

8 July 2015

Mr Keir Delaney
Secretary
Environment and Planning Committee
Parliament House Spring Street
EAST MELBOURNE VIC 3002

Dear Sir

Inquiry into Unconventional Gas in Victoria

Thank you for inviting Moyne Shire Council to make a submission to the Inquiry. I have divided our submission into:

- Background
- Potential benefits
- Potential risks
- Legal rights
- Management elsewhere in Australia
- Legislative and Regulatory Framework.

For the convenience of Environment and Planning Standing Committee, our key issues or questions have been highlighted in bold throughout the text.

BACKGROUND

Council recognises that this is a topic that has attracted much debate across many States of Australia as well as within our own shire boundaries and, consequently, a thorough Inquiry is welcomed. By way of background, Council considered a report on coal seam gas mining at its Ordinary Council Meeting of 17 December 2013 and resolved as follows:

1. *“That Council write to the State Government commending the decision to extend the moratorium and to further investigate the social, economic and environmental issues associated with this industry and method of mining”.*
2. *“That Council request the State Government to release its findings for community consideration concerning the social and environmental impacts prior to making its final decision”.*

Subsequent to this motion Council has also resolved the following:

Ordinary Council Meeting - 25 March 2014

“That Moyne Shire Council seeks the support of the State Council of the Municipal Association of Victoria (MAV) to oppose any exploration for and extraction of Coal Seam Gas within the State”.

Ordinary Council Meeting – 22 April 2014

“That Moyne Shire Council seek the support of the Great South Coast Group of councils in opposing the exploration for and extraction of Coal Seam, Tight and Shale Oil Gases in the south western region of Victoria and further that the Group of Councils call on the leaders of all political parties to commit to a ban on these industries in the lead up to this years election”.

Ordinary Council Meeting – 23 September 2014

“That Moyne Shire Council present a motion to seek the support at the Municipal Association of Victorian State Congress delegates in October 2014, in opposing the exploration for and extraction of Coal Seam, Tight and Shale Oil Gases in Victoria”.

Moyne Shire is at the forefront of energy production with projects involving gas, wind and now wave energy. Carbon sequestration underground has also been occurring within the Shire for several years. Consequently, Moyne has a sound body of knowledge and practical experience of energy industries. While these are not all associated with unconventional gas, the learnings from these large projects that sit within the rural landscape are pertinent to the Terms of Reference of the Inquiry.

Examples of current energy projects within our Shire are included on the attached **Table 1** at the end of this correspondence.

This Inquiry is very relevant to our community. Our Council recently received a presentation by a proponent who believes a new part of the onshore Otway Basin is very promising for gas production. The area of interest covers the middle third of our Shire. It has been indicated by the proponent that gas can be extracted using conventional drilling methods but Council has no surety that will be the case.

POTENTIAL BENEFITS

Council has not formed a view about the benefits of unconventional gas (“UG”) as a main source of energy versus brown coal with respect to greenhouse impacts. Consequently, this submission does not touch on that aspect.

As a rural shire, Council is interested in economic benefits such as local employment opportunities and increased expenditure and support of local businesses including local shops, hotels, restaurants, accommodation and service industries. Typically major projects utilize a specialised and experienced contract labour force which is imported for the specific project or phase of the project.

There are also other economic benefits that flow into the community. Road construction to upgrade local roads to cater for oversize or heavy vehicles and loads may result in opportunities for local contractors. Construction of cattle underpasses near projects, for convenience and safety reasons, again may provide some local employment opportunities. Once projects and workers’ camps are established, service and retail industries such as cleaning and laundering, vehicle maintenance, catering, newsagents, plumbers, electricians and the like may benefit.

Major projects undertaken to date in Moyne Shire have resulted in some large companies establishing and operating community grants programs which provide direct financial contributions to recognised community groups such as local committees, sporting groups and others to assist with capital and other projects. In some cases this has allowed communities to raise the funding needed to match local and state government grants to, for example, build a hall.

Most major projects have resulted in a small permanent workforce increasing local employment opportunities.

POTENTIAL RISKS

Clearly one of the key risks already raised by those opposed to UG mining is to the environment. Risk to established beneficial uses of surface and ground water such as agricultural irrigation, healthy waterways for recreation and maintenance of flora and fauna have often been an important concern to the community.

Irrigation by central pivot sprays utilising aquifers is common practice within Moyne Shire and surrounding areas. Importantly most farms in Moyne rely on water bores to provide domestic and stock water. If UG mining were to be permitted by the Government there would need to be confidence that existing levels of beneficial use of water would be protected. **The Inquiry should investigate whether Rural Water bodies (eg Southern Rural Water and Catchment Management Authorities) have accurate and adequate records of matters such as aquifer levels, licences, water quality, and recharge rates to understand and to benchmark water in their area.**

Produced water disposal from UG mining has been an issue in other states and we are uncertain as to the likely quantity of water production that is expected in Victoria. **It is clear that consideration needs to be given by the Inquiry about how this “by-product” will be managed to protect the environment.**

Claims are sometimes made of higher or new levels of methane gas following commencement of UG mining. However, accurate research into existing methane levels over several years is needed as a benchmark against which to evaluate claims of harm to the environment. **The Inquiry, therefore, should make recommendations about the types and length of pre-mining research to establish the benchmarks for environmental issues such as water quality, air quality, flora and fauna, and the like.** Such work is often seen as part of Environment Effects Statements but may only rely on new, short-term surveys rather than a longer-term and more representative body of work.

As discussed above, adequate research and monitoring post-gas production is also needed to ensure the environment is safeguarded. **Given that budgets for Government departments or agencies constantly change and adapt for many reasons, for example, through State election commitments, the Inquiry should consider the imposition of a levy on gas production to ensure a guaranteed source of funding for environmental and other research. Aligned with this, consideration should also be given to a royalty system to local government to provide funds to reinvest in local areas and communities affected by UG mining.**

While on the topic of levies and royalties to benefit research, environmental monitoring and reinvestment in local areas, consideration of who should share in the benefits of the sale of UG is important. We understand that currently only Western Australia has a requirement that a certain percentage of gas produced must remain within the State to benefit residential and industrial users. As the overseas demand for our raw materials and associated products continues to be strong, it is important that governments ensure that adequate local supplies (and associated market prices) are managed to benefit local people and economies. **The Inquiry should examine the issue of whether there is a need to keep a percentage of gas produced within Victoria for local consumption.**

National Parks are highly valued by the Victorian community for a whole range of reasons. In NSW UG mining has been permitted within such parks. **The Inquiry should consider and make recommendations on this issue.**

Australian agriculture products are marketed as being “clean and green”. Inappropriately managed UG mining could potentially harm this image. Some images may be found on the internet of UG mining in Queensland, with large numbers of wells spreading across vast areas in a “spider web effect”. Such large scale industrial landscapes are not consistent with a clean and green, idyllic rural image associated with, for example, milk production which is a large and significant industry within Moyne. Council is aware that some UG mining results in production infrastructure that has a small footprint, with the wellhead contained in a small box structure and all pipelines between wells and to the gas plant being underground. **The Inquiry should consider whether or not some legislative or approval control can be instituted to ensure the existing landscape values are protected.**

LEGAL RIGHTS

As a rural shire, Moyne represents many farmers, amongst others, who are pivotal to the social and economic structure of our municipality. We recognise that farmers value their land highly, both for economic reasons and also as part of their lifestyle and home territory. They are, therefore, very protective of their land and locale, and often engage in the land use planning system where they fear a proposal may put those matters at risk. The land use planning system has well established processes and legislation to manage such situations and the Victorian Civil and Administrative Tribunal finally adjudicates where matters remain unresolved.

If UG mining is to be permitted in Victoria and wells are to be established on agricultural land still owned by others, disputes may arise over agreed conditions of operation, disruption to farming processes and the like. Recourse to the courts is often expensive and drawn out and can discourage small land owners from using them to resolve disputes. **The Inquiry needs to consider whether there should be a specialised body to deal with disputes between land owners and UG companies.**

MANAGEMENT ELSEWHERE IN AUSTRALIA

Earlier discussion has referred to management practices elsewhere in Australia. For example, Western Australia's approach to managing the fair distribution of the produced resource to ensure its communities share in the gas resource, rather than it being fully exported. The establishment of accurate benchmarks for pre-mining environmental conditions as now practised in New South Wales is an important consideration.

The O'Kane report of 2014 entitled "*Independent Review of Coal Seam Gas Activities in NSW*" is a contemporary reference document that evaluates management issues and is clearly a key guide to this Inquiry's investigations.

Council has no specific recommendation on this topic for the Inquiry.

LEGISLATIVE AND REGULATORY FRAMEWORK

The State's legislation and other regulatory mechanisms essentially provide for assessment and approval of major energy projects at State level. Planning Schemes require permission for such projects but they are either under the control of a Minister (eg windfarms) as the Responsible Authority or they are exempted from planning permission provided approvals have been given under specific other legislation (eg Petroleum Act 1998 or the Mineral Resources (Sustainable Development) Act 1990). As a result no fees are payable to Council for its role in participating in, for example, Environment Effects or Planning Panel processes associated with such energy projects.

Moyne has participated in EES proposals for major energy projects in the Shire and advocates on its community's behalf in presenting issues of concern. It has developed policies to address specifically how Council consults with the community and project proponent.

Moyne has estimated that, on average, it has expended \$250,000 for each of the major energy projects considering social, economic, environmental and infrastructure impacts. Costs incurred include officer time, consultants, peer reviews, legal advice, representation at hearings and the like. This can be an unforeseen commitment that is not anticipated within Council's annual budget.

Moyne has for several years had 1.75 EFT employed specifically to deal with major projects, including running several community consultative committees to provide a link between project companies and the community.

Even if a planning permit were to be required for a major energy project, the maximum fee that can be charged under the planning fees regulations is \$16,130.00 for a project having a value greater than \$50 million. This clearly does not offset the cost of involvement of Council in the assessment of such projects.

Rural shires have an extensive network of local roads and bridges that they struggle to maintain as they come under increasing pressure by the continual increase in the size and weight of milk tankers, cranes, construction and freight vehicles. Major projects have had severe impacts upon our roads in some but not all cases. The Macarthur Windfarm is one example of where both major and minor roads were adversely impacted for a considerable period.

Where damage occurs to local roads during project construction phases, Council can expend considerable time and resources resolving such issues. How costs incurred to maintain or repair roads impacted on by significant additional demands from UG mining should be considered to ensure the burden is not unreasonably borne by the wider community.

Another aspect to consider is whether the legislation and regulatory framework should be a “one size fits all” approach or whether there should be different regulations for different types and scales of mining methods. It is important that for more straightforward projects and mining methods that that system is not so onerous that proponents take their projects elsewhere due to a system designed for more complex activities.

The Inquiry must review the legislative and regulatory framework to ensure that adequate fees or revenue streams are made available to local government which is expected to be part of any assessment and approval process.

Consideration needs to be given to ensuring that the legislative and regulatory framework will ensure protection and/or upgrade of road infrastructure at the proponent’s expense.

The Inquiry should review the legislative and regulatory framework with consideration of whether or not different types of mining should go through different pathways within the framework.

CONCLUSION

In conclusion, I have been asked to raise the location of the Public Hearings to be held. Council would like the Inquiry to schedule a Hearing in the south west of Victoria. The nearest current locations are close to Geelong or Melbourne which is not convenient.

Thank you again for considering our written submission. Council requests the opportunity to present to the Inquiry on this important issue.

Yours faithfully

Michelle Grainger for

Oliver J Moles
Director Sustainable Development

Encl: Listing of current Energy Projects in Moyne Shire



PROJECT	STATUS	SIZE / SCOPE	PROPONENT
WIND FARMS			
Operational			
Macarthur Wind Farm	Operational	140 turbines	AGL
Morton's Lane Wind Farm	Operational	13 turbines	CGN Energy
Codrington and Yambuk Wind Farms	Operational	34 turbines	Pacific Hydro
Approved			
Hawkesdale Wind Farm	Stage 1 (site compound) completed	Approximately 31 turbines	Union Fenosa Wind Australia
Ryan Corner Wind Farm	Stage 1 (site compound) completed	Approximately 68 turbines	Union Fenosa Wind Australia
Mortlake South Wind Farm	Stage 1 (site compound) completed	Approximately 51 turbines	Acciona Energy
Woolsthorpe Wind Farm	Stage 1 (site compound) completed	Approximately 21 turbines	Wind Farm Developments
Salt Creek Wind Farm	Stage 1 (site compound) completed	15 turbines	TrustPower
Proposed			
Dundonnell Wind Farm proposal	Permit application and EES submitted in July 2015	104 turbines	TrustPower
Penshurst Wind Farm proposal	Environmental Effects Statement (EES) being prepared	Approximately 120 turbines proposed	RES Australia Pty Ltd
Willatook Wind Farm proposal	Preliminary studies being undertaken	Approximately 100 turbines proposed	Wind Prospect WA Pty Ltd
Mount Fyans Wind Farm proposal	Hydro Tasmania is discussing the proposal with neighbouring	To be confirmed	Hydro Tasmania



	landholders		
PROJECT	STATUS	TYPE / LOCATION	PROPONENT
GAS PROJECTS			
Gas Fired Power Station			
Mortlake Power Station	Operational	Peak-load gas power station	Origin
Other Gas Projects			
Halladale, Black Watch and Speculant Project	Onshore drilling for offshore gas. Drilling is in progress. Expected project completion date – first quarter 2016	Nirranda South	Origin
Otway Basin, Bass Strait (offshore) – Geographe, Minerva, Casino and Thylacine gas fields	Active offshore gas field exploration and extraction	Offshore from Western Victoria including Moyne Shire	BHP Billiton, Woodside, Santos, Origin
OTHER PROJECTS			
Carbon Sequestration			
CO2CRC Otway Project	Operational carbon sequestration demonstration and proof-of-concept project	Nirranda	Cooperative Research Centre for Greenhouse Gas Technologies
Wave Energy			
Port Fairy Wave Energy project	Being installed during summer 2015-16	Installation and ocean-testing of a single pilot ‘bioWAVE’ unit. Proof-of – concept project	BioPower Systems