



appea

the voice of australia's
oil and gas industry

Statement to NT Scientific Inquiry into Hydraulic Fracturing

Good morning. Thank you for the opportunity to appear before you today.

My name is Matthew Doman. I am the South Australian and Northern Territory director of the Australian Petroleum Production & Exploration Association.

With me today is our Exploration Policy Director, Mr Keld Knudsen.

The Australian Petroleum Production & Exploration Association is the peak national body representing Australia's upstream oil and gas industry. We seek to increase community and government understanding of the upstream petroleum industry by providing and promoting information about the sector's activities, impacts and benefits.

APPEA has argued against the Northern Territory Government's recently implemented moratorium on hydraulic fracturing and questioned the need for this inquiry, which comes less than two years after another extensive inquiry conducted by Dr Allan Hawke AC.

However, as we have also acknowledged, both the moratorium and this inquiry were clear policies of the Territory Labor Party before last year's election, which have now been implemented in Government.

This inquiry provides an opportunity for detailed examination and balanced discussion of matters which continue to be the focus of considerable public debate in the Northern Territory.

Justice Pepper, while there have been many inquiries into the onshore natural gas industry in Australia, none have made the effort you and your panel are making to engage with and listen to the broader community.

This is important. The hearings and community meetings which I have been pleased to attend in Alice Springs, Tennant Creek, Katherine and Darwin this week are just the start of that process.

This inquiry also provides an opportunity to sharply focus on the Territory's very real economic challenges – and the potential for our industry to assist in meeting these.

In recent years, the Territory has enjoyed the strongest economic growth of any Australian economy, due largely to construction activity associated with INPEX's Ichthys liquefied natural gas project.

However, a close analysis of the NT Budget reveals new investment is needed to arrest a forecast decline in taxation and royalty revenues.

Without new investment, NT Government revenue will stagnate. New projects are now needed to support the NT economy as Ichthys transitions from construction to production.

APPEA maintains that sustainable development of the Territory's onshore natural gas resources can deliver the new jobs and investment the Territory needs.

In 2015, Deloitte Access Economics research found that developing the Territory's substantial shale gas resources could create up to 6300 new long-term jobs and generate up to \$1 billion in additional NT Government revenue over the next 20 years.

By 2040, the NT's Gross State Product could be between \$5.1 billion and \$7.5 billion higher than the 2012-13 base case in real terms. This represents an increase of between 26 percent and 37 percent on current estimates for the NT economy.

The job growth projected by Deloitte Access Economics would mean the onshore gas industry has the potential to be the second or third largest private sector employer in the NT.

The potential for these substantial and stabilising public benefits of resource development were further evidenced by Origin's recent discovery announcement for the Beetaloo Sub-basin.

Of course, the economic benefits would be diminished if they came with negative environmental impacts – but Territorians can be confident that will not be the case.

This inquiry's scientific focus is essential, and is supported by APPEA and its members seeking to develop the Territory's onshore gas resources.

The science of hydraulic fracturing has been thoroughly examined elsewhere. We commend much of this work to you, particularly the reports published by:

- The Australian Council of Learned Academies
- The NSW Chief Scientist
- The New Zealand Parliamentary Commissioner for the Environment
- The Council of Canadian Academies
- The UK Royal Society and the Royal Academy of Engineering
- The United States Environmental Protection Agency
- And indeed by Dr Hawke.

Our industry has a demonstrated track record of safe, sustainable operations in South Australia, Queensland, Western Australia, NSW, Victoria and here in the NT, where the first well was “fracked” in 1967 – 50 years ago this year.

Around Australia, thousands of wells have been drilled, and over 1000 fracked, with no significant impact on the environment or groundwater resources.

As with any industry, there are risks involved that must be managed and minimised. Robust regulations must be enforced to ensure the highest standards are maintained. In more than 50 years of onshore gas exploration and production, some minor surface incidents have occurred, but none that have caused the type of environmental harm some people claim is inevitable.

Too often a false conflict is imagined between economic development and environmental protection. The oil and gas industry is committed to delivering investment, jobs and other public benefits while at all times protecting the environment.

It is time for a balanced discussion, grounded in science and reflecting the lived experience of our industry. We hope this inquiry will give the opportunity for such a discussion to take place, and welcome the efforts you have already made to achieve this.

We understand the community has genuine questions and concerns. The industry is committed to responding to these. But all too often such concerns are prompted by false and exaggerated claims peddled by opponents of development, who have often declared they intend to stop all new oil and gas activity.

People across the community want to see wider use of renewable energy. There are economic opportunities associated with investment in this sector, and gas can enable the phased introduction of currently more expensive intermittent renewable energy sources such as solar.

Gas has a critical role in ensuring a continued reliable, affordable energy supply. Natural gas already generates over 90 percent of the Territory's electricity. Indeed, this dominance of gas-fired power means the Northern Territory has one of the country's lowest carbon emission footprints.

Natural gas can be a key enabler of the greater integration of renewable power sources into our energy supply. But the fact is we will continue to use significant amounts of oil and gas in our daily lives for decades. To turn our back on new gas supplies is reckless. It would only deny Territorians the jobs, investment and other benefits oil and gas production delivers.

It should be noted that there remain significant obstacles to the developing Australia's gas resources.

Australia's oil and gas industry remains under pressure from global market conditions. The dramatic fall in oil prices two years ago, and the only gradual recovery since then, has impacted the local investment climate and challenged the economics of many development projects.

The political response to the unbalanced public discussion of onshore gas development has been disappointing. We have seen restrictions on development – including bans and moratoria – in NSW, Victoria and the NT.

The Gunner Government's moratorium on fracking has put a stop to the near-term investment of over \$1 billion in onshore gas projects. That investment will remain on hold until the moratorium is lifted. Protracted delays in clarifying this situation could kill that investment altogether.

Industry must do better in responding to community concerns, and must continue to be accountable for its statements and actions. This includes ensuring equitable treatment of all stakeholders, particularly Traditional Owners, pastoral leaseholders and others on whose land development would occur.

The distance of NT gas resources from prospective markets remains a barrier their development. The proposed NEGI pipeline between Tennant Creek and Mt Isa would be a critical piece of infrastructure to connect Territory resources to a national market.

The industry is confident that our activity could be undertaken safely in the Territory right now. But there are several initiatives that can be taken to ensure the opportunities associated with the onshore gas industry are realised, and that their benefits for Territorians are maximised.

These could include:

Finalising the regulatory framework for the NT's onshore gas industry. This should be among the Government's highest priorities. A transparent, robust, effective and stable regulatory regime that has the trust of the community is essential for companies to make long-term investments. Work towards this end has been underway in the NT for several years, beginning with former Chief Minister Paul Henderson's appointment of Professor Tina Hunter to review the framework in 2011. Professor Hunter's recommendations were augmented by further reforms proposed by the 2015 Hawke Review. Officials in the former Department of Mines and Energy have done considerable work towards implementing these reforms. In a review of this work last year, Professor Hunter described this work as "90 percent" complete. It is important this work is not lost, and is completed and implemented as soon as possible.

Building a deeper understanding of the Territory's groundwater. This is also important. Leading proponents of developing the Territory's shale gas resources support close monitoring of groundwater resources before, during and after undertaking operations. Several gas companies are working with the CSIRO to complete baseline studies of regional groundwater resources before substantial gas development takes place. This work should be encouraged. Sharing its results shared will ensure subsequent analysis of suggested impacts can be verified against meaningful knowledge of water resources before development.

Refocusing public discussion on factual and relevant information, with an emphasis on real benefits and impacts. This should include an ongoing role for government, industry and independent experts in responding to legitimate questions and concerns. If the Government decides to permit and support the development of the Territory's resources, it ought also seek to ensure the case for that development is not eroded by deliberately false and exaggerated claims designed to undermine public confidence in government and the oil and gas industry. Similarly, to maintain public confidence legitimate questions must be examined and responded to. We believe that this inquiry is a platform for this balanced discussion. In the longer term, the Gas Industry Social & Environment Research Alliance (GISERA) – an initiative supported by CSIRO, Federal and State governments and the oil and gas industry – should be considered for implementation in the Northern Territory. GISERA's research projects are determined independently from its funding sources. This initiative has delivered balanced, science-based research relevant to public discussion in Queensland and more recently in New South Wales.

Preparing local businesses to support and benefit from gas development. This is another key task. Developing the Territory onshore gas resources will create great opportunities for local businesses. The industry requires a wide range of supplies and services. Some will be sourced from interstate and overseas, but many will be provided by local firms. The industry has high standards in health, safety and environmental performance, and has been working with the local business community, including groups such as the Katherine Mining Services Association, to help companies understand and meet those requirements. It is important this work continues and is supported by government and industry associations.

Helping Territorians find work in the gas industry. Individual men and women will have significant employment opportunities in the onshore gas sector. This includes opportunities for Aboriginal Territorians to work on country.

Maintaining respectful partnerships between landholders and our industry. The oil and gas industry and pastoralists have been working together in the NT for many years. Around the Territory, over 50 pastoralists have land access agreements in place and are working collaboratively with our industry. There are only four or five instances where agreements have not been reached. We respect the fact that some pastoralists don't want this on their land, but respect must be afforded to the pastoralists who do. In late 2015, APPEA, the

NT Cattlemen's Association and the government reached agreement on a process where all parties will be required to reach a land access agreement before exploration activities are approved and can begin. We are proud of our long track record of working with pastoralists and other landholders. Experience shows that when landholders and explorers talk about their plans and activities, identify issues and work together to find solutions, everybody benefits. It's all about building relationships based on trust and mutual respect.

Conclusion

The industry wants to work with all levels of Government and the community – including through this inquiry – to facilitate these actions.

Developing the NT's abundant gas resources will only proceed if that development meets Territorians' needs.

Those needs include reliable, affordable energy; economic growth; jobs and investment in regional communities; and protecting the Territory's unique environment.

The natural gas industry has delivered these public benefits for decades, and is very confident that with the support of Government, industry partners and the broader community, it can continue to do so.

We thank you for your time this morning, and would welcome your questions.

ENDS.