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Commissioners,

Thank you for the opportunity to have a final say over Santos' and the Department's responses.

We will comment on a few aspects of Santos' responses contained in 14. Hazard & Risk: Bushfires & Flaring and we will make a few comments on the jobs issue and referring briefly to the Actil Allen report.

Santos' effort to address the fire risks raised by submitters in its response is less than convincing. They say its analysis was based on a Forest Fire Danger Index rating of 120. They claim under this "conservative" approach any increase in bushfire frequency or intensity as a result of climate change is addressed. Intensity aside, a rating such as this cannot however be cited to cover frequency – it has nothing to do with frequency - and there is little doubt that climate change will bring with it a greater frequency of bushfires.

We should, however, examine how well it can deal with the suggested intensity rating. The "conservative" rating of 120 is fairly meaningless now. As climate change progresses so does our understanding of the potential for horrendous fires. After the Black Saturday fires of 2009 a new category of 'catastrophic' had to be added to the scale indicating an FFDI of 100 or above. No doubt a further category will be added to exceed 'catastrophic' as climate change progresses. Already an FFDI of 174 has been recorded in the Hunter Valley region of NSW. A week out of winter last year severe bushfires burned across Queensland and NSW and for the first time in recorded history FFDI ratings reached into the catastrophic range in that time of year.<sup>1</sup> So 120 cannot be regarded as predictive of conditions that are likely to be experienced into the future.

However, it is difficult to see how any such 'mitigation and management measures' that Santos proposes could deal with conditions with a rating of 100 or more which the Fire Danger Index describes thus:

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1. J. Gergis and G. Cary, Some say we've seen bushfires worse than this before but they are ignoring a few facts, The Conversation, 14 January 2020.

- Fires will be uncontrollable, unpredictable and fast moving – flames will be higher than roof tops.
- Thousands of embers will be blown around.
- Spot fires will move quickly and come from many directions, up to 20 k. ahead of the fire.

It is impossible to predict the unpredictable and manage it and this is certainly a case where the precautionary principle should be applied.

In relation to flares Santos argues

*“The potential for windblown debris to pass through safety flares or pilot flares and result in the ignition of a bushfire is considered negligible. This is because of the distance to potential ignitable sources of wind carried debris...”*

*Santos earlier says*

*“Safety flares at Leewood and Bibblewindi would be up to 50m tall and be surrounded by a vegetation free zone of up to 130 metres radius.”*

So the vegetation free zone can actually be under 130 metres in radius. On catastrophic fire days which are accompanied by strong winds Santos wants us to believe debris cannot blow a relatively small but unspecified distance and ignite a fire. No record of fires having been started in such a manner, as they argue, is not proof that they can't be. No two situations are the same. Given the extremes wrought by climate change the chances of such occurring increase rapidly over time.

The chances of a fire which is burning elsewhere in the Pilliga forest reaching the gasfield when embers can travel up to 20 k are also significant. We outlined in our submission that the Pilliga is a very fire-prone area. Santos argues there is no obligation or expectation that NSW Rural Fire Service, Forestry Corporation or NSW firefighters to protect infrastructure in the event of a fire. One could ask who is to control the fire in the gasfield? Santos workers? That would be a totally unacceptable situation from a work, health and safety perspective. Regardless of the infrastructure, for the safety of all in the vicinity the fire must be controlled. These are rather arbitrary distinctions in any case. The RFS or Forestry Corp. will still have to try to control the fire in the forest just outside of Santos' operational zone. Whether the fire was started by Santos operations or spread there by an out-of-control

forest fire, these fire fighters will be placed under enormous risk that is either generated or exacerbated by Santos' gas operations.

Given the very fast moving nature of fires under catastrophic conditions, it is very possible that Santos employees will not be able to implement all the shut-down and other safety systems that Santos nominates in time to prevent a disaster with a bushfire encroaching on the gasfield. Given what we know now of the fast-moving nature of fires under catastrophic fire conditions very fast action would be required with absolutely no room for errors. Can Santos guarantee this?

Santos argues that its fire management strategies are worked out with the RFS but we heard from RFS firefighters at the hearing who were very critical of the safety aspects of the proposal. It is our belief that Commissioners should trust the people who actually have to fight the fires and put their lives on the line to do so, rather than a faltering company which may not be able to respect all the commitments made.

It is noted in p. 3 of its response the Department accepts that the project represents an Ecologically Sustainable Development on four grounds the last being that the project

*“is consistent with the principle of internalising the environmental costs of development as Santos would be liable for meeting all the costs associated with avoiding and/or minimising the impacts of the project, with monitoring and reporting on its environmental performance during operations, and with fully rehabilitating the site following operations.”*

However, Commissioners would be advised to question whether Santos will be able to meet such commitments, especially if a major incident occurs. Santos like other oil and gas producers has suffered the effects of falling oil and gas prices even before the effects of Covid hit. As was argued at the hearings, in 2016 Santos registered a \$2.7 billion loss and wrote down \$3.9 billion of its assets, their CSG business to zero and told the stock exchange the Narrabri project was a non-core asset.<sup>2</sup> In fact every year from 2014-18 Santos has written down the value of its Narrabri project to the tune of \$1.5 billion.<sup>3</sup> While Santos' fortunes improved somewhat in 2019, only yesterday the Financial Review reported that Santos registered another loss of \$401.9 million, again wrote down its assets and cut its dividends to shareholders.<sup>4</sup> Santos' financial position and prospects in a collapsing market for gas need to be taken into account when considering whether Santos will be able to meet

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2 Macdonald Smith, A., Write-downs drag Santos to \$2.7b full-year loss, Sydney Morning Herald, 17 February, 2016

3 Robertson, B., Santos racked up nearly \$7 billion in unconventional gas and LNG losses in 5 years, IEEFA, 19 February, 2020

4 Macdonald Smith, Write-downs sink Santos to loss, dividend cut, Financial Review, 20 August 2020.

not only its commitments made regarding fire safety but any of the commitments made regarding repair of any damage its operations may cause to the environment and certainly restoration work 25 years hence after the operations have wound up. When finances are tight, corners are often cut. CEO Kevin Gallagher was reported in 2016 as saying Santos needed to reduce costs and they would be looking at every way to reduce them.<sup>5</sup> Santos' financial situation was raised at the hearing but Santos has not addressed them. The repercussions that could flow from its financial stress do need to be considered.

One of the major ways companies reduce costs is to cut jobs. We note in the Actil Allen report (p. 36) the jobs figure at the Narrabri operation stage has risen slightly to 222. However, given Santos' tight financial situation it is probably wise to regard that figure with some caution. There can be no guarantees it won't make cuts where necessary as it did in 2015 when it shed 825 jobs.<sup>6</sup> Only this April Santos announced it would cut 150 jobs as gas price falls continued to severely reduce its revenue.<sup>7</sup>

We ask that Commissioners take the reality of Santos' financial situation into account when assessing the claims they make.

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5 Santos Cuts its losses, IN Daily, 21 February 2018 - <https://indaily.com.au/news/business/2018/02/21/santos-cuts-losses/>

6 Macdonald Smith, A., op cit

7 Macdonald Smith, A., Santos cuts jobs, shuts offices as COVID-19 hits, Financial Review, 1 April 2020