

Agribusiness Gippsland considers that an ephemeral unconventional gas industry must not be permitted to undertake works which have any permanent effect on ground or surface water flows or quality. Supply of water to a new gas industry in competition with existing users should be at cost to the gas industry with compensation being made to existing users if their businesses are disrupted for the duration of gas production. Effluent disposal and remediation must be a cost borne by the gas industry.

It is inevitable that both the exploration and exploitation of unconventional gas reserves must interrupt existing land uses to establish wells, production facilities and to provide access for vehicular traffic and pipelines.

Agribusiness Gippsland considers that the gas industry should negotiate such access arrangements with existing land users on a basis of compensating them for loss of production and access during the lifetime of gas production plus remediation of land back to agricultural use at the end of production. Where access for gas production is likely to make ongoing agricultural operations inefficient or impossible gas producers should be obliged to purchase complete farm units at prevailing farm values. Agriculture Gippsland understands that the wind power industry has in many cases negotiated access arrangements with farm operators that enable the landowner to have a permanent source of income from wind power generation. The gas industry should be encouraged to develop similarly cooperative access arrangements with land owners.

Consideration needs also to be given to effects which new gas production facilities could have for adjoining landholders through interruptions to access by traffic and pipelines, effects or perceived effects of pollutants on produce and land values.

Establishment of an unconventional gas production industry would be expected to increase heavy traffic use of rural roads and new road construction for access during both the development and production phases. Arrangements need to be established to require the gas industry to assist municipal councils by paying for the costs of improving and maintaining roadways and associated structures to meet their needs.

Another serious issue which results from the major construction phase associated with development of a new industry is sociologic disruption. This is not peculiar to the unconventional gas industry and was experienced in Gippsland with the desalination plant construction at Kilcunda. Disruptive effects include the loss of local tradespeople and farm workers to high wage jobs in construction and short term pressures on accommodation and associated rental increases which affect permanent resident of the district. Advice from councils such as Bass Coast who have had experience dealing with these difficulties should be sought.

CONCLUSION

Agribusiness Gippsland acknowledges that unconventional gas reserves offer a resource of unknown extent or value, but one which could assist the economic development of Gippsland and provide an environmentally friendly alternative to oil and coal. We also recognise that such a gas resource will be finite and ephemeral relative to food production and processing. Agribusiness Gippsland believes that unconventional gas exploration and production must be regulated so that it does not have permanent effects on agricultural pursuits and water resources and so that existing land users are fully compensated for short term disruptions of operations. Agribusiness Gippsland believes that ideally the unconventional gas industry should be encouraged to negotiate partnerships with existing landowners to explore and exploit gas reserves.

Agribusiness Gippsland therefore supports the exploration of unconventional gas reserves in partnership with existing land users, but insists that any development of gas production must be regulated and predicated upon:

1. A thorough understanding of aquifers and water flows that may be affected by production operations. Gas producers should demonstrate that their operations will have no deleterious effects and /or that such effects can be remediated.
2. Arrangements to fully reimburse farm operators at commercial rates for the use of land assets, including loss of current and future productivity, during the life of the gas project. Ideally partnership arrangements with landholders should provide a basis for shared use of land and water resources. Purchase of farm land at prevailing farm values could be an alternative where gas production requirements prevent efficient continuation of farm operations. Effects on adjoining landholders also need to be considered.
3. Establishment of enforceable provisions for the rehabilitation of land for food production after cessation of gas production, including removal of any toxic residues.
4. Establishment by the gas industry or individual producers of a fund to compensate individuals and communities for any unforeseen deleterious effects from CSG exploration and production.
5. Each proposal to establish unconventional gas production plants should involve extensive consultation with adjoining landowners as well as those directly affected and with municipal authorities, Southern Rural Water, coal producers and off-shore gas producers.
6. The sociologic effects of changes in demand for workers, accommodation and rentals during the construction and production phases of a new industry need to be considered and managed.

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