

7 October 2016

Research Director
Agriculture and Environment Committee
Parliament House
BRISBANE QLD 4000

email: aec@parliament.qld.gov.au

Dear Sir/Madam

I refer to the *Environmental Protection (Underground Water Management) and Other Legislation Amendment Bill 2016* introduced to the Queensland Parliament on 13 September 2016 and referred to the Agriculture and Environment Committee for examination. Arrow Energy takes the opportunity to highlight our concerns regarding the Bill, while also supporting the submission provided by the Australian Petroleum Production and Exploration Association Limited (APPEA).

By way of background, Arrow is owned by a joint venture company between Shell and PetroChina (50/50). Arrow has been safely and sustainably developing CSG since 2000, commercially supplying it since 2004, and now delivers almost 20 per cent of Queensland's natural gas from five CSG fields in the Bowen and Surat basins, in central and southern Queensland, respectively. The company is working to meet the growing international demand for cleaner burning fuels through gas supply for liquefied natural gas export. Coal seam gas (CSG) accounts for about 90 per cent of Queensland's natural gas supply and fuels about 17 per cent of the state's electricity generation.

Firstly, Arrow is concerned by introduction of additional legislation by the Queensland Government that places additional administrative and cost burdens on the CSG industry for measures which in our view duplicates existing state and federal requirements and does little to streamline processes for the benefit of landholders. Our concerns with the Bill are fourfold and are detailed below.

1. Extending Make Good to cover gassy bores

While Arrow agrees with the intent of the extension of Make Good arrangements to cover the impairment of landholder water bores which have been impaired by 'free gas', we are concerned that the changes have been made in the absence of a process which will define how these effects are assessed. Arrow Energy, along with its industry counterparts, has spent significant time working on a process which would provide a process for assessments of gassy bores equivalent to the assessment process currently required for Make Good and we urge the Government to ensure such a process is in place prior to the enactment of the

legislation. Without such a process, Arrow is concerned that significant time and money will be wasted in negotiations between landholders and companies as to the possible presence and cause of gas in water bores. As the Government is aware, some landholder water bores have a long history of the presence of gas, one that precedes the commencement of the industry in the state and therefore to expect industry and landholders to reach agreement on bores without rigorous guidelines is going to be counterproductive.

Arrow is also concerned that some of the drafting contained in the Bill creates additional uncertainty which will also lead to cost and time delays in negotiating Make Good. Terms such as 'materially contributed to' need to be explained fully in the Bill to allow of certainty for both the industry and landholders.

2. Additional hydrogeological advice for Make Good negotiations

The Bill contains the requirement for tenure holders to pay for landholder costs for engaging a hydrogeologist for the purposes of negotiating a Make Good agreement. Arrow is concerned that this measure could result in an additional expert opinion on the information required to underpin a Make Good agreement. We are concerned that this will only lead to further delays in negotiations and settling disputes between companies and landholders.

Instead, Arrow suggests that any additional requirements for expert advice should be clearly defined and carefully designed to assist landholders in the make good process. Arrow suggests this would be best achieved by a clearer, more rigorous process being established to ensure parties providing hydrogeological advice, and undertaking bore assessments, meet the minimum qualifications detailed in the Department's Bore Assessment Guideline. This would be further strengthened by government establishing a panel of recognised hydrogeological experts able to provide hydrogeological advice to landholders. Fees for advice should be set and scope of work specified to achieve independent review and confirmation of the findings of the bore assessments that are already undertaken.

3. Imposition of industry paid Alternative Dispute Resolution arrangements and cooling off periods for Make Good Agreements

Arrow believes that the imposition of an industry-paid Alternative Dispute Resolution process will not incentivise the resolution of disputes as there is little reason to settle long-running negotiations if costs are borne by one party only. Additionally, Arrow would be concerned if Government were to introduce arrangements that didn't require the use of professional negotiators.

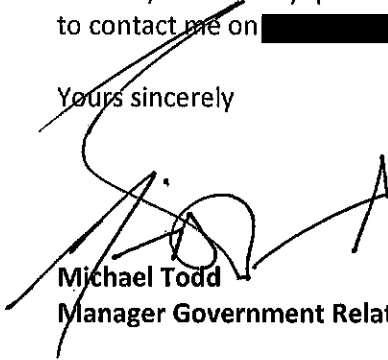
With regards to the cooling off period for Make Good Agreements, Arrow believes that any cooling off period should be limited to cases where agreements have been reached within the 40 business days as currently specified in the *Water Act*. If a cooling off period is to be introduced we believe it should be limited to 5 business days post agreement as per other substantial consumer contracts.

4. The exercise of underground water rights

Arrow is concerned by the way in which the proposed new provisions regarding the exercise of underground water rights will impact on environmental values (EVs) contained in both Environmental Authority (EAs) applications and in the Underground Water Impact Reports. The uncertainty that this creates is of major concern as there is no indication from Government as to the intent of this proposed change. This aspect should not be retrospective and with regards to its application to EAs, the proposed change duplicates existing Water Act requirements which will result in increased regulatory costs to business with no improved environmental outcome.

Should you have any queries or wish to discuss any aspect of this submission further, please do not hesitate to contact me on [REDACTED]

Yours sincerely



Michael Todd
Manager Government Relations