

Independent Planning Commission NSW
Level 3, 201 Elizabeth Street
SYDNEY NSW 2000
By Email: ipcn@ipcn.nsw.gov.au

Friday, 17 July 2020



RE: The Narrabri Gas Project

1. We refer to your letter dated 10 July 2020.
2. Council supports the Narrabri Gas Project ("**the Project**").
3. We commend the proponent for the way in which they have engaged with us on the issues raised in our submissions.
4. We provide the following response to the matters raised in your letter.

Further details on the Council's observations and remaining concerns with respect to the Department's Assessment Report and Recommendation.

5. Council makes the following comments in response to the NSW Department of Planning, Industry and Environment ("**the Department**") Assessment Report and Recommendations.

Financial Insurance and Assurance

6. In our view, the issue of financial insurance and assurance is fundamental to community acceptance of the Project.
7. In late 2014 the then Chief Scientist and Engineer delivered the Final Report of the Independent Review of Coal Seam Gas activities in NSW ("**the 2014 Chief Scientist's Report**").
8. Council has been guided by many of the recommendations made in the 2014 Chief Scientist's Report.
9. The 2014 Chief Scientist's Report states on page 13:

Under the heading 'Recommendation 9' – "That Government consider a robust and comprehensive policy of appropriate insurance and environmental risk coverage of the CSG industry to ensure financial protection short and long term. Government should examine the potential adoption of a three-layered policy of security deposits, enhanced insurance coverage, and an environmental rehabilitation fund."



Narrabri Shire Council
46 - 48 Maitland Street
PO Box 261, Narrabri NSW 2390



P. (02) 6799 6866
F. (02) 6799 6888



E. council@narrabri.nsw.gov.au
www.narrabri.nsw.gov.au

10. The 2014 Chief Scientist's Report states on page 15:

Under the heading 'Recommendation 15' – "That Government develop a plan to manage legacy matters associated with CSG. This would need to cover abandoned wells, past incomplete compliance checking, and the collection of data that was not yet supplied as required under licences and regulations. There will also need to be a formal mechanism to transition existing projects to any new regulatory system."
11. Council supports the notion that any community costs or environmental externalities that stem from the Project should be borne by the proponent.
12. Furthermore, we strongly advocate for the formal adoption of a *"three-layered policy of security deposits, enhanced insurance coverage, and an environmental rehabilitation fund"* as outlined in the 2014 Chief Scientist's Report (Recommendation 9).
13. The Department's Assessment Report appears to support this approach and we anticipate that a 'three-layered policy' will achieve the right balance between development and risk-mitigation.
14. The Assessment Report notes at xiii, Executive Summary:

Finally, consistent with the recommendations in the NSW Chief Scientist & Engineer's review of coal seam gas activities in NSW, the Department would work with the EPA and the Department of Regional NSW – Mining, Exploration and Geoscience to ensure there are suitable safeguards in place under the planning, environmental protection and petroleum legislation to avoid and/or minimise any long-term risks of the project. These safeguards would include using: • security deposits to ensure the gas wells are abandoned properly and the site is rehabilitated to a high standard; • financial insurance/assurance to manage any residual risks during operations and following the closure of the gas field; and • the Legacy Mines Program to deal with any potential long-term impacts of the project in the unlikely event that they occur. With all these measures in place, the Department has concluded that the project is unlikely to result in any adverse impacts on the region's groundwater resources.
15. The Assessment Report notes at page 69, para 354:

The Department notes that the NSW Government has committed to a three-layered policy to provide suitable safeguards for any short and long term risks associated with coal seam gas activities, and that this would be implemented for the project if it is approved. The three layers comprise: • security deposits for rehabilitation under the PO Act; • insurance/assurance mechanisms required under the POEO Act; and • ongoing implementation of the Legacy Mine Program to deal with any impacts associated with legacy wells.
16. On balance, the Assessment Report does not provide enough clarity and we would like the Department to provide more information on these matters, prior to the determination of the Project.
17. We would like more information from the Department about the methodology and approach around financial insurance and assurance that the State will hold to cover the cost of on-site and off-site remediation and rehabilitation.
18. We note that members of the Department made some reference to security deposits being *"worked out in the normal way"* (Department Transcript, page 17, line 1 or thereabouts).
19. We would like the Department to provide further clarification about what this means prior to the determination of the Project.

20. We note the Department's view that the "residual risks" of the Project are, "very, very low" (Department Transcript of meeting with IPC, page 16 line 40, or thereabouts).
21. We note the Department's view that "... the EPA will carry out an assessment of that risk from time to time and require Santos to provide a financial assurance to deal with any of those risks or to obtain insurance to cover those risks" (Department Transcript of meeting with IPC, page 17, line 10, or thereabouts).
22. We note that the Department have undertaken to provide the Commission with further information about some of the recommendations in the Chief Scientist and Engineer's 2014.
23. We expect that the Department response will address the matters that we have raised above.

Monitoring and Management

24. The 2014 Chief Scientist's Report states on page 12:

Under the heading 'Recommendation 1' – "a clear signal to industry that high performance is mandatory, compliance will be rigorously enforced and transgressions punished."
25. The 2014 Chief Scientist's Report states on page 13:

Under the heading 'Recommendation 8' – "That Government move towards a target and outcome-focused regulatory system, with three key elements: regularly review environmental impact and safely targets optimised to encourage uptake of new technologies and innovation; appropriate and proportionate penalties for non-compliance; automatic monitoring processes that can provide data (sent to and held in the openly accessible Whole-of-Environment Data Repository) which will help detect cumulative impacts at project, regional and sedimentary basin scales which can be used to inform the targets and the planning process."
26. We support a robust and proactive enforcement program and would welcome an opportunity to discuss with the EPA how (as lead regulator) they will administer this, if the Project is approved.
27. We agree that there needs to be suite of monitoring mechanisms to transparently validate the assumptions and modelling that underpin the assessment of the Project.
28. We are of the view that monitoring of coal seam gas wells including after abandonment should be required until there is a sufficient body of evidence, by way of long-term studies dealing specifically with deterioration of wells and assessing the impact of abandoned wells over extended timeframes, to conclude that the risk of contamination of water resource aquifers is negligible.
29. We commend the proponent for committing to engaging an independent third party (such as CSIRO) to conduct a study into the decommissioned wells (in letter to NSC dated 16 October 2019).
30. Oversight and transparency of monitoring regimes are equally important to community acceptance of the Project.
31. We support Recommendation 10 of the Chief Scientist Report (see page 13) "for all State environment data including all data collected according to legislative and regulatory requirements associated with water management, gas extraction, mining, manufacturing, and chemical processing activities." to be "accessible by all under open data provisions...".
32. Regarding overall monitoring of the Project, we support the proposition that local community members must play an active role in these processes.

33. Given our understanding of the local community, we believe that Council should have a significant role in all relevant representative processes, and we look forward to making a meaningful contribution to these processes, if the Project is approved.

Groundwater

34. The 2014 Chief Scientist's Report states on page 7:

Water is another key issue. Primary producers and others fear that CSG developments will negatively impact prime agricultural land by depleting aquifers and contaminating groundwater reserves. They argue that it could result in reduced food production.

35. The Assessment Report notes at xi, Executive Summary:

The region has significant groundwater resources which support a valuable agricultural industry, including extensive irrigation in the alluvial floodplains of the Namoi River... The local community has significant concerns that the Narrabri Gas Project would damage these resources, principally by: • drawing water away from the shallow aquifers to the deeper geological strata following the depressurisation of the target coal seams and gas extraction, and reducing the water available to farmers; and • contaminating the water in the shallow aquifers with saline water, gas or other pollutants from the deeper coal seams or drilling fluids via the gas wells or other geological pathways (such as faults).

36. The Assessment Report states at page 40 [para 197]:

The community believes the project poses significant risks to the region's water resources, particularly the shallower aquifers as it could: • dewater the shallower aquifers and reduce the groundwater currently available to farmers for agricultural production; and • contaminate groundwater resources, principally by facilitating the migration of pollutants from the deeper strata to the beneficial water resources through the gas wells or by creating new pathways for these pollutants to move through the geological strata.

37. The Assessment states at page 56 [para 272]:

With regard to groundwater extraction, Santos has sought approval for capped extraction of 37.5 GL of water over the 25-year project life, or an average of about 1.5 GL per year, from the target coal seams. As outlined above, this groundwater is deep, saline (at about 40% the salinity of seawater), and not currently used by groundwater users in the region.

38. The Assessment states at page 53 [para 256]:

the Department, EPA, IESC and the WEP all believe that the Santos' modelling work is 'fit for purpose', and that there is adequate information available to assess the land and water-related impacts of the project and to make a final decision about whether the project should proceed under the EP&A Act.

39. The Assessment states at page 58 [para 287]:

Notwithstanding, the WEP concludes that these knowledge gaps and the resulting risks and uncertainties are similar to many other onshore gas projects, and that the risk of unintended groundwater movement, contamination or gas leakage remains small.

40. We support the use of leak detection systems which appear to be quite sophisticated and the use of government-owned monitoring bores; however, we reiterate that regulatory oversight and transparency are key to community confidence in the safety of the Project.

41. We support the establishment of a water panel/technical advisory group – though we request that it be required to meet at least four times a year and that Council be involved in the group.
42. We agree with the recommendations of the Department’s Water Group, on page 43 of the Assessment Report – though we would prefer a detailed Water Management Plan to be drafted and finalised prior to determination. If this is not acceptable, key local stakeholders should be provided with an opportunity to respond to any draft documents prior to finalisation.
43. Council generally supports an ongoing evidence-based approach to manage potential issues relating to groundwater throughout the life of the project.

Compensatory Water Supply

44. Department Transcript of meeting with IPC, page 9 (lines 5 to 15, or thereabouts):

“Its really in a water source where there’s very little competition for that water....In a drought there is competition for who can take the water out, and, you know, if 60 megalitres are coming out, Santos would need a licence for that water and they would need to obtain that work [sic water] on the broader water market.”
45. Page 59 of the Assessment report states at para 299:

“As outlined above, Santos has only sought approval for groundwater extraction associated with the Base Case.”
46. As we have raised in hearings on other projects, there are concerns for agricultural water users during periods of drought in terms of purchasing water in the open market. The proponent is a large corporate entity with significant financial resources at their disposal, which places them at a greater advantage to local water users.
47. Aside from groundwater contamination risks, there may also be market risks for agricultural participants as part of the Project.
48. We have also previously raised concerns with the Department’s compensatory water conditions in relation to other extractive industry projects.
49. We maintain those concerns for recommended conditions B30 – B33 for this project.
50. If a privately-owned bore suffers from drawdown then there will inevitably be a period of delay whilst investigations are carried out in order to comply with these provisions. This delay will be to the serious detriment of the farmer (or private bore owner).
51. Whilst we acknowledge that the onus lies with the proponent, we envisage the possibility of competing expert opinions that will not satisfy the other party. This process will result in further delays, expense and additional time possible for the farmer (or private bore owner) to be without water whilst a final decision is pending.
52. We submit that either the proponent should be required to make good any drawdown within the relevant zone regardless of cause. If this is not acceptable then the proponent should be obligated to provide water to the (or private bore owner) until such time as the Planning Secretary makes a final determination.
53. Furthermore, we submit that the reasonable costs incurred by the farmer and/or private bore owner (such as expert fees, legal fees and other financial outgoings) should be reimbursed by Applicant.

Bushfire Impacts

54. The Assessment Report notes at xviii, Executive Summary:

"bushfire risks can be reduced to an acceptable level by designing the project to comply with applicable guidelines, including Planning for Bushfire Protection, minimising ignition risk and having detailed procedures in place to respond to any emergencies both on the site and in the surrounding area;"

55. Page 44 of the Assessment Report, referring to the NSW Rural Fire Service states:

"Santos should be required to: - reduce the bushfire risks of the project further during detailed design; - have suitable measures in place to respond quickly to any fires; and - prepare a detailed Bushfire Management Plan for the project."

56. It is our preference that the Commission require the various Bushfire Planning documents to be finalised prior to determination.

Koala Habitat

57. The Assessment Report notes at para 457, page 92:

"In regards the koala, the Department notes that State Environmental Planning Policy (Koala Habitat Protection) SEPP 2019 replaced SEPP 44 – Koala Habitat Protection. However, under transitional arrangements SEPP 44 continues to apply to the project. The project area contains koala habitat but not core koala habitat as a resident breeding population of koalas was not identified. Consequently, a Koala Plan of Management is not required for the project."

58. The Recent Upper House Inquiry (Koala populations and habitat in New South Wales) notes at page 4, para 1.12:

"that some local koala populations have already become extinct, such as the Pilliga koalas. Dr Phillips described that they had once been a thriving koala colony living on public land, but experienced rapid decline in numbers due to dry conditions, deteriorating quality of the foliage and lack of water. In 2014, research showed that population had decreased by 80 per cent. By 2019, no koalas could be found and it has been described as a 'completely unviable population.'"

59. We commend the proponent's plans to fund a Koala research program.

60. We would support a requirement for Koala management if viable populations re-establish in the area of the Project.

Social matters

61. We note that the Department has suggested the establishment of an Aboriginal Cultural Heritage Advisory Group in their discussions with the Commissioners (Department Transcript, page 19, line 20, or thereabouts). We support the view that local Aboriginal people should be at the heart of all matters relating to their cultural heritage.

62. The Assessment report at page xvii, Executive Summary states:

"Most submissions raised concerns about the impacts of the Narrabri Gas Project on the local community, highlighting the complex interaction between the potential economic, environmental and social impacts of the project. In particular, they were concerned that the project would adversely affect the health, safety and livelihood of many people, disrupt community cohesion, and diminish the community's sense of place."

63. The Assessment report at page xviii, Executive Summary states:

“the Narrabri Gas Project is likely to result in both positive and negative social impacts in the region. These impacts could be tangible, in terms of putting pressure on public infrastructure and services, adversely affecting the housing and rental market, and increasing labour costs; but they could also be intangible, in terms of affecting community cohesion, the mental health of certain people, and peoples’ sense of place.”

64. The social impacts relating to the Project are not insignificant, therefore, we submit that the proponent maintains regular communication channels with Council and the local community to avoid any potential issues if the Project is approved.
65. We have been most satisfied with the way the proponent has maintained regular communication channels with Council to date.

Economic matters

66. The Assessment report at page xvii, Executive Summary states:
 - *attracting \$3.6 billion of capital investment to the region and \$5.5 billion of spending during operations;*
 - *creating 1,300 jobs during construction, 200 jobs during operations, and up to 500 jobs in associated industries that provide goods and services to the project;*
 - *increasing NSW’s real economic output by around \$12 billion;*
 - *strengthening energy security and reliability in NSW by providing up to 200 TJ of gas a day to the domestic market and putting downward pressure on gas prices;*
 - *generating more than \$3 billion for the NSW Government in royalties and taxes; and*
 - *facilitating local economic development, including the proposed industrial hub in Narrabri adjoining the proposed Inland Rail Project.*
67. Department Transcript of meeting with IPC, page 13 (line 45, or thereabouts) referring to gas prices:

“I think it’s a complex issue because the gas market is obviously subject to many, many variables and there are obviously limits to the extent to which any single project could affect the market, particularly a project like Narrabri gas, which is reasonably small in terms of the broader gas market..”
68. There have been reports in the media surrounding some of the assumptions relating to the Project. As we have stated in previous hearings on other projects, there is always scope to review economic modelling, given the significant changes that have occurred in global financial and commodity markets.
69. We agree with the Department’s comments that gas markets are complex, but stress that the Project will increase gas supply in NSW.
70. We support the economic opportunities that are likely to come out of the Project, including downstream industries and the future development of an industrial hub, alongside inland rail.
71. We are committed to the proponent employing local people, particularly those from Aboriginal and Torres Strait Islander backgrounds.
72. The Assessment report (page iv, Executive Summary) noted the Community Benefit Fund, valued at up to \$120 million, and the \$14.5 million agreement with Council to support road maintenance and community infrastructure. These funds, along with the development of Northern NSW Inland Port (“**N2IP**”) in conjunction with inland rail, will help to support local economic development for future generations in our Shire.
73. Council acknowledges the following potential benefits of the Project:
 - a. The Project has the potential to alleviate some of the recent gas market price distortions by increasing overall supply.

- b. The Project, in conjunction with Inland Rail and the N2IP, has the potential to assist Narrabri to leverage our economic strengths and through a reliable and affordable energy supply support manufacturing businesses and other value-adding activities.
- c. The Project is distinct from other resource projects in the region given that there is greater potential for additional downstream activities in the local area across various industries and supply chains. The multiplier effect of any downstream production activities is likely to have a greater economic impact on the local Narrabri Shire economy, as opposed to predominately benefiting other regions.
- d. The Project, in conjunction with Inland Rail and the N2IP, has the potential to support self-sufficiency across sectors which may provide greater supply chain stability for Australian businesses and consumers into the future.
- e. Increasing trade tensions, commodity price fluctuations and geopolitical events across the world demonstrate that offshore markets can change very rapidly. Over the longer term, greater energy security, self-sufficiency and supply chain certainty that may be delivered by the Project, is likely to be in Australia's national interest.

Council's views with respect to the power supply options identified for the Narrabri Gas Project.

74. Having reviewed the information Council does not have a strong view on either power supply option, provided that the ordinary statutory assessment processes are followed.

Further details regarding Council's position on the proposed expansion of the Westport workers accommodation facility.

75. As a general principle Council is supportive of short-term accommodation facilities to assist with peak construction workforces for State Significant Development.
76. Council strongly supports ongoing operational workers residing in the community.
77. Council records indicate that Narrabri Civeo has consent via two separate development applications for:
- a. 242 rooms (DA 97/2011)
 - b. 650 rooms (DA 415/2011)
78. Advice from Narrabri Civeo is that current developed capacity is 502 rooms.
79. It appears to Council that temporary workers accommodation at Westport Road has been adequately assessed as part of the Project.

Council's views with respect to the pipeline options identified.

80. We have not undertaken a detailed business case into the costs and benefits of either pipeline option.
81. We are of the view that neither pipeline option provides a direct economic benefit to the Narrabri Shire however connection to either pipeline is essential to increase gas supply in NSW.

Conclusion

82. Council supports the Project and on balance, we believe the Project represents overall value to our community.

We remain committed to working with all stakeholders, including relevant NSW Government agencies, the proponent, and members of the community, if the Project is approved.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Daniel Boyce', with a long horizontal line extending to the right.

Daniel Boyce

Executive Manager Planning and Environment