

Office of the Independent Planning Commission NSW

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Dear Commissioners O'Connor, Hann and Barlow and Counsel Assisting Richard Beasley SC

Thank you for the opportunity to respond to the eleventh-hour Final Submission by Santos to the Narrabri Gas Project Public Hearing. Not all issues could be covered in the time available, hence this supplementary submission focuses only on insurance.

With this last minute attempt to sway Project approval in Santos' favour, the Commission would do well to reflect on statements made earlier this year by ACCC Chairman, Rod Sims, in referencing the gas industry, "**Often self-interest dominates what companies tell governments**". He continued, "**A lot of the things that Australian governments, politicians, were told when those projects (gas export projects) went ahead, turned out not to be true**"¹.

Santos was, and still is, one of the major players in those gas export projects. For years, our community has been subjected to many of the same falsehoods, so why would things be any different now?

A case in point is Santos' assertion "that a single insurer has decided to no longer insure farmers with oil and gas infrastructure on their property". This statement is misleading at best. To date, the insurers who will no longer offer public liability insurance include IAG Group and its subsidiary companies, NRMA Insurance, CGU, SGIO, SGIC, Swann Insurance, Poncho Insurance and Australia's largest rural insurer, WFI. Together, these companies underwrite over \$12 billion of insurance annually.

Notwithstanding, Santos makes the following statement in its Final Submission to Independent Planning Commission following the Public Hearing, "Consequently, on 29 June 2020 the Insurance Council of Australia, the Australian Petroleum Production & Exploration Association, National Farmers Federation, Queensland Farmers' Federation, AgForce, and Cotton Australia issued a joint statement, to reaffirm that public liability insurance cover remains available for farmers who host natural gas activities."

What Santos failed to add, however, is that the statement then goes on to state that -

*"... public liability insurance offered to farmers is designed and priced to cover farm risk only, and therefore may not cover losses associated with third party infrastructure including infrastructure and activities associated with natural gas production."*²

¹<https://www.abc.net.au/news/2020-02-27/gas-giants-misled-governments-acc-boss-rod-sims-says/12004254>

² <https://www.qff.org.au/media-releases/public-liability-insurance-cover-remains-available-farmers/>

As recently as 21 July 2020, IAG Group and its subsidiaries again reaffirmed that their position on the issue of public liability remained unchanged; that is, they will no longer provide liability cover for farms that have coal seam gas activities or infrastructure on their properties.

Yet again we see Santos forcing their business model, and their industry, onto farmers and communities who have long stated their objections and denied a social licence. Why should local farmers, who often have long established relationships with their insurance agents based on a unique understanding of their particular business and price point, be forced into a situation where they have to investigate and source alternative insurance products, if such a thing were to even exist at a price they could afford? It does little to advance the case for coal seam gas extraction in our region, and is yet further proof that coexistence between agriculture and coal seam gas industry is nothing more than a myth - it is nothing more than one industry being imposed upon, and over the top of, another.

The issue of public liability insurance notwithstanding, neighbouring properties and/or downstream water users are also unable to mitigate the risk of groundwater drawdown or depressurisation and land, water (surface and groundwater) and/or farm product contamination as a result of coal seam gas operations in their locality through the normal insurance mechanisms.

Our own insurance broker noted "I am not aware of an insurance product available for the circumstances you describe. In the event that you did suffer such an occurrence then I believe that any claim for compensation by you would be against the "Third Party"". Once again, the landholder bears the onus of proof, despite what the DPIE and Santos might lead you to believe. I might not have gas activities or infrastructure on my property but to prove that damage was caused by coal seam gas operations under my property or upstream of my property would be extremely difficult as well as financially crippling. With no Land Access Conduct and Compensation Agreement, how exactly will Santos indemnify neighbouring landholders or downstream water users for losses arising from their coal seam gas operations?

It is completely unconscionable that landholders would be placed in this his position, both now and into the future, essentially having the risk of CSG operations transferred to them.

As previously stated in my verbal presentation to the Commission, to date, and despite repeated requests, Santos has refused to provide evidence of their insurance policies, including how and to what extent they have quantified the potential adverse liability arising from their activities in PEL238, citing "confidentiality provisions" which preclude them from disclosing details to me or any other third party.

Santos' Environmental Impact Statement included no contingency plans such as Comprehensive Environmental Insurance to manage a range of risks, including Residual Risk, which was specifically referred to in the Secretaries Environmental Assessment Requirements.

Also, the NSW EPA says “Operators choosing not to hold relevant insurance will be required to instead prove to the EPA the existence of sufficient potential clean up funds.” Yet as woefully inadequate as this is, there is absolutely no mention of this “requirement” in the Assessment Report or draft consent prepared by the Department.

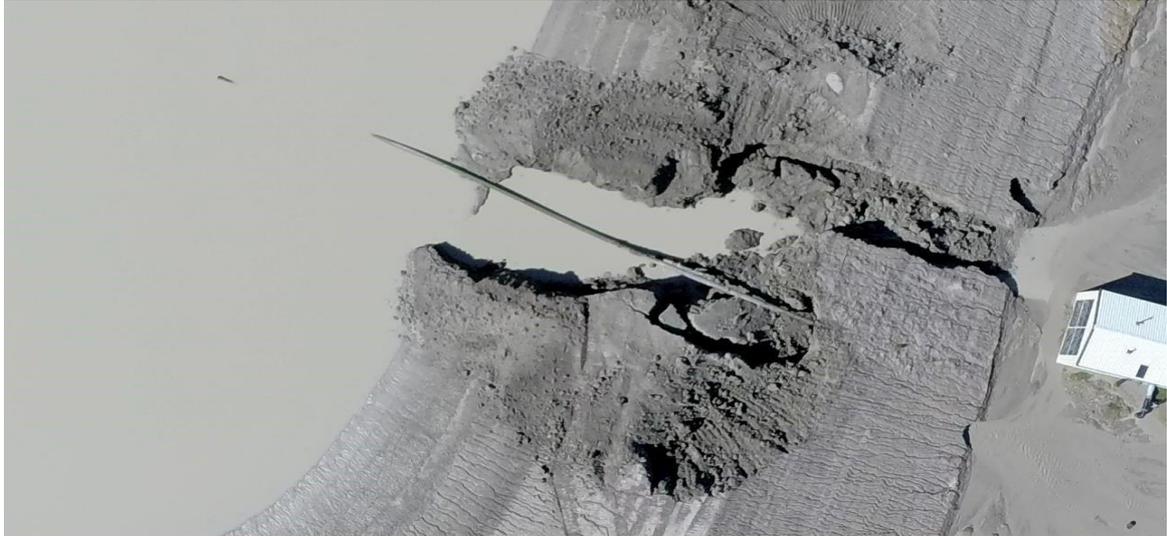
This is precisely why we sought to insure against such an eventuality, and for which there is no cover available. Neither Santos, their insurance company, nor a NSW Government Bank Guarantee to an undisclosed amount, can provide certainty of cover for or a remedy for the inability to obtain insurance privately.

In NSW, landholders’ currently do not have the right to refuse access enshrined in legislation for any and all activities associated with CSG exploration and production, including sub-surface activities. At present, landholders’ are ultimately powerless to refuse access to a gas company³ – they have no right to say ‘no’ – which creates an uneven and unbalanced playing field and is a testament that the current system is broken.

Santos, together with the NSW Farmers, Cotton Australia, the NSW Irrigators Council and AGL, did sign an Agreed Principles of Land Access in 2014, however, this agreement only served to cover drilling activities, and not the extensive range of critical surface and sub-surface infrastructure such as powerlines, gas and water pipelines, quarries, borrow pits, gas processing and compressor stations, water treatment facilities, roads, accommodation support camps for staff, fuel storage areas, flare pits, ponds, fences, etc which are essential to gas extraction and supply. In addition, the “principles” contained within this document have never actually been tested and frankly, local farmers do not consider it worth the paper it is written on. Farmers were told at a public meeting in Narrabri that “we’ll just drill under you” if you refuse to grant access. The Joint Statement of 29 June 2020 referred to above offers no more comfort.

Things can and do go wrong. In Queensland, the potential for contamination was highlighted to devastating effect by the blow out of a CSG waste water dam wall near Miles in early May 2015, which led to huge volumes of waste water flowing onto a neighbouring property (photos courtesy of John Reid Carew attached).

³ <https://www.theguardian.com/commentisfree/2015/dec/04/i-live-daily-with-the-stress-that-farmers-are-powerless-to-refuse-access-to-coal-seam-gas>



In early May 2017, three spills of CSG wastewater totalling 237,000 litres were discovered from Santos' infrastructure in Queensland. These spills again underscore the risks to our land and our water from CSG operations⁴.

It is apparent to all who care to see why insurers won't insure against the risk posed by coal seam gas activities – it is not a question of 'if' losses will occur, rather a question of 'when'. Hence the risk is thrown onto farmers. For us, the effect of coal seam gas operations which negatively impact our single reliable source of water and our soil would be to critically damage our business, threaten the livelihoods of our employees and their families, and the multiple supply businesses who rely upon us.

This suggests that the value of rural properties surrounding the Narrabri Gas Project could be rendered virtually zero, should aquifer contamination and/or depletion occur. Recent experience, particularly in the Hunter Valley, suggests that posted bonds are insufficient to cover the cost of rehabilitation, if such a thing were even possible. To ensure that this experience is not repeated, **Santos should be required to post a bond equivalent to the value of properties (including irrigation, stock, and domestic water licences) which could be potentially affected, guaranteed for 100 years, with the proviso that it be included as a condition of approval (if approved) and that Santos raise the money and post the bond before further work is undertaken.** If Santos' operations as part of the Narrabri Gas Project are as safe and low risk as they claim, they should be pleased of the opportunity to "put their money where their mouth is".

To gain some idea of the order of magnitude of the bond, consider if groundwater were rendered unusable over the Project area and an area extending five kilometres north and south and 50 kilometres to the west (the general direction of groundwater flow). This would affect about 400,000 hectares and roughly about 50,000 megalitres (ML) of irrigation licences (out of a total of 86,000 ML of groundwater and 245,000 ML of surface water licences in the Lower Namoi). The NSW Government must insist that Santos post a bond equivalent to the value of this land and water. Assuming a conservative land value of \$1,500 per hectare (including the forest land) and \$3,000 per ML, this would suggest **a bond in excess of \$750 million**, guaranteed for 100 years.

For this valuation to be more accurately quantified, as it should, the extent of any possible pollution plume should be modelled and actual land values of the affected area should be applied, together with an amount to compensate for lost future earnings. This would allow the magnitude of the appropriate bond to be determined.

A rapidly growing sector of the local, regional, and national community now believes the current NSW and Federal Governments have rural and regional communities positioned as secondary in their deliberations and actions, particularly with regard to the pursuit of the rapid establishment of unsustainable industries, such as coal seam gas mining, to the mutual exclusion and sublimation of

⁴ <https://twitter.com/isobelroe/status/859864223806967808>

sustainable industries such as agriculture, which have nurtured North West NSW for more than 150 years.

Santos and the DPIE have done much to overstate the supposed economic benefits of the Narrabri Gas Project, whilst underselling the large-scale costs and risks in terms of water, health, air quality, noise, and impacts on agriculture and local communities. Approval of the Narrabri Gas Project places our community in the unenviable position of being in an uncontrolled experiment on a grand scale.

Once again, I reiterate my opposition to this Project and urge you to deny its approval.

Kind Regards

Sarah Ciesiolka

20 August 2020