23 January 2012

Our Reference: APLNG-MGT-CR-0143
Your Reference: N/A

The Research Director
Industry, Education, Training and
Industrial Relations Committee
Parliament House
George St
Brisbane
QLD 4000

Dear Sir/Madam,

Australia Pacific LNG (APLNG) welcomes the opportunity to comment on the *Resources Legislation (Balance, Certainty and Efficiency) Amendment Bill 2011.*

APLNG supports the sections of the Queensland Resources Council's submission on the Bill relating to the petroleum and gas industry and additionally wishes to comment on two key areas;

- Urban restricted areas
- CSG-LNG Industry – water and brine pipelines.

About APLNG

APLNG is a joint venture between Origin, ConocoPhillips and Sinopec. The joint venture is developing a long term, world-scale coal seam gas (CSG) to liquefied natural gas (LNG) project which involves the further development of gas fields in the Surat and Bowen Basins, the construction of a mainline pipeline from the gas fields to Gladstone and a LNG facility on Curtis Island.

APLNG has finalised contracts with Sinopec to supply 7.6 million tonnes per annum (mtpa) of LNG through to 2035 with first contracted delivery in 2015. This is the largest LNG supply agreement in Australia's history. A further contract has been finalised with Kansai Electric to supply 1 mtpa for 20 years with first delivery in mid-2016.
The APLNG project represents an investment of US$20 billion in the construction of an initial gas processing train and common facilities for a two-train 9 mtpa project which is expected to generate 6,000 jobs.
The joint venture draws on Origin's 15 years and ConocoPhillips' 27 years of experience in the development and operation of CSG fields as well as ConocoPhillips' 40 years experience in operating and developing LNG facilities.
APLNG's gas fields already account for almost 40 per cent of Australia's total CSG production. It supplies gas to residential, commercial and industrial customers as well as Origin's 630 megawatt gas-fired Darling Downs Power Station.

Urban restricted areas

APLNG'S approach to gas field development

It is not APLNG's intention to force development in urban restricted areas. APLNG and its shareholders genuinely believe that landowners and the local communities it operates in should be treated with respect. APLNG demonstrates that daily in its operations, its ongoing consultation with landowners and communities, and in its openness about its operations. To date, APLNG has successfully negotiated over 600 active compensation agreements with landholders.

Australia Pacific LNG Pty Limited ABN 68 001 646 331
Level 3, 135 Coronation Drive, Milton, Qld, 4064
GPO Box 148, Brisbane, Qld, 4001 • Telephone (07) 3867 0323 • Facsimile 1300 863 446 • www.aplng.com.au

APLNG is of the view that, unlike open cut mining activities, CSG is able to coexist with other land uses. As the CSG industry develops over the longer term and is better understood by the community, APLNG considers that it will be able to work with relevant communities and councils to enable development to proceed in restricted areas. This has been the experience in other jurisdictions where the industry has operated in partnership with the community for decades. The presence of a robust regulatory environment and broader community understanding of the benefits CSG will bring to Queensland will help change community attitudes. Over time, the community will also better understand the differences between mining and gas extraction and the potential for CSG to co-exist with other land uses.

Concerns about Urban Restricted Areas

APLNG's concerns about the imposition of Urban Restricted Areas relate to;

- Adverse effects of buffer zones
- Extension of restrictions on development beyond original policy intent
- Lack of guarantees about ability to recover lost acreage
- Resource sterilisation and economic impacts.

Adverse effects of buffer zones

APLNG does not support the concept of universal buffer zones around urban areas. The concept as expressed to date by government has added to the layer of uncertainty around industry activities. APLNG is concerned that the declaration of a universal buffer zone may automatically preclude areas which may be suitable for gas field development simply because they lie within that buffer – such as race tracks, golf courses or industrial areas. The development of infrastructure in those areas has the potential to provide a steady source of income through compensation for community sporting organisations which often struggle for funding.
Instead of buffer zones, APLNG would prefer that development should be undertaken in consultation with the council and affected community.

Extension of restrictions on development beyond original policy intent

When the Queensland Government declared RA384 in August 2011 it made it clear that its intent was to strike a balance between the needs of the resource sector and of urban residents around the state. The explanatory notes to the Bill confirm that the purpose of the policy is to clarify that in 'specific land use conflict situations characterised by resources activities in close proximity to urban centres, the optimum outcome is to prevent exploration and potential high impact surface mining activities.'
However, the scope of the Bill has extended beyond towns with Part 1A, Division 1 referring to 'restricted land' and placing constraints on the location of infrastructure in relation to buildings, community, sporting or recreational facilities and features such as stockyards, dams or bores.
As indicated in the previous section, restrictions on the placement of infrastructure near some community facilities automatically precludes some areas which may be suitable for development, particularly outside defined urban areas.
Under APLNG's operating procedures every action is taken to minimise disruption to current use of relevant properties. Property-specific plans are prepared with landowners to manage the impact of activities in and around their businesses and homes. Requiring such plans to be signed off by local councils would add another layer of complexity to what is already a highly regulated industry.
APLNG also has concerns about the short-lived nature of the exemption granted to existing petroleum leases under the Bill. The exemption in section 494E only applies until there is an amendment to the approved development plan for the petroleum lease. In short, the effect of the Bill (if enacted) will be that if a development plan for a petroleum lease that includes land in an Urban Restricted Area is amended:

a. notice must be given to the relevant local government; and
b. activities in the Urban Restricted Area are not authorised to occur until the local government has consented to the carrying out of the activities.

APLNG submits that if a proposed amendment would not result in a material increase in the area, extent or frequency of authorised activities carried out in an Urban Restricted Area (i.e. there is no additional impact over and above that already authorised) then the activity should proceed in

consultation with local government. This will reduce uncertainty for existing approved projects. This would also ensure the Bill does not have the unintended effect of deterring petroleum lease holders from applying for amendments to development plans in cases where there is no additional impact on residents living within Urban Development Areas, particularly if the amendments would result in a better environmental, economic or social outcome.

Lack of guarantees about ability to recover lost acreage

In declaring RA384, the Queensland Government indicated it was an interim measure aimed at addressing strong community concern about the encroachment of exploration in and near urban areas. This suggests that at some stage in the future, any blocks which are relinquished may be offered again to petroleum companies, there is no suggestion it would automatically revert to the previous tenure holder. APLNG does not consider that, should it be required to relinquish tenure, it should have to go through another competitive process to retrieve exploration rights granted by the state.

Resource sterilisation and economic impacts

Certainty of access to the gas reserves is a key driver for the future development of the CSG industry. As indicated earlier, APLNG has committed contracts to supply LNG to overseas customers as well as the domestic market. The lack of clarity around what constitutes an 'urban area' and the proposed extension of buffers to include infrastructure outside urban areas may compromise reserves, requiring APLNG to make up any shortfalls in gas supplies. This could have unintended impacts on the domestic gas market.
APLNG took its Final Investment Decision in July 2011 on the forecast volume of gas which would be produced from its tenures. That assumption was not predicated on part of that resource being sterilised by a government policy decision.
Restrictions on the ability to access a resource not only potentially impacts supply but will also have a negative impact on local business opportunities for suppliers and upon royalty returns to the State.

CSG-LNG Industry – water and brine pipelines

APLNG supports the provisions in the Bill relating to water and brine transportation. As APLNG has advised the Government, these provisions will enable it to work more closely with other proponents towards a potential regional solution for water and brine management.
Such a solution is aimed at minimising impacts on landholders and the environmental footprint of projects, through the development of centralised infrastructure and a supporting pipeline network to deliver associated water and brine for treatment. It is likely that other CSG to LNG proponents may elect to support such a network.
There are some drafting issues which need to be addressed in relation to the Bill. APLNG has outlined those issues in Attachment A.

Thank you again for the opportunity to comment on the Bill. Should you wish to discuss any of the matters raised in this submission please contact Anne Syvret, Government Relations Manager (QLD) on 07 3867 0323.

Yours sincerely,

Page Maxson
Chief Executive Officer
Australia Pacific LNG Pty Ltd

No	Section of Bill	Comment
1.	**Section 31** Insertion of new section 15A	New section 15A(2)(b) provides that "produced water" will include "concentrated saline *waste* water produced during the treatment of CSG water". There may be circumstances where concentrated saline water (ie. brine) may not constitute a "waste" for the purposes of the Environmental Protection Act 1994 - eg. where use of the brine falls under a beneficial use approval. **To avoid any confusion in this regard, APLNG requests that the word "waste" be removed from new section 15A(2)(b).**
2.	**Section 32** Amendment of section 16	By amendment to section 16, the definition of "pipeline" will include produced water pipelines. By virtue of this change: • such pipelines will be deemed to be owned by PL holders under section 539; and • the transfer restrictions in section 569(1)(b) will apply to such pipelines. As these restrictions did not previously exist, APLNG has water pipelines on PLs which are not owned by the PL holders. **APLNG requests that the Bill include a transitional provision which would allow current ownership arrangements to continue until such time as a new pipeline licence is put in place.** **See also Item 8 below for incidental changes to section 213 of the Bill, regarding the insertion of new section 569(b).**
3.	**Section 36** Insertion of new section 111A	New section 111A(1)(b)(i) provides that a PL holder may construct and operate a produced water processing or storage facility provided that the holder is also the owner of the land on which the facility will be located. APLNG agrees that it is appropriate for centralised CSG water treatment plants to be located on land owned by proponents. However, it is not appropriate in all circumstances for the land to be owned by all PL holders. Further, there are existing centralised facilities under development which would not satisfy this narrow test. **APLNG requests that section 111A(1)(b)(i) provide that the land be owned by *a* holder of the lease*, or a related body corporate of a holder of the lease*.**

4.	**Section 36** Insertion of new section 111A	New section 111A(2) mirrors existing section 111(2) - both provide that the authority to process, and construct and operate facilities for processing, storing or transporting, petroleum / produced water applies in respect of petroleum / produced water *produced in or outside the [PL] area*. However, new section 111A(2)(b) provides additional wording - ie. "whether or not it [the produced water] is produced by the lease holder". **The additional wording is considered superfluous and could cause confusion as to why the same wording is not also in existing section 111 with regards to petroleum.**
5.	**Sections 47 and 54** Insertions of new sections 552B and 962	New sections 552B and 962 require reports from PL holders to provide details of: • "authorised activities for the lease"; and • "infrastructure and works constructed in the area of the lease, including location." While APLNG agrees that it is appropriate for reports on activities and related infrastructure and works to be submitted, it is not clear as to the scope of the information required and whether they will be subject to public release. For example, will details of *all* authorised activities for a PL be required (eg. including preliminary activities such as surveying etc)? It is expected that only details of infrastructure and works *operated under the authority of the relevant PL* are required. **APLNG requests:** • **a Guideline from DEEDI providing clarification as to the type and scope of information that will be required in Reports under new sections 552B and 962; and** • **confirmation that such information will be subject to confidentiality of the type already provided under the Regulations for other forms of reports.**
6.	**Section 48** Amendment of section 670(2)(d)	**This amendment should be made to section 670(2)(c) of the Petroleum and Gas (Production and Safety) Act 2004 (the PAG Act), not section 670(2)(d).**

7.	**Section 56(2)** Amendment of sch 2 (Dictionary)	A new definition of "CSG water" is inserted in Schedule 2 of the PAG Act, which will form part of the new definition for "produced water" in the PAG Act. "CSG water" means underground water brought to the surface of the earth in connection with exploring for or producing coal seam gas *under a petroleum tenure*. A "petroleum tenure" does not include ATPs or PLs granted and administered under the Petroleum Act 1923. **Proponents will also need to treat CSG water produced from 1923 Act petroleum tenures. APLNG requests that the words "or a 1923 Act petroleum tenure" be added at the end of the definition of "CSG water".**
8.	**Section 213** Insertion of new section 569(b)	New section 569(b) is the same as existing section 569(1)(b) of the PAG Act, and prohibits "a transfer of a pipeline authorised under section 33 or 110". **Incidental changes are proposed for this new section, so it provides as follows:** **"a transfer of a pipeline authorised under section 33 ~~or,~~ 110 or 112, unless the petroleum tenure for the pipeline is also to be transferred to the transferee of the pipeline;"**
9.	**New item** Section 802	**Section 802 of the PAG Act should be amended to correctly refer to "a petroleum tenure *or a pipeline licence*".**
10.	**New item** MRA	Proponents may process produced water themselves or engage a third party to construct and operate the requisite facilities to treat the produced water for them (either under authority of the relevant PL or separate development approvals under the Sustainable Planning Act 2009). This will involve the treatment of brine to create useable or saleable salt products as per DERM's CSG Water Management Policy. **APLNG requests clarification that such treatment activities will not require additional authority under the Mineral Resources Act 1989.**