



3 August 2012

QGC Reference: OPS-GOV-LTR-000005

The Research Director
State Development, Infrastructure and Industry Committee
Parliament House
George Street
BRISBANE QLD 4000

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Dear Sir,

Please find attached the submission by QGC Pty Limited to the inquiry into the future and continued relevance of Government land tenure across Queensland – State Development, Infrastructure and Industry Committee, Queensland Parliament.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Paul Woodland', with a stylized flourish at the end.

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Submission by QGC Pty Limited to the inquiry into the future and continued relevance of Government land tenure across Queensland – State Development, Infrastructure and Industry Committee, Queensland Parliament

Introduction

QGC Pty Limited is a leading Australian coal seam gas explorer and producer focused on supplying gas to domestic and international markets.

CSG now provides about 90% of the natural gas consumed by household, industry and commercial operations in Queensland.

QGC supplies more than 20% of the natural gas consumed in Queensland.

QGC is also establishing one of Australia's largest capital infrastructure projects to turn Queensland's world-class coal seam gas reserves into liquefied natural gas. The Queensland Curtis LNG (QCLNG) is a project of state significance priority project under the *State Development and Public Works Organisation Act*, and involves major exploration and development (including wells, gathering systems and processing facilities for gas and water) in southern and central Queensland and the construction of 540km 42 inch underground pipeline to transport gas to Curtis Island near Gladstone where it will be liquefied for export.

The QCLNG project will pay about \$1b per annum in taxes to both State and Commonwealth governments and will employ 5000 people during construction and up to 1000 in operations.

For very large and geographically dispersed projects such as QCLNG the interaction between the various forms of land tenure is often extremely complex with a high degree of inter-connectedness between the provisions of different pieces of legislation.

QGC believes that it would be dangerous to support individual stand alone changes in land tenure arrangements unless all these inter-relationships and the consequences of those changes are fully understood.

Such changes could have a significant impact on Queensland's reputation as a preferred location for investment.

From the perspective of the petroleum industry QGC believes a number of issues need to be noted.

Petroleum tenures

The petroleum tenure system allows for a two phase grant of tenure. The first is the grant of a right to explore, referred to as an Authority to Prospect. The holder of an

Authority to Prospect has the certainty that if petroleum reserves of a quantity and quality to justify commercial development are discovered, a second tenure will then be issued to allow the development and extraction of the petroleum reserve. This tenure is a Petroleum Licence.

While the Minister is able to place conditions on a Petroleum Licence, the grant of the Petroleum Licence to the holder of the Authority to Prospect is "automatic".

The certainty that a Petroleum Licence will be issued from discoveries made on an Authority to Prospect is an important incentive for companies to make the initial investment in the high risk, exploration phase of the industry. Without this certainty, it is likely that the level of investment in petroleum exploration will decline.

This is a key reason for the retention of the Petroleum Act 1923 despite the Queensland Parliament legislating the Petroleum and Gas (Production and Safety) Act 2004. In part the retention of the Petroleum Act 1923 is intended to preserve then existing petroleum titles and to allow for the re-grant of tenures without placing the certainty of these re-grants at risk.

This establishes the grant of a Petroleum Lease from an Authority to Prospect as a "*pre-existing rights based act*" (or PERBA) which allows that grant 'automatically' without interference from newer land tenure forms.

Access to land under petroleum tenures

A petroleum tenure holder has a right to enter properties held under other forms of tenure (e.g. freehold and leasehold land). This right of entry, however, requires that the petroleum tenure holder and the landholder reach agreement on conditions of access to the land. This is done through a conduct and compensation agreement.

Where compensation cannot be agreed a petroleum tenure holder or the landholder may seek a ruling from the Land Court as to the terms of compensation.

Some have called for the granting of a right of "veto" to landholders over this right of access of petroleum (or mining) tenure holders.

In the case of the development of CSG to LNG the nature of these projects do not allow for a piece meal approach in accessing gas reserves.

CSG to LNG projects require large volumes of gas to be available over significant time frames (20 plus years). The Queensland LNG projects have been committed to on the reasonable expectation, based on Queensland legislation, that there would be full access to gas identified or inferred within each project's petroleum tenures.

The investment decision for each LNG project in Queensland has been based on an expectation of access to all gas under petroleum tenures granted to each company by the Queensland Government. A decision that potentially reduces this volume of

gas after these investment decisions have been made will be destructive to the industry.

Each CSG-to-LNG project has a finite potential volume of gas within existing petroleum tenures. The availability of this gas as granted under State petroleum and gas legislation has formed the basis for the large investments in CSG to LNG.

A veto of access to some parts of petroleum tenures will deprive these projects of expected gas which cannot necessarily be replaced by gas from elsewhere.

Alternative gas may simply not exist or not be economic to produce.

Not all areas in Queensland are equally prospective for natural gas. The Surat Basin has been identified as the best area to develop these projects because of the expectation of the contained gas reserves.

Project proponents have acquired petroleum tenures based on the reasonable expectation of having access to all the gas covered by these tenures. It is not possible to substitute less prospective land for other land without impacting project timing (new exploration and development) and additional pipeline costs to transfer marginal gas to processing infrastructure under construction.