26 August 2011

Att: Parliamentary Inquiry into Minerals
Parliament of Victoria
Economic Development and Infrastructure Committee
Parliament House,
Spring Street
EAST MELBOURNE VIC 3002

PARLIAMENTARY INQUIRY INTO GREENFIELDS MINERAL EXPLORATION AND PROJECT DEVELOPMENT IN VICTORIA

Thank you for the opportunity to provide a submission to this significant inquiry into minerals exploration and project development in Victoria.

About Wellington Shire
Wellington is located in the central Gippsland Region (approximately 200km east of Melbourne), with a population of 41,000. In terms of land area, the municipality is the third largest in Victoria. Wellington Shire’s economy is heavily focused on dairy processing, agriculture, defence, offshore oil and gas production, timber, tourism and service industries.

Mineral endowment
The Wellington Shire has a substantial body of mineral resources including major brown coal deposits. Despite popular public perceptions, such deposits in Gippsland are not confined to the Latrobe Valley but are also part of Wellington Shire as illustrated in the coal overlay map below.
Unlike the Latrobe Valley, which has had a significant power generation and briquetting sector in place since the mid 1920's, the substantial coal deposits within Wellington Shire have only ever been worked to very minimal levels.

Wellington Shire Council is acutely aware of the potential for a significant enterprise to be potentially created by Monash Energy's coal to diesel project (which will be substantively located within this municipality) and the research and development currently being undertaken by Ignite Energy, who hold expansive licences to the south-east of Monash Energy's exploration area.

The potential for energy sector exports from the region is growing strongly from a base already established by the long term association with ExxonMobil, which has provided nearly all of Victoria's domestic and industrial gas requirements since the 1960s.

While employment numbers in the mining sector of 630 out of 17,000 in Wellington Shire, in the 2006 census, are relatively low proportionally, the high level of remuneration and economic multipliers makes mining a significant economic contributor. More recent development of the Bass Strait Turrum and Kipper gas fields are expected to significantly boost employment with on shore gas processing developments at Longford.

Geothermal energy also appears to offer some potential as illustrated by the map below. The Maffra High Heat Flow region would appear to offer a great deal of potential with three wells with an average of 126 mW/m². Coal beds are common in these wells. The region is open to the north and east and is up to 23 km in lateral extent from current indications.
The Regulatory Environment, Fees Charges and Royalties

There is a real concern that while there has been considerable exploration across the Shire for many years, companies appear to hold these assets and potentials for long periods by extending exploration licenses, without moving to development.

As occurs in other states, Council believes that there needs to be a defined period for mining companies to utilise their licence and commence development or forfeit the licence to the State. This would facilitate more rapid development of mineral and energy assets.

Similarly, if an area is found to not have exploitable and/or viable coal resources then the coal overlay should be removed to enable development for agriculture, industry or residential purposes. A potential egg farming opportunity in the Rosedale area was lost in 2010 because of a restrictive State Resource Overlay.

The advertising of licence applications needs to be more open and transparent with plain English language and properly descriptive maps which accurately define the subject area. Most advertising is obscurely located in public notices, written in mining engineering terminology with maps frequently difficult to decipher.

In cases where a project transfers from exploration to a mining licence, there should be clear and early public explanation of the long established compensation regime. There have been well publicized cases in recent years where this did not occur and substantial local anxiety ensued.
Fees, charges and royalties should take into account the infrastructure needed and impact on that infrastructure, such as pavement damage on road surfaces or connectivity to the rail network. Mining projects requiring major upgrades to bridges and impacting on roads should be required to make ‘up front’ and ongoing contributions to such infrastructure.

**Cost/Benefit and managing conflict**
While Wellington Shire Council supports mining and the extraction of oil and gas we believe that there are opportunities to improve the management of real and potential conflicts between exploration, extraction and other land uses through appropriate regulation.

**Water**
Agriculture is the largest employer in the Wellington Shire, employing over 2300 people. Many towns in Wellington Shire including Sale (population 14000) extract their domestic water from bores. The southern part of Wellington Shire has suffered for many years a significant and ongoing decline in the water table as a result of oil and gas extraction in Bass Strait and in from mining activity in the Latrobe Valley. This has seriously impacted agricultural production. In the area around Longford, a moratorium on bore water extraction is a serious constraint on one of this State’s major vegetable producers, Covino Farms. This moratorium is a result of mining impacts on the water table.

Council believes that all new licenses should require water extracted in the mining, oil or gas extraction process to be reinjected into the same aquifer by the company. This is an accepted practice internationally. In the world’s driest continent the waste of water is economically and ecologically unsustainable.

The same should apply for geothermal production as some of these areas have salinity issues with the water that would be extracted as part of the process.

**Precautionary Principle**
Recent stories emerging from Queensland of the impacts on aquifers and on agriculture, of practices such as ‘fracking’ in the extraction of coal seam gas are a great concern to Council. Based on these reports, it is foreseeable that fracking, if permitted in Wellington Shire could do great damage to agriculture and to town water supplies.

In addition to the contamination risks inherent in the practice of fracking, high use of water and damage to underground aquifers are unacceptable. Similarly, future coal processing activities will be required to have a minimal carbon impact and geosequestration (using emptied offshore oil and gas cavities) is recognised as a major opportunity to permanently store gases. This form of technology is slowly gaining technical acceptance internationally and Wellington Shire Council has closely followed legislative and regulatory developments, noting the potential consequences of high pressure carbon leakage into the water table.

The Macalister Irrigation District (centred on Maffra) is an area of prime dairy and vegetable production, with hundreds of millions of dollars invested in irrigation infrastructure in this area. Serious disruption of expensive irrigation infrastructure and practice is a foreseeable result of the type of coal seam gas exploration seen in Queensland with large numbers of wells as well as the disruption and damage caused by service vehicles. Such exploration should not be approved in the MID.

I trust the above comments are informative and assist the Inquiry in determining its forthcoming recommendations.
If further information is required, please feel free to contact Ian Campbell (Senior Economic Development officer) on 03-5142 3602 or ian.campbell@wellington.vic.gov.au.

Yours sincerely

CARLY BLOOMFIELD
Acting General Manager Development

Our Ref: RA:ra
Reply to: Robert Ashworth