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Productivity Commission Report into Mineral and Energy Resource Exploration – Public Submission

Introduction

I attended your public hearing in Brisbane on 3 July 2012. There were a number of issues raised at the time that I would like to address.

I make this submission as a public citizen. I am not associated with any public group. However I am currently doing a PhD on "Coexistence between Agriculture and the Coal Seam Gas Industry in Queensland." There are a number of issues emanating from my initial research which I believe may be relevant to the matters raised in this hearing.

My comments relate more to production than exploration although the two are intrinsically linked.

Land Access

I refer particularly to chapter 4 of the Draft Report. I strongly endorse the principles contained in Box 4.2 on meeting the social, environmental and economic objectives of all parties affected by resource exploration and extraction. I agree with the PC objective contained in this and believe recommendation 4.3 is important. However the practical implications of ensuring these objectives are met is difficult. A workable set of recommendations for the PC is therefore most important.

In this regard I understand the QRC argument that the costs associated with negotiation with landowners is onerous and can potentially reduce viability. I also understand their objection to large areas being "locked up" because of the high values of agricultural land. "No-go zones" are an inefficient way to determine the best use of natural resources and to prevent and ameliorate environmental damage.

However I have a different viewpoint to the bilateral process recommendation. This was also raised by ANEDO in their subsequent submission regarding the inadequacy of the bilateral negotiation process.

Economic efficiency requires best use of resources but the way processes are currently operating appears to prevent this from occurring. For instance, recent press articles have said that there have been some 7000 agreements reached between CSG companies and landholders in Queensland for an average individual compensation of between $60,000 and $200,000 annual compensation. However this information

cannot be verified as this is “commercial-in-confidence.” From a community and national perspective this is not ideal. Of course landholders would be happy with this level of compensation as it would exceed their average level of farm income. However this is not the whole story. This scenario does not cover long-term loss of production or potential damage to the environment. These are issues for current landholders but also for the community, the nation and future generations.

I believe the only way to safeguard these interests is to ban bilateral agreements – they need to be multi-lateral with government representing community interest. Full value of resource extraction needs to be quantified with full restitution of environmental damage quantified and ensured or offset (much like a carbon tax or carbon sequestration such as power companies growing trees). Final agreements need to be transparent and published.

On the other hand setting aside areas as “no-go zones” as a means of ensuring environmental protection and agricultural production is potentially wasteful and can be protected by multi-lateral agreements which quantify all costs and benefits.

Currently CSG companies are not required to pay for the full costs of water extracted in the same way irrigators are. Clearly this is unfair. Valuing water extracted would be a very useful way of balancing costs between alternative uses and finding a way of reaching a multi-lateral agreement between all affected parties.

Even though CSG companies may say water extracted is salty and does not warrant the same value as clean water it has a direct impact on clean water aquifers and therefore should be valued in exactly the same way. Valuing the water in this way would potentially go a long way to balancing the competing values of alternative resource use between industries. It would also be a useful mechanism for returning funds to the community which could be more efficiently allocated according to who bears the most cost (such as regional communities).

This system of “polluter pays” would put greater accountability back to the resource extraction industries. If the water is too expensive to treat or re-use to ameliorate the cost per litre of extraction/use then the resource (mineral or gas) is not worth the extraction. Clearly this would meet the environmental and public interest test as well.

The ANEDO in their submission said the strategic assessment process could cover some of these issues. Notwithstanding my previous comments I suggest that these strategic issues would need to be covered prior to any bilateral agreement between resource company and landowner and this should be enshrined in legislation.

From my perspective the PC has a laudable aim in drawing the interests of all parties together and in attempting to balance these interests through the use of economic evaluation criteria and applying these in a transparent and rational way. I hope that my comments will provide a little assistance to help define criteria particularly those in relation the compensation and negotiation process between conflicting resource users.