

Reply to: Georgina Woods  
Policy Coordinator  
PO Box 290  
Newcastle, 2300

30 June 2017

**Submission: Horizontal Fiscal Equalisation inquiry**

Thank you for the opportunity to comment on this inquiry.

Lock the Gate Alliance is a network of landholders, conservationists, Traditional Owners and concerned individuals around the country that are concerned about the impacts of unconventional gas and coal mining.

We would not normally make a submission to a process of this kind but have been compelled to do so by the alarming politicisation of this inquiry evident in its terms of reference. We would be happy to meet with the Commission to provide more detail about the matters raised in this submission.

Specifically, the Treasurer has asked the PC to consider policies relating to energy and resources and specifically “State laws and policies restricting the development of energy resources” in conducting this inquiry. Since drafting the Terms of Reference, the Treasurer has made explicit remarks in the media indicating that he is considering cutting GST allocations for states or territories that have imposed restrictions on fracking and unconventional gas.

Every single one of our tens or thousands of supporters around the country pays the GST every day of our lives. We do this with the expectation that it will be objectively distributed to the states and territories based on a fundamental principle of fairness and should contribute to the goal of equality of condition for all Australians.

It is certainly our experience that the royalty income the New South Wales and Queensland Governments receive from coal mining operations exercises some influence over those states’ decisions to continue approving damaging coal mining projects, even where there is evidence such projects pose clear and last danger to the economic, social and environmental wellbeing of the region or state in question.

We note that royalty income from coal mining has declined substantially however, as a result of dramatic declines in coal prices, even as mining companies increase production. For unconventional gas, though there is popular perception that the Queensland Government reaps considerable royalties from this industry, in fact the reality has been far poorer than the expectation. The entire amount of petroleum royalties paid in Queensland in 2015/16 was just \$36 million, including royalties from both conventional and unconventional gas and including the three major LNG projects. In addition, early last year APLNG (Origin Energy and ConocoPhillips) launched legal action in the Queensland Supreme Court challenging the entire Queensland royalty system.

States and territories have constitutional responsibility for managing natural resources. They are also democracies in their own rights and some have introduced precautionary measures to ensure that the agricultural sector, rural communities and water resources are protected from the impacts of unconventional gas and fracking. In recent years, some states and territories have introduced

moratoriums or even outright bans on unconventional gas and fracking in response to growing evidence that these activities are fundamentally unsustainable and harmful to community health, water resources and the future of rural communities. This is entirely consistent with the states' and territories' constitutional responsibility to manage natural resources.

The Federal Government has for some time been trying to bully these governments into reversing these measures and the inclusion of this matter in the terms of reference for this inquiry is an escalation of that campaign.

Forcing the states to allow fracking will damage Australia: the real risk of contamination and depletion of irreplaceable groundwater in particular is an economic matter as much as an environmental and social one.

For example, the onset of coal seam gas mining in Queensland for the purposes of embarking on LNG exports has inflicting considerable economic damaging which is still not wholly known. The rising price of gas for the East Coast Gas Market due to the exposure to international prices from the Gladstone LNG terminals is already putting people out of business and imposing severe distress on others. The CSG industry has driven up the price of gas not only by linking east coast gas prices to the international market, but also because it is a fundamentally high-cost and low-yield industry. Recent reviews by AEMO and other bodies have revealed that it is the high cost of gas, a direct result of the unconventional gas industry in eastern Australia, which is driving up the wholesale cost of electricity. Adding more high-cost low-yield unconventional gas to the market is not going to bring the price down.

Withholding GST from the states to force them to allow unsustainable development of unconventional gas mining will have perverse economic and environmental impacts on Australia. Depleted or contaminated water, uncontrolled migratory and fugitive emissions of methane, negative impacts on agricultural production, rising energy prices and destabilised regional economies are just some of the costs that would be inflicted by such a policy. For further detail and recent scientific evidence pertaining to the negative impacts of unconventional gas mining, we encourage you to go to the 2017 [Lock the Gate submission](#) to the NT Fracking Inquiry.

Policy constraints on unconventional gas mining are not anti-growth or anti-development: they are developed in order to ensure future prosperity and prevent irreversible depletion and degradation of the natural resources that underpin it.

Finally, the controls that some states have imposed on unconventional gas mining have been done so in response to clear public demand. Half-baked, ill-informed, perverse and anti-democratic intervention by the Productivity Commission or the Federal Government to force unsafe unconventional gas mining or unsustainable coal mining onto our communities runs contrary to the clearly expressed will of numerous voters across numerous state and territory elections. We believe, as a result, that it will be vigorously opposed by people across the country.

In summary, we reject outright the suggestion that the system for distributing GST revenue might be politicised so as to blackmail states and territories into putting water resources at risk and running their economies into the ground and harming long-term sustainable industries. We ask that you reject the proposal unequivocally.