



10 July 2014

The Research Director  
Agriculture, Resources and Environment Committee  
Parliament House  
George Street  
Brisbane QLD 4000

via: [arec@parliament.qld.gov.au](mailto:arec@parliament.qld.gov.au)

Dear Director,

**Subject: Mineral and Energy Resources (Common Provisions) Bill 2014 (the Bill)**

Thank you for the opportunity to provide a submission to the Agriculture, Resources and Environment Committee (AREC) on the above mentioned Bill.

Arrow Energy Pty Ltd (Arrow) is ultimately owned by Royal Dutch Shell and PetroChina. The company is focused on the exploration, extraction and use of coal seam gas (CSG), a naturally occurring and comparatively clean burning gas commonly used to fuel electricity generation.

Arrow's activities range from exploration to production, transportation and electricity generation. It has been operating a strong domestic gas supply business since 2004, and is currently working to explore and develop the CSG resources in Queensland. Arrow is working to meet the growing international demand for cleaner burning fuels through a gas supply for LNG project.

Currently, the company produces gas from fields in the Surat Basin in south-east Queensland and the Bowen Basin in central Queensland. With about 1200 gas wells, Arrow is able to supply gas to the Townsville (235MW), Daandine (33MW) and Braemar 2 (450MW) power stations, as well as local and industrial users in Townsville, Moranbah and Brisbane.

Additionally, Arrow has a portfolio of exploration tenements that cover approximately 41,500km<sup>2</sup> across Queensland.

Arrow has been extensively involved in the government consultation processes through the peak bodies on all aspects of the Bill. We acknowledge the significant work undertaken by the Department of Natural Resources and Mines (the Department) to date to move government policy reform into legislation.

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Arrow is supportive of the Australian Petroleum Production and Exploration Association (APPEA) submission on the Bill.

Notwithstanding the industry body submission there are a few key areas that Arrow would like to see addressed in addition to the APPEA submission, these are in reference to following areas on this Bill:

1. Give effect to the recommendations of the Land Access Implementation Committee requiring legislative amendment to improve the land access framework relating to private land (Land Access – Private Land).
  - Section 90 covers Particular agreements to be recorded on titles. Some Conduct and Compensation Agreements (CCAs) can be for low impact activities and for short periods of time i.e. six months for seismic work.
  - Requiring CCAs for low impact activities for short periods of time to be updated with the Titles Registry will add administrative burden as these could be frequent occurrences.
  - A potential solution is to exclude low impact activities or activities that occur within a short timeframe for example six months or by tenure type exploration verse production.
  
2. Establish a new overlapping tenure framework for Queensland’s coal and CSG industries (Overlapping Tenure Framework – Coal and Petroleum (CSG)).
  - Section 131(2) states that the petroleum tenure holder may carry out an authorised activity for the PL in the overlapping area only if carrying out the activity is consistent with each agreed Joint Development Plan (JDP). A situation may arise where:
    - A petroleum lease (PL) is granted under the new overlapping tenure provisions.
    - A coal party lodges a mining lease application (MLA) under the new overlapping tenure provisions which overlaps with the PL.
    - The PL holder is currently conducting petroleum activities in the proposed area of overlap.
    - The mining lease is granted within six months of the MLA. The parties have not yet agreed a joint development plan (JDP) but are not in breach of the legislation because the parties have 12 months from the giving of an advance notice to agree a JDP (section 127(1)).
    - The overlapping area is in effect because the ML is granted but there is no agreed JDP. A consequence is that the PL holder will have to cease its activities that commenced prior to ML grant in the overlapping area until there is an agreed JDP otherwise the PL holder will be in breach of section 131(2).

A potential solution is for the legislation to be clarified in Section 131, so that the absence of an agreed JDP will not prevent a PL holder from continuing authorised activities that pre-existed ML grant in the overlapping area.

- Section 149(2)(b)(i) allows a recipient to disclose information to another person if “the disclosure is to a person (a secondary recipient) whom the recipient has authorised to carry out authorised activities for the recipient’s resource authority”. This provision is too restrictive in that it doesn’t cover a recipient disclosing information to a related body corporate, shareholders, consultants and advisors who may require the information but aren’t directly involved in carrying out an authorised activity. For example, the provision of information related to an ICSG offer to an external law firm engaged to draft the ICSG supply contract.

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A potential solution is to extend section 149(2)(b)(i) to permit disclosure to a related body corporate, shareholders, consultants and advisors if related to the carrying out of authorised activities.

3. Enable greater use of CSG produced as a by-product of coal mining (Incidental CSG)

- The industry White Paper which was the basis for this part of the legislation accepts that the basic property rights to gas reside with the holder of the petroleum tenement, and that in return for agreeing to a right of way for coal mining, there should be a well-defined compensatory right for the petroleum tenement holder to take any ICSG produced by the ML holder.
- In essence, that is a right to take gas that the petroleum tenement holder could otherwise have produced themselves but for the right of way for coal mining.
- Of fundamental importance to this trade-off is a requirement that the ICSG be produced by the ML holder in a form aligned with the requirements of the petroleum tenement holder, and then offered on terms that could reasonably be accepted (a "valid offer"). It follows that the ML holder's right to commercialise ICSG should only arise when a valid offer has been rejected and further, that compensation liabilities are offset only when a valid offer has been rejected.
- The production and offer requirements for ICSG therefore have a flow-on effect from Division 4 of the Bill dealing with ICSG to Division 3 dealing with compensation and dispute resolution, and to the MRA amendments dealing with the commercialisation of ICSG. It is therefore important that the requirements for ICSG production in overlaps and for an offer of the ICSG to be valid are clearly enshrined in the legislation itself.

A potential solution could be for the Regulations to stipulate that the contract for the delivery of ICSG, include:

- a) a delivery point where the petroleum resource authority holder can sensibly take the gas
- b) arrangements for industry standard metering and regular reporting
- c) a contribution to the direct reasonable costs incurred by the ML (coal) holder in making the accepted incidental coal seam gas available at the delivery point
- d) obligations to forward plan together to foster investment certainty and minimise impacts to each other's activities resulting from amended development plans
- e) an obligation on the ML (coal) holder to provide, at a minimum, annual updates to expected gas quality and quantities; and
- f) provisions to ensure compliance with Part 4 Division 1 concerning information exchange.

A potential solution regarding a valid offer and re-offer for ICSG is for Regulations to include:

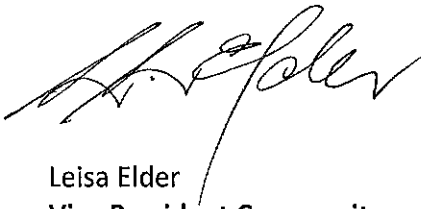
- a) the ML (coal) holder's mine plan(s) and associated degassing plan
- b) the degassing plan's schedule including details of the timing of when gas wells will commence production of incidental coal seam gas
- c) a description of the degassing methods and the measures that will be taken to avoid contamination and dilution
- d) gas reservoir modelling that underpins the degassing plan
- e) mapping identifying degassing wells, pipelines, associated infrastructure and the proposed delivery point; and

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- f) details of the expected quality and quantities of incidental coal seam gas for each 6 month period of forecasted production.

If you have any further questions, please contact Naaz Kerin, Senior Government Relations Officer on email [naaz.kerin@arrowenergy.com.au](mailto:naaz.kerin@arrowenergy.com.au) or phone (07) 3012 4875.

Yours sincerely



Leisa Elder  
**Vice President Community and Sustainable Development**