



Speech by


Hon. Stirling Hinchliffe

MEMBER FOR STAFFORD

Hansard Wednesday, 6 April 2011

GAS SECURITY AMENDMENT BILL

First Reading

 **Hon. SJ HINCHLIFFE** (Stafford—ALP) (Minister for Employment, Skills and Mining) (12.00 pm): I present a bill for an act to amend the Mineral Resources Act 1989, the National Gas (Queensland) Act 2008, the Petroleum and Gas (Production and Safety) Act 2004 and the Petroleum and Gas (Production and Safety) Regulation 2004 for particular purposes. I present the explanatory notes, and I move—

That the bill be now read a first time.

Question put—That the bill be now read a first time.

Motion agreed to.

Bill read a first time.

Tabled paper: Gas Security Amendment Bill [\[4229\]](#).

Tabled paper: Gas Security Amendment Bill, explanatory notes [\[4230\]](#).

Second Reading

 **Hon. SJ HINCHLIFFE** (Stafford—ALP) (Minister for Employment, Skills and Mining) (12.01 pm): I move—

That the bill be now read a second time.

In November 2009, the Queensland government announced a range of measures to enhance competition and promote transparency in the state's gas market in view of the emerging liquefied natural gas, LNG, export industry. The Gas Security Amendment Bill 2011 will deliver a number of these measures.

Queensland has had a small but growing and solidly regulated upstream gas industry to date. But what worked for a small gas production industry will not necessarily work for a large gas production industry. The success of Queensland's CSG-LNG production industry depends on finding the right balance between:

- the agricultural and petroleum production sectors;
- growth and the sustainability/affordability of regional communities;
- the need for gas for electricity generation and industrial and manufacturing uses; and
- gas supply for domestic, interstate local and export markets.

The government's response will ensure the regulatory framework supports a secure, transparent, competitive and accountable gas industry able to grow rapidly while balancing the competing interests.

The bill is a milestone achievement in bringing together a number of government initiatives that respond to the gas policy debate in Queensland that started in early 2009. Key outcomes expected from the bill are:

- a gas short-term trading market in Queensland with a Brisbane hub;
- a framework to implement a prospective gas production land reserve policy if domestic markets become supply constrained;
- a clear process for land access where the Coordinator-General has obtained an easement;
- clear processes for petroleum lease applicants at the time they make their applications and for exploration permit holders under the 1923 Petroleum Act; and
- clarity for operation of the Collingwood Park state guarantee.

The bill amends the National Gas (Queensland) Act 2008 to apply the short-term trading market provisions of the national gas law to Queensland. A key initiative of the national Ministerial Council on Energy, it will facilitate a reliable, competitive and secure natural gas market by establishing in Queensland a market for short-term trading of natural gas at the wholesale level. The Brisbane demand hub is scheduled to commence operation on 1 December 2011 and will be Australia's third market following the establishment of hubs in Sydney and Adelaide last September.

The short-term trading market operates by making available day-ahead gas price projections to signal to the market the nature and cost of supply or transmission constraints. This will encourage efficient contracting and investment in infrastructure to support further growth in the gas market. Other benefits include improved market access for users, the opportunity to promote increased use of gas and improved price transparency.

The government's prospective gas production land reserve policy was established in 2009 to ensure future security of supply for domestic gas users in light of the international demand for gas. This aligns with the government's commitment to ensure that sufficient gas will be available to meet demand from both the liquefied natural gas export industry and domestic users. Domestically, large industrial users and electricity generators must have access to high volumes of gas to underpin current operations and support future growth.

An amendment to the Petroleum and Gas (Production and Safety) Act 2004 provides a mechanism whereby future exploration tenure releases can be conditioned with a requirement for any gas produced from the area to only be consumed in the Australian gas market. Imposing the condition on future exploration tenure will only occur if recommended by the annual gas market review process, overseen by the Queensland Gas Commissioner.

The bill also provides certainty about access requirements for land subject to an easement obtained by the Coordinator-General. The amendment will clarify permission requirements for a pipeline licensee entering such easements to construct and operate a petroleum pipeline.

In 2009 the Coordinator-General took action to obtain an easement under the State Development and Public Works Organisation Act 1971 known as the Callide Infrastructure Corridor. This easement provides a common route for 75 kilometres from the Callide Range and will allow the co-location of gas pipelines to service liquefied natural gas projects at Gladstone. The bill amends the petroleum and gas act to clarify that in such circumstances a pipeline licence holder must obtain permission from the Coordinator-General before that company may enter land. It makes clear that the owner for the purposes of the petroleum and gas act in this circumstance is the Coordinator-General.

The amendment will not affect a landholder's rights to compensation for impacts arising from pipeline activity in such areas. For activities and disturbance not subject to the Coordinator-General's easement agreement, a landholder's right to consultation and compensation under the petroleum and gas act is maintained. The government remains committed to preserving the rights of landholders with respect to the resources industry. Recently established land access laws and the land access code provide landholders with improved protection and security in dealing with resource companies.

The bill also includes amendments to improve administration of petroleum tenure. The petroleum and gas act will be amended to require petroleum lease applications to include information that demonstrates a gas resource and sets out a plan to develop the resource. This information is required by the minister in making a decision about whether to grant a petroleum lease but is not specifically included in the application requirements. This has led to deficient applications being lodged. The petroleum and gas act has no clear process for dealing with deficient applications other than to proceed to assessment and request additional information. The assessment process is lengthy and deploys considerable technical expertise. As a result, departmental resources are being deployed for chasing up deficient applications, some of which are deliberately made, and, in turn, properly made applications are taking longer to assess.

Deficient applications can also impact overlapping resource holders who receive a copy of the application. If information about the resource and plans for how it will be developed are not included then the overlapping tenure holder is prevented from assessing the impact of this project on the work they are doing. The proposed amendments will require this information at the time the application is lodged and will enable deficient applications to be rejected.

A further amendment will make it easier for holders of an exploration permit under the Petroleum Act 1923 to convert their tenure to the preferred petroleum and gas act framework by removing a redundant provision.

The bill also amends the National Gas (Queensland) Act 2008 to preserve regulatory arrangements for the Carpentaria Gas Pipeline that are to apply until 30 April 2023. The relevant provisions formalise tariff arrangements agreed to by the Queensland government in 2008 during the transition to the new national access regime under the national gas law. The amendment moves the arrangements from a temporary regulation into primary legislation as per the long-term intent. All other provisions of the regulation will become redundant on 30 June 2011 when the regulation is due to expire.

The bill also amends the Mineral Resources Act 1989 to improve operation of this government's policy in the form of the Collingwood Park state guarantee. The amendments define a time frame for market value of an affected property and will clarify the application of the guarantee to residential, charitable or religious properties.

The bill also amends the petroleum and gas act and its underlying regulation. The amendments move provisions for frequency of lodgement for royalty returns from the act to the regulation which allows consistency with other resource legislation. Let me make it clear that there is no intention to change those reporting requirements and the frequency of lodgements, but this is regularising the petroleum and gas act with other, as I say, resource legislation.

The bill brings a number of positive benefits to the people of Queensland in this very important area addressing the sunrise industry of liquefied natural gas in this state. To that end, I commend the bill to the House.