COAG ENERGY COUNCIL GAS SUPPLY STRATEGY

Australia is a major user and exporter of gas, for household use and as an essential input to a wide range of manufactured products, in Australia and in export markets.

In the last 20 years, gas from "unconventional" reservoirs, including coal seam gas (CSG), shale gas and tight gas, has grown to become a critical supply source for Australia's gas needs.

The COAG Energy Council's objective is to maximise the benefit to the Australian community from the responsible development of gas resources.

In keeping with the Gas Market Vision the Council released in December 2014, the Council has agreed that its resources should be better utilised to meet community expectations in delivering this objective. This document is the Council's commitment to improving collaborative efforts between jurisdictions.

A detailed plan for implementing this commitment will be developed in the first half of 2016 in consultation with stakeholders. The Council will also communicate its expectations in those areas where it considers industry should be showing greater leadership, collaboration and consultation.

NEW OPPORTUNITIES AND CHALLENGES

Gas from unconventional reservoirs is already an important component of Australian domestic gas supply. Over 40 per cent of the gas which flows to consumers in the eastern market (Queensland, Victoria, New South Wales, South Australia, the Australian Capital Territory and Tasmania) already comes from CSG. Although 98 per cent of the CSG we use is from Queensland, it is a major driver of price and availability of gas for residential and business customers across eastern Australia. CSG also supports world scale investment in a major new Liquefied Natural Gas (LNG) export industry in Queensland.

The role of gas from unconventional reservoirs is set to grow. Eastern Australia's CSG resources are four to seven times larger than established, "conventional" resources in eastern Australia.

This is not a unique story to Australia, as gas from unconventional reservoirs is playing an increasingly important role globally. The shale gas industry has transformed the North American economy and seen it become reliant on its own energy resources, rather than imports. Many other countries are also looking to the benefits of this industry and are investing in its development.

That said, the rapid expansion of this sector in Australia has not been without its challenges. In some communities there are concerns about the impact of CSG operations. Industry, landholders and regulators have had to develop new knowledge and skills in a short period of time. Regulatory approaches have had to adapt. The market has struggled to make judgements on price and availability issues.

The effects of this change have been felt by landholders and investors alike, and led to tighter domestic gas markets across the country, not just in those jurisdictions which have an active CSG industry.

While many of these challenges are common to other extractive industries, the scale and pace of the move into CSG, particularly given its spread across wide areas and different land uses, makes responding to these challenges more difficult than with traditional mining. Landholder rights issues are appropriately a regular feature of community debate.

Regulation of gas supply is primarily a state responsibility, and individual jurisdictions have been taking active steps to address these issues in a manner which meets the expectations of their local communities.

This strategy recognises there is more that can be done collectively to assist individual efforts to determine the role that unconventional gas plays within individual jurisdictions. Specifically, the strategy commits each state and territory to greater collaboration on improving information resources, and sharing knowledge on scientific, technical and regulatory issues.

It will remain the right of individual jurisdictions to determine how they use this shared capacity in navigating this complex policy landscape.

ROLE OF THE COUNCIL IN GAS SUPPLY ISSUES

The idea of having a more common gas supply strategy was a key component of the COAG Energy Council's 2014 Australian Gas Market Vision, which outlined a commitment to improve the ways the gas market works, as well as to investigate opportunities for greater cooperation on supply issues. The primary driver was to assist supply to respond flexibly to market conditions, as long as this was undertaken in a responsible manner.

The Council already pursues harmonised approaches to land use and resource development. Most notably, the Council's Multiple Land Use Framework (MLUF) provides a national approach aimed at addressing challenges arising from competing land use, land access and land use change. Development of the MLUF was underpinned by a comprehensive study examining issues in multiple and sequential land use, including extensive stakeholder consultation and drawing on international leading practices. At its heart are a set of coexistence principles which enable government, community and industry to: instil a shared commitment to multiple and sequential land use; better inform public discourse; provide merit based land access decisions; and deliver better outcomes for affected communities and landholders.

In parallel, the National Harmonised Regulatory Framework for Natural Gas from Coal Seams (NHRF) built on the MLUF by putting in place a suite of leading practice principles focused on technical aspects of good practice around managing CSG development. As leading practice regulation is not static, the NHRF is updated on a continuing basis by jurisdictions to maintain currency with leading practice across Australia.

In implementing these common approaches, particularly in light of significant study of CSG issues across jurisdictions, it has become apparent that there is a need for deeper exchange on technical, regulatory and community engagement issues specific to gas from unconventional reservoirs.

State and territory governments have primary responsibility for regulating onshore gas exploration and production activities, including environmental protection, issuing licenses and land access arrangements. The Australian Government's environmental regulator is involved in the decision making process where an activity is likely to have a significant impact on a matter of national environmental significance under the *Environment Protection and Biodiversity Conservation Act 1999*.

Individual jurisdictions will determine their level of participation in this gas market development work and how they will use the outcomes of this strategy, however Council members will continue to share information and experiences, regardless of individual Government policy positions.

OPPORTUNITIES FOR FUTHER COLLABORATION

The Council has considered key relevant developments in each jurisdiction including the outcomes from recent domestic reviews and inquiry recommendations (Appendix A). Out of this, officials have identified four opportunities for deeper collaboration. These are intended to improve collective understanding of the issues associated with a rising reliance on gas from unconventional reservoirs, improve the information available to the community and regulators on development activities, and lead to refinements to existing Council frameworks. These opportunities are:

1. Improving information on gas reserves and production potential.
2. Improving public availability and accessibility of rigorous science and factual information.
3. Consideration of leading practice regulatory frameworks that effectively manage the risks and address issues for all conventional and unconventional gas resources.
4. Supporting leading practices in industry to support responsible development.

OPPORTUNITY FOR COOPERATION 1: IMPROVING INFORMATION ON GAS RESERVES AND PRODUCTION POTENTIAL

There remains significant uncertainty in the market about Australia's future supply potential, and how quickly this gas can be brought to market. The Council has access to some key data sets and the collective expertise of its technical agencies. One example of how this expertise is used is the annual report on upstream unconventional gas resources, reserves and production data based on data collected and published by individual Council members, Australia's various geoscience agencies and other organisations.

The Council will seek to increase publicly accessible knowledge about gas in both conventional and unconventional reservoirs by:

a. Increasing cooperation in the provision of well targeted pre-competitive geoscience information.
b. Sharing information about drilling activity and well performance.
c. Improving certainty around supply availability by reporting on resources, reserves and production data.

Specific proposals to enhance this cooperation and data access will be considered as part of the implementation phase of this strategy.

OPPORTUNITY FOR COOPERATION 2: IMPROVING PUBLIC AVAILABILITY AND ACCESSIBILITY OF RIGOROUS SCIENCE AND FACTUAL INFORMATION

The Council acknowledges there are community concerns related to the development of gas from unconventional reservoirs, in particular the impacts on water quality, availability and usage. Other key concerns focus on the need for early consultation, engagement, land use and access (including compensation), health and safety, and socioeconomic impacts.

It is the responsibility of both industry and governments to help build community trust and confidence in the development of gas resources in regions where the industry may be active. Governments have a responsibility to demonstrate the effectiveness of their regulations.

The Council will further facilitate the sharing of information, scientific capabilities, regulatory learnings and assist jurisdictions to respond to community concerns about potential local impacts of gas developments by:

a. Supporting more research and alliances between the community, academia, industry and governments.
b. Developing and maintaining information on key issues that can be used by each jurisdiction to increase community understanding.
c. Improving public availability of baseline environmental and monitoring results.

d. Further sharing of information about costs and benefits, risk management and opportunities in relation to social, natural, economic environments and governance.
e. Continuing to learn from community engagement experiences from jurisdictions (internationally and domestically) and share related communications tools and resources that are proven to be successful.

OPPORTUNITY FOR COOPERATION 3: CONSIDERATION OF LEADING PRACTICE REGULATORY FRAMEWORKS THAT EFFECTIVELY MANAGE THE RISKS AND ADDRESS ISSUES

Extractive resources industries, like other industries, come with risks and uncertainties, but this does not necessarily mean unacceptable risk. Risk can be effectively monitored, assessed and responded to by industry through leading practice, and by governments through effective regulation.

The Council will contribute to leading practice regulatory frameworks by:

a. Continuing to share experiences and engage with domestic and international expertise on regulatory developments, social, natural and economic matters.
b. Supporting and facilitating exploration, development and production approval frameworks that include processes for meaningful stakeholder consultation and balanced consideration of landholder views.
c. Continuing to share learnings about land access, communication protocols and frameworks for dispute resolution.
d. Continuing to encourage industry to ensure they have a social licence to operate.
e. Updating the *National Harmonised Regulatory Framework for Natural Gas from Coal Seams* to reflect new scientific knowledge.

OPPORTUNITY FOR COOPERATION 4: SUPPORTING LEADING PRACTICES IN INDUSTRY

The Council acknowledges that the development of gas from conventional and unconventional reservoirs will need to remain internationally competitive over decades in volumes sufficient to meet demand. Further, the Council considers it is the primary responsibility of industry to:

- invest in exploration and development to supply gas into markets, and
- protect the environment and maximise benefits by eliminating or minimising adverse impacts on landholders and communities.

Council also recognises that the commercial interests of industry will strive to:

- develop and use cost-effective technological solutions, and
- increase productivity and reliability in production profiles.

The Council acknowledges that government, university and industry research collaboration opportunities are already being leveraged to support industry development of cost-effective technologies.

The Council's Gas Market Vision also recognised the importance of investment settings including pre-competitive data, access to capital and skills, a strong research and development sector, efficient fiscal regimes, and trusted, efficient regulatory regimes including the provision and regulation of infrastructure.

In particular, the Council intends to work with the industry-led, energy resources focused growth centre being established under the Australian Government's Industry Growth Centres Initiative. The growth centre aims to boost productivity and competitiveness for operators and contractors in the oil, gas, coal and uranium energy resources sectors. The growth centre will have national reach.

The Council will facilitate and enhance industry leading practices to promote responsible development by continuing to:

a. support technology development, and
b. promote industry collaboration through opportunities such as the Growth Centres Initiative.

Officials will identify further opportunities to target this work in consultation with industry and the growth centre.

NEXT STEPS FOR GAS SUPPLY STRATEGY - IMPLEMENTATION

The Council has tasked officials with developing implementation plans for their individual jurisdictions and for collaborative work for each of the four areas. It will also work with industry, communities and other interested stakeholders to communicate its expectations around those areas where industry should be showing improved leadership.

These implementation actions will include:

- formalising protocols to guide the sharing of information, expertise and learnings between jurisdictions and the broader community,
- evaluating the opportunity to expand collaborative research models,
- incorporating lessons learnt into the National Harmonised Regulatory Framework for Natural Gas from Coal Seams to maintain its currency and relevance, and
- fostering closer links with international experts to import learnings from other countries.

A detailed implementation plan, with clear accountabilities and timelines, will be developed in the first half of 2016 in consultation with key stakeholders.

APPENDIX A

REVIEWS AND INQUIRIES TAKEN INTO ACCOUNT DURING THE GAS SUPPLY STRATEGY DEVELOPMENT PROCESS

- COAG Energy Council *National Harmonised Regulatory Framework for Natural Gas from Coal Seams*, endorsed May 2013 (http://scer.govspace.gov.au/files/2013/09/National-Harmonised-Regulatory-Framework-for-Natural-Gas-from-Coal-Seams.pdf)
- COAG Energy Council *Multiple Land Use Framework,* endorsed December 2013 (http://scer.govspace.gov.au/files/2013/12/Endorsed-MLUF.pdf)
- A framework for the next generation of onshore oil and natural gas in Queensland, 2014 (https://www.dnrm.qld.gov.au/__data/assets/pdf_file/0015/201183/framework-deep-gas-oil.pdf)
- New South Wales *Gas Plan*, 2014 (http://www.resourcesandenergy.nsw.gov.au/__data/assets/pdf_file/0005/534830/NSW-Gas-Plan.pdf)
- Australian Government *Domestic Gas Strategy*, 2015 (http://www.industry.gov.au/Energy/EnergyMarkets/Documents/Domestic-Gas-Strategy.pdf)
- Northern Territory Government response to the *Independent Inquiry into hydraulic fracturing in the Northern Territory,* 2015 (https://onshoregas.nt.gov.au/environment)
- Tasmanian Government *Policy Statement on Hydraulic Fracturing*, 2015 (http://dpipwe.tas.gov.au/Documents/Tasmanian%20Fracking%20Policy%20Statement_26-2-15.pdf)
- Queensland *Gas Supply and Demand Action Plan*, 2015 (https://www.dnrm.qld.gov.au/our-department/policies-initiatives/mining-resources/gas-supply-demand-action-plan)
- Queensland coal seam gas engagement and compliance plan 2014/15 (https://www.dnrm.qld.gov.au/__data/assets/pdf_file/0008/119672/csg-engagement-compliance-plan.pdf)