

TRANSCRIPT

STANDING COMMITTEE ON THE ENVIRONMENT AND PLANNING

Inquiry into unconventional gas in Victoria

Melbourne — 22 July 2015

Members

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Ms Harriet Shing — Deputy Chair

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Mr Richard Dalla-Riva

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Mr Paul Fennelly (sworn), chief operating officer, eastern Australia,

Mr Damien Dwyer (sworn), director, economics, and

Mr Matthew Paull (affirmed), policy director, Queensland, Australian Petroleum Production and Exploration Association.

The CHAIR — I welcome to the table Paul Fennelly, chief operating officer at the Australian Petroleum Production and Exploration Association; Damien Dwyer, director, economics; and Matthew Paull, policy director, Queensland. I ask Keir to swear you in for evidence.

Paul, I ask you to lead off with a presentation, and then the committee will ask questions.

Mr FENNELLY — Firstly I would like to thank the committee for providing APPEA with the opportunity to speak to our submission this afternoon. By way of introduction, APPEA is the peak national body representing Australia's oil and gas industry. Our organisation comprises approximately 85 full member companies that currently account for about 98 per cent of Australia's total oil and gas production and the vast majority of exploration.

Our industry creates significant wealth for the nation through the employment of thousands of Australians. It underpins revenue collections of governments and generates valuable export revenue for the Australian economy. It is also bolstered by state-of-art technology that allows gas resources to be extracted without undue impact on the environment. Victoria has had a long history associated with natural gas development in Bass Strait, going back to 1969, the year man landed on the moon. Almost 50 years later, the state is the largest consumer of natural gas in Australia. Approximately 1.8 million householders and a major proportion of the manufacturing sector make use of this vital, cleaner energy source. But the times are changing. The 2013 Gas Market Taskforce report, which I recommend to the inquiry, says:

Victoria has enjoyed cheap and reliable natural gas for many years but those days are fading fast. Prices are rising, known conventional gas resources in Bass Strait will not last forever and there are prospects of onshore gas. Victorians should be under no illusions. Rising gas prices will have a negative impact on Victoria's manufacturing base. Jobs and investment are at risk. Costs of living will rise and could rise for longer if not addressed ...

The only sensible course of action is for the Victorian government and other eastern states to promote production of additional gas supply.

The findings of the task force are now a few years old, but Victoria remains the only mainland state without a significant onshore gas industry. Indeed it remains the only Australian mainland state with an outright ban on onshore gas exploration. This remains an unacceptable situation for both gas producers and gas users.

More than \$60 billion has been invested in projects that employed some 40 000 people at their peak in Queensland.

I just want to go to one other quote that is quite relevant, and that is from the Business Council of Australia. It argues that:

Governments across Australia must come to terms with the fact that restricting gas supply only adds upward pressure to price, compromising the competitiveness of manufacturers and trade-exposed businesses, and increasing household costs.

There may be significant onshore gas resources accessible in certain Victorian basins, but without exploration — a low-impact activity — it is impossible to determine exactly what resources are available. A continuing exploration ban not only slams the door on regional development, regional investment and economic opportunity but it denies Victoria a chance to secure its future energy supply. It should be lifted immediately.

APPEA also submits, and this is an issue we would like to talk about if possible, that the inquiry recommend the establishment of a GasFields Commission or that type of model, similar to the Queensland model, to foster dialogue and understanding between government, industry, farmers, key stakeholders and regional communities. We submit that the committee incorporate the principles of the COAG multi land use framework in its policies to manage coexistence between the industry and farmers, adopt the risk-based approval to regulations set out in COAG's national harmonised regulatory framework for natural gas from coal seams and adopt it to underpin regulation for unconventional gas in Victoria. And of course we recommend the lifting of the moratorium on hydraulic fracturing.

The findings of multiple Australian and international reviews and inquiries by eminent individuals are in. The risks associated with producing gas onshore can be managed through the creation of robust regulatory regimes, supported by effective monitoring and compliance. Gas production is an industrial process. Like any industrial process or human activity there are associated risks, but risks can be managed. Thankfully Australia's onshore gas industry has sustained a long record of safety and the highest professional standards in this regard. In Queensland, for example, natural gas has been safely sourced from coal seams for almost two decades now, with no evidence to label it as an environmental or health risk. Thousands of jobs are linked to the CSG development currently and in the coming decades in Queensland. Billions of dollars in royalty payments will contribute significantly to the Australian and Queensland governments and to public services, schools and hospitals.

Farmers are saying yes to CSG in big numbers to mutual benefit in that state. More than 5000 land access agreements have been signed — agreements between gas companies and farmers, farming families. They are receiving additional income not dependent on the weather, and in many cases property and infrastructure has been enhanced as a result. Water, an unwanted by-product of gas extraction, is also used to drought-proof properties for livestock and crops, and companies have invested more than \$160 million directly into local community projects and charities, including CareFlight aeromedical services, which are saving lives.

It has also been encouraging to see respected federal representatives on both sides of the parliamentary divide recognise the importance of onshore gas operations. The federal Minister for Industry and Science, the Honourable Ian Macfarlane, recently said to a national newspaper that the benefits are now flowing because Queensland politicians stood up to the fear and misinformation that threatened the industry's early development, and I quote:

There was no politicking — it was all fact, all science. Local government, state government and the federal government all stood shoulder to shoulder, and we brought about the biggest economic revolution to rural Queensland that has occurred in my lifetime.

In a recent speech delivered in Melbourne by Gary Gray, the federal shadow minister for resources, he said:

... properly executed and thoughtfully engaged, the onshore gas industry is a massive benefit ... not just to our states, not just to our nation, but importantly as we've seen in Queensland to communities, to jobs, to build better communities and stronger communities.

It is now Victoria's turn to show political leadership to secure its energy future and encourage investment. I recommend our submission to the inquiry, and we are happy to take questions. Thank you once again for having us.

The CHAIR — Thank you for your submission. There is a wealth of things I would like to ask you, but I am going to confine myself to two. We heard earlier in the day that gas consumption is falling and that therefore there are alternative mechanisms to finding more gas as it were. That is the first point I wonder if you might respond to. The second is I want you to outline how a so-called gas fields commissioner or other similar official would operate.

Mr FENNELLY — Yes. We have heard that first claim, and the thing that must be foremost, in my view, of the committee is that gas is used as part of the manufacturing process. Gas is also used as energy. But in Victoria — and you will hear submissions from PACIA and their membership — gas is actually part of the process. My colleague Damien Dwyer is going to expand on that question, and I will come back on the GasFields Commission if I could.

Mr DWYER — I take it, Chair, you are referring to the Melbourne Energy Institute work?

The CHAIR — Yes.

Mr DWYER — There are three things to say. Firstly, we have not seen in detail the work that has been done, so it is hard to comment in detail. We have seen similar work that was done in New South Wales,

and I guess a couple of points emerge from looking at that work. The work was a scenario. It was essentially putting together a series of assumptions to put together a particular scenario and model the outcomes of that scenario. That is fine; most modelling exercises go to those sorts of points.

In the case of the New South Wales work, the scenario chosen was one where demand reductions required to keep daily peak winter demand below the level required to bring on new investment were assumed, and then you back calculate from that the sorts of demand reductions that might be required to bring about that outcome. That is fine; that is a legitimate way to come at the exercise, though it is important to understand that context. In that case, you can make a number of assumptions that will drive demand lower. They are mutually reinforcing; they produce the outcome that you have. What that does not say is how probable those outcomes are. It says they are a possibility and they could sit at one end of the spectrum and there might be another end of the spectrum where there is a number of — —

The CHAIR — If I can short-circuit a little bit, because I am conscious of time, you have not seen that work in detail. It is a submission to the inquiry, so you may wish to take that on notice and come back.

Mr FENNELLY — We can take it on notice and come back to you. That would be good.

Mr DWYER — The key point I would finish on, though, is that by allowing the energy market — the gas market — to operate effectively, all the sorts of demand and supply signals that might come through can be taken into account. If, for example, all those assumptions come to pass and demand is in fact lower, then the signal that sends to the market is that further investment is probably not required. If those assumptions do not take place and further investment is required, then the market can operate to bring that about.

The CHAIR — Is it APPEA's position in this context that if new sources of supply were found, the price would be impacted in such a way that it would be supplied and may actually stimulate more demand?

Mr DWYER — One of the ways in which you can respond to higher prices, and the market normally responds to higher prices, is by having new entrants and new supply. One of the clearest ways that we can see downward pressure placed on prices is further supply. That is the core point.

The CHAIR — Come back to us.

Mr FENNELLY — I guess that is a key point that I am sure this inquiry will see from submissions. It is now the manufacturers calling for the lifting of this moratorium. It is now the manufacturers saying, 'We need to look at this opportunity'.

In terms of the GasFields Commission, Chairman, I am saying it is a model. It is a model that has been established in Queensland. It was established in 2012 and has support from both the national Labor and Liberal parties. It is a model where effectively it moves the inquiry around gas — it moves the issues around gas — away from the political spectrum into the realms of this commission. The commission in Queensland is chaired by a gentleman called John Cotter, who was formerly the head of AgForce, which is the equivalent of the Victorian Farmers Federation up there. It comprises other farmer representatives, local mayors and people with expertise in water management and science.

Their terms of reference are facilitating better relationships between landholders, regional communities and the onshore gas industry; reviewing the effectiveness of government entities in implementing regulatory frameworks; advising on regulatory frameworks; education materials and information about onshore gas for regional communities; and also what is leading practice and focusing on what is leading practice in terms of community engagement and actual tactical approaches in terms of CSG.

What has occurred in Queensland, and the success of this model, is that it has focused on the real issues — not the fear and misinformation, not the hysteria, not the histrionics. It is hard-edged people — farmers and one representative from gas — looking at the facts. What are the real issues? If there are issues with regional communities, the chairman takes it to the minister, the chairman takes it to the CEOs of those companies, and it has had an enormous impact in progressing a sound, rational debate in Queensland. Now

we have some 5000 farmers who have entered into agreements with gas, and we do not have the fear and the misinformation and the hysteria that we often see in the broader debate.

What we are saying in Victoria is that this is a mechanism to go forward. It is a mechanism where people can have trust in the system and trust in this new structure, and an opportunity to look at the real issues. I think what was demonstrated by the previous government's market research and consultation with the regional communities, which was presented to Minister D'Ambrosio, is that there is about 50 per cent of the sample who still want more information. They want to know more about gas and they want to know the benefits and the weaknesses. We believe this forum provides a fantastic opportunity for Victoria.

Ms SHING — Thank you, Matthew, Paul and Damien, for that initial introduction to your position on behalf of your members. I have a couple of questions. The first one goes to reputational risk for key markets, specifically in Gippsland and the way in which that particular area is responsible for around one-quarter of the nation's beef and dairy production, which stands it in contrast to other areas where gas markets have been developed. I would like to get your take on how it is that your members have engaged with communities on the issue to minimise what you have talked about as being fear, misinformation and hysteria that has perhaps contributed to the opposition to this particular market being more broadly accepted or acceptable than it is at the moment. Because there is a lot of community opposition, as you have referred to. We are all aware of that. It was abundantly clear at the hearings we held in Sale, and I would like to talk about how it is that your members have taken that on as a responsibility to manage and a concern to mitigate.

Mr FENNELLY — There are some real issues in Victoria that are unique to Victoria, obviously. Obviously, as I said in my opening comments, we have a well-established natural gas industry offshore. Onshore we have a small group of companies: Ignite, Lakes, Beach and Icon. Beach and Icon have pretty well left the state until they get some certainty about what is going to happen. But you have got Lakes and Ignite who are trying to work with farmers on the ground, and they are making good progress on the ground. But both companies are very small. They do not have the battalions of people to work with communities like in New South Wales, South Australia, Western Australia and Queensland. It is a small industry, and we believe there is a different role in Victoria, and that is why we are pursuing this GasFields-type model. There is a role for government, or this GasFields Commission, to be involved in the education, the engagement.

APPEA — recently we have entered an arrangement with the Victorian Farmers Federation. We are going to go around the state with the Victorian Farmers Federation to provide our perspective: this is what gas is about, this is what we do, these are the practices, this is how we sit down with farmers, this is how we communicate, this is where we place the wells. Those sorts of issues need to get out there because there is a void at the moment. I am not making excuses, but these are very small companies. But in Victoria I think we have got an education effort to undertake, and we think this commission could provide a very good opportunity for that.

Ms SHING — My second question — if I may, Chair — is you have talked about and we have heard evidence in relation to downward pressure being useful for the purposes of plateauing gas price rises and anticipated rises for domestic and international markets. I was just wondering whether you had an overall position in relation to the role that renewables might have and the development of renewable energy technology as part of easing pressure on gas prices and what that might mean as a competing pressure for the purposes of managing markets.

Mr FENNELLY — I will refer that to Damien because he has a lot to do with Mark Butler and Greg Hunt.

Ms SHING — Good. Thanks.

Mr DWYER — Thanks, Paul. There are probably two points to make there, one I referred to earlier. Another one is of course that there are significant complementarities between many gas elements and renewable developments, and that has certainly been the experience in states like South Australia, where

the development of the largest, I think, renewable base in Australia is supplemented or complemented by significant gas developments. The other point goes back to the earlier point I made about allowing the energy market to work efficiently. If you allow that to happen, then each energy source — renewables, gas, others — finds its role. We do not have a view on whether renewables should be X per cent or Y per cent, we have a view on allowing competitive markets to determine the mix of energy that we find. It will be the case that different jurisdictions given their resource base — and by resource base I include renewables — will find the different mix that works for them, and they should be allowed. I guess our core point would be that should be allowed to take place.

Mr DALLA-RIVA — I thank the members for their presentation. As we have been hearing evidence across the state, would you agree that you have lost the on-the-ground support in terms of unconventional gas being extracted out of Victoria?

Mr FENNELLY — Have we lost on-the-ground support? It depends on what you call on the ground. If you go out to the manufacturing sector, if you go to Altona where there are tens of thousands of jobs at risk because of uncertainty about our gas supply, I would say there is a groundswell of support for looking at onshore gas. This inquiry is looking into onshore gas, yet we have yet to prove up the exact reserves because we have got a ban on exploration. We have got two companies — one wants to drill two wells; the other, John White, has indicated that he just wants to do core samples. So, yes, in the manufacturing sector I would say there is a groundswell of support from the Australian Industry Group, VECCI and PACIA, as well as the major manufacturing groups.

On the ground in Gippsland and elsewhere — the Otway — I am sure there is fear. The very fact that governments have imposed moratoriums because of political purposes, that would incite fear and concern. But we believe our industry is strongest where we operate. We have very strong support in Queensland and throughout Australia where we operate. What we are saying is that there is an opportunity here. And I think, as indicated by the very good work that was undertaken by our primary agency in terms of the community consultation, there are about 50 per cent of the people there. They want more information, so I do not think it is a closed shop. I think people are interested in how we can put a downward pressure on gas prices in this state.

Mr DALLA-RIVA — Do you think the argument has been lost, though, out in the broader community — that coal seam gas is dangerous, that it affects the water supply, that it creates earthquakes. What else have we heard?

Ms SHING — Subsidence.

Mr DALLA-RIVA — Subsidence of land. There is a whole raft of issues that have come out in our inquiry. To say that is all good, trust us, does not quite wash for me as a committee member. What are you trying to prove to us? Apart from the jobs that supposedly are going to come — and we asked a previous person who gave evidence and when we drilled down to the amount of jobs we could not get that. When we asked in particular about surety of ensuring that there was not going to be damage to the watertables or the water supply, we could not get that. I am a bit concerned that you have come in here and just said, 'Trust us; it's all good'. Do have any comment on that?

Mr FENNELLY — Yes, I read the transcript. I think you were talking to Mr Annells, and what he was trying to explain is the potential. You asked him the question about how many jobs would gas produce in manufacturing? He said, 'I cannot answer that'. But he was talking about potential opportunities in the Otway and he was saying there is potentially thousands of jobs. That is the context that he was talking about, so I think we need to state that. We have not lost the debate. In Queensland it was a new and emerging energy source. We had gas companies coming into farms. There was a lot of fear and emotion. But over a period of time, and through a structure such as the GasFields Commission where the facts got out, where the farmers — —

Whilst Queensland is dramatically different to Victoria, you cannot tell me 5000 farmers in Queensland are complete fools and completely ignorant and they have just ignored the impact on their farms and water

and their communities. Communities out there are very buoyant, and what we are saying is that, yes, we have got a bit of work to do in terms of educating the community, but there are benefits for regional towns, there are benefits for farmers, there is water available out of this process. But we have got to get the facts out there.

But most importantly — we really call on the inquiry — we have got to prove up the reserves. This is almost like a *Seinfeld* episode: it is an inquiry about something we do not really know yet. That is what we are saying: as a matter of urgency we have got to prove up these reserves. We believe we have got an abundance of gas in this state and can provide energy security — a clean source of energy.

In terms of the water aquifers, we have in our submission referred to a number of recent inquiries. There is inquiry after inquiry. We operate on the highest environmental standards. We do not damage the aquifers. There is a body of work — the chief scientist, the recent Northern Territory work, international work — that is all there for your perusal. We believe we operate at the highest possible standards and we can do so, and we have indicated that we do not shy of high standards of regulation, compliance and enforcement.

Mr DALLA-RIVA — Just a final question, Chair. We took evidence from Dairy Australia, and I think I said that they were sitting on the fence a bit and they should have been arguing more for the industry. The uniqueness of Victoria is that we are by far the largest exporter of dairy produce throughout the world. In Queensland — and I put again this on the record — there are 475 farms producing 430 million litres of farm gate value milk. In Victoria we have 4268 farms producing 6.12 billion litres with a farm gate value of \$3.12 billion. Queensland versus Victoria, there is no comparison. Have you taken into account the potential impact on the dairy industry by unconventional gas compared to the same sort of attitudes to the farm gate in Queensland?

Mr FENNELLY — I am just trying to get the question. What is the question?

Mr DALLA-RIVA — You are saying that the impact on the farm industry in Queensland with Queensland unconventional gas is not impacting. We have heard evidence that, given the large amount of farming that is crucial for our dairy export industry, to try to compare Queensland and Victoria is not quite fair. Therefore have you taken any sort of evidence or analytical studies to say, 'Okay, if we were to look at unconventional gas in Victoria, it would have an impact on the dairy industry, given the large nature of the industry here compared to Queensland'?

Mr FENNELLY — No, we would say it would not. What we would say — yes, agriculture is different. I am sure that Queensland farmers say that their export contribution is strong as well. What we are saying is that whilst dairy is very prominent in Gippsland, no question about that — what we are saying is the practices of the industry, the regulations that would apply to the industry, how the industry conducts itself, how the industry interacts with farmers, dairy farmers. Every farm is different in terms of geography, the structure, the livestock. It is a negotiation around that particular farmer. It is not a blanket approach. You sit down with the farmer. The farmer is provided with legal advice, technical advice. Well placement — traditionally now it is on the edge of the farm. Once upon a time they used to put them anywhere. Now it is pretty much on the boundary.

What I am saying is that with the right structures and the right regulation and the right cooperation, under the auspices of this GasFields-type model, we can achieve a model that we believe will work in concert with the dairy industry. The submission by Dairy Australia, I did not really pick up that there was a vehement opposition to looking at this industry.

Mr DALLA-RIVA — No, there was not.

Mr FENNELLY — No.

Mr DALLA-RIVA — That is why I asked the question. Thank you.

Ms HARTLAND — I have a number of questions. When you were talking about 5000 farmers who are in agreement in Queensland, it is my understanding that in Victoria there is no right of veto for farmers. Is there a right of veto for farmers in Queensland?

Mr FENNELLY — No.

Ms HARTLAND — So in fact farmers have signed these agreements because they actually have no right not to sign the agreements.

Mr FENNELLY — No.

Ms HARTLAND — How can they stop the company coming onto their land and drilling if they have no right of veto?

Mr FENNELLY — There is a process where it can go to arbitration, it can go to court. I do not think there has been one negotiation which has gone to court.

Mr PAULL — There was one, but it was related to a property, a marital dispute; it was not related to — —

Mr FENNELLY — That is right; it was relating to one of the parties was absent.

Ms HARTLAND — How much would it cost the farmer to take that to court?

Mr FENNELLY — I could not answer that. I will take that on notice for you. I could not answer that straightaway. But what I am trying to say to you is that the approach of the industry in Queensland is one of cooperation. It is a — —

Ms HARTLAND — The farmer has no right of veto, so how is that cooperative?

Mr FENNELLY — Basically the negotiation — Matt, why do not just take us through the day-to-day negotiations, what happens on the ground — —

Mr PAULL — In a number of areas the Queensland government has designated as priority agricultural areas there is actually an equal say. It is not a right of veto. It is not a right of access for the company either. There is a negotiation. If the landholder does not want the activity on their land, the company has to go and get an approval from the government.

Ms HARTLAND — Once that approval is got from the government, then the farmer has no right to veto, so you can come onto their land?

Mr PAULL — No, but the company does not have a right of access either. The approval is not guaranteed; the approval is on the basis of minimal impact.

Ms HARTLAND — But if they get the approval from government, then the farmer has no right to veto you coming onto their land?

Mr PAULL — No.

Ms HARTLAND — Right. So farmers in fact have no rights in Queensland, and so they are being — —

Mr PAULL — No, they have quite substantial rights.

Ms HARTLAND — If they have no right to veto, how do they have rights to stop you coming on their land?

Mr PAULL — The basis on which you get the approval is a minimal impact on the landholder. So you have to demonstrate that you are avoiding minimising the impact — that you are putting your

infrastructure on the edges of their operation, for example, that you are not interfering unduly with their activity. They have quite substantial rights and protections that ensure that their farming operation, if that is what it is, is protected, can continue and can be quite productive and successful.

Ms HARTLAND — What I am saying is that if you have got the approval from the government and the farmer still says no, you get to go onto their land and do as you wish?

Mr PAULL — No.

Mr FENNELLY — No.

Ms HARTLAND — All right. So how? Sorry.

Mr PAULL — It is heavily regulated, so you cannot just go on their land and do whatever you want. If you need that approval from government, then that approval restricts you to a very small footprint; I think it is 2 per cent — —

Ms HARTLAND — But even if the farmer does not want you to do that —

The CHAIR — With conditions.

Ms HARTLAND — they still have no right of veto?

Mr PAULL — No, and the company does not have right of access either.

Ms HARTLAND — I am asking you about the farmers, because you are making it sound like there is this incredibly rosy picture in Queensland. You have got 5000 farmers who have signed up, but everything else I have heard from farmers in Victoria and in other places is that there is no right to veto, and they cannot actually stop the companies coming onto their land even if the farmer says, 'No, you go and get permission from the government'. Even if you are saying it has small impact and the farmer still does not want even that small impact, they have no right to stop you.

Mr PAULL — No.

Ms HARTLAND — Right.

Mr FENNELLY — No, but the process — I can see what you are trying to say.

Ms HARTLAND — That farmers have no rights, yes.

Mr FENNELLY — Chairman, if the budget permits, I strongly recommend that the inquiry visit Queensland and talk to farmers. Talk to farmers, talk to the agricultural groups — AgForce. They indicated to me the other day they have more members in support of gas than those who are neutral or not interested. Gas is accepted by the farming communities up there. It is not war; it is a cooperation; it is a negotiation. They have provided legal advice, technical advice and water baseline studies. I encourage the committee to get into Queensland and talk to these people.

Ms HARTLAND — If I can have a few more questions — —

The CHAIR — Just one more or two — —

Ms HARTLAND — No, I have actually got several. I think it would be really worth our also asking Lock the Gate Queensland to respond to this submission, because I think we also need to hear from them. Also you have made a statement — and I hope I am not misquoting you — that — —

Mr FENNELLY — That is suggesting Lock the Gate represents whom? Who do they represent?

Ms HARTLAND — You are not aware of Lock the Gate?

Mr FENNELLY — I am aware — —

Ms HARTLAND — They are those hysterical people who cause fear in the community, but I think it is still worth hearing from them. I have another question.

Mr FENNELLY — I would strongly suggest you talk to the farmers, you talk to the mayors, you talk to the regional communities —

Ms HARTLAND — Yes, and I suggest we talk to all of those people as well.

Mr FENNELLY — you talk to the government, you talk to the regulators. They will give you the true story.

Ms HARTLAND — I have another question for you. I hope I am not paraphrasing you, but you said that this work never damages the aquifer. Can you absolutely, 100 per cent, say that drilling never ever causes harm to any aquifer?

Mr FENNELLY — What I would refer you to is the body of submissions in our inquiry that have been conducted by the New South Wales chief scientist; the Australian Council of Learned Academies; Allan Hawke, AC, for the Northern Territory Government; the New Zealand Parliamentary Commissioner for the Environment; the Council of Canadian Academies; the UK Royal Society; the Royal Academy of Engineering; and the United States EPA. I would encourage you to have a look at those rather than talk to me about it.

Ms HARTLAND — I asked you the question. You said that this would never — —

Mr FENNELLY — Based on those reports, no.

Ms HARTLAND — So you are saying all of those reports claim that no aquifer has ever been damaged and no aquifer in the future will ever be damaged?

Mr FENNELLY — What I am saying is those reports — the risk could be managed and that damage has not been caused to the aquifer in those reports.

Ms HARTLAND — It has not in the past, and it will not in the future?

Mr FENNELLY — What we are saying is we operate at the highest environmental standards. It is a highly regulated industry. There is high compliance, and there is high enforcement. We can operate, and to the satisfaction of the communities. That is part of the future of the GasFields Commission. They oversee these activities.

Ms HARTLAND — That is not the question I actually asked. I said: can you say 100 per cent that there has never been damage to an aquifer in the past from these processes, nor will there be in future?

Mr FENNELLY — In Australia?

Ms HARTLAND — In Australia.

Mr FENNELLY — To my knowledge, no.

Ms HARTLAND — So there has never been any damage anywhere in Australia to an aquifer?

Mr FENNELLY — To my knowledge, no.

Ms BATH — With respect to the GasFields Commission, what sort of powers do you see it having? Do you see that it would as a collective be able to reject proposed mining projects or in specific areas? What powers do you see that holding?

Mr FENNELLY — It does not fulfil the role of the regulator or the planning department — or the mines department, for example, or the division of state development. What it oversees is the practices of the gas industry in Queensland. It sets out about 12 powers and functions, and I have just read out some of them. The main thing is, if there are concerns from the regional communities about gas development — it could be roads, it could be a range of things — that body looks at ways of solving the problem or regulation that may be introduced to overcome that particular problem. It is a representative body of regional groups, farmers and the industry, but importantly the chairman is a very influential person. The chairman is a farmer. As I said before, he is from the farmers federation. This has support from Labor, The Nationals and the Liberals in Queensland, and it has worked very, very effectively, but the main issue is it focuses on the real issues: the water aquifer, agricultural water and beneficial water, and how we manage those issues. They make recommendations to the government or say how regulation can be improved to meet the requirements of the community and other issues, and it has gone a long way to developing the trust that has been achieved in that state.

Ms BATH — A point that I keep coming back to, coming from Gippsland, is that our soil, our agriculture in Gippsland, for example, is quite different to Queensland and places in Queensland, so we need to look at a different structure and framework around that.

Mr FENNELLY — That is what I am saying. I could see Gerald Leach being on this thing, hypothetically. I am sure he does not want to be there. What I am getting at is you would look at the very nature of Gippsland and how could this industry operate in Gippsland. What are the things that are different about Gippsland that need to be at the forefront of this commission's work? How do regulations need to be modified for Gippsland? It is that sort of independent body where the community has confidence. It is just not a bunch of bureaucrats or a bunch of politicians; it is an independent body, by people they believe they can trust, and it has gone a long way.

Ms BATH — I guess on one level I would question that the community would still have confidence. I think we have not got to that point we were establishing. That is hypothetical.

The last question of mine is: with respect to offshore gas — just normal, old-fashioned conventional gas — what sort of reserves do we still have out there in Bass Strait or off the Otways?

Mr FENNELLY — As you know, the previous gas task force looked at that in some detail. It is probably best for Damien to expand on that.

Mr DWYER — The only thing I can point to in that space is, I guess — two things. One, further exploration would need to take place to prove up further reserves. The other thing to say is that the experience recently is that the offshore developers have invested several billion dollars in maintaining gas supply. That is maintaining, not expanding. What they found in doing so is a couple of things. One, fields are smaller further offshore and more costly to develop than the previous one. Not surprisingly, they found the good stuff and developed the good stuff first, so going forward, it is the case that the Gippsland joint venture will continue to market and supply gas into the domestic market.

The CHAIR — I think the deputy chair has one further question.

Ms SHING — I just have one further question which arose in the context of Colleen's questions to you, Paul, and answers from you, Matthew. Are you aware of any jurisdiction where in the context of a minimal-impact test, or something along similar lines, reputational risk or damage to industry and to output is considered as part of weighing up competing priorities?

Mr PAULL — In Queensland there are a number of examples where those sorts of factors are in play. There are organic farms. There are cotton farms which have to meet certification standards. As Paul said earlier, every landholder is different. Certain landholders are going to want to meet the standards for their product, and the industry has demonstrated that it can achieve that by engaging with the landholders. If the landholder says, 'You can come onto my operation as long as I can maintain my organic certification', that has been achieved in a number of instances.

Ms SHING — Rather than certification, I am talking about reputational risk to market — for example, where you are looking at export of milk powder or fresh product to Asian markets, where a premium is paid for land that operates under certain conditions and is managed in certain ways by landholders.

Mr PAULL — There are a number of examples where that is in play in the onshore gas industry in Australia.

Ms SHING — If you could provide examples of that nature to the committee, I would be grateful.

Mr FENNELLY — Yes, we could take that on notice. And we could talk about the beneficial water —

Ms SHING — Thank you. Specifically on the reputational risk issue.

Mr FENNELLY — Yes, that is good.

The CHAIR — Paul, Damien and Matthew, thank you. The secretariat may want to talk to the association further as things proceed. We welcome any assistance you may be able to provide. A Hansard transcript will be provided to you in the next few days for corrections.

Mr FENNELLY — The inquiry's website in terms of submission has only been populated up until 13 July, but we understand that there is strong support from the manufacturing sector and strong interest in respect of this — —

Ms SHING — There are further submissions.

The CHAIR — You will discover that there are literally hundreds and hundreds of them that have been ticked off today for attachment to the website.

Mr FENNELLY — Thank you.

Witnesses withdrew.