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Commitment to NSW gas is positive; now time for action

Australia's oil and gas industry welcomes the NSW Government's recognition that the state is facing an avoidable energy security problem and that policy must change to encourage supply.

The Government's firm commitment to the further development of indigenous gas resources contains several measures aimed at addressing looming supply problems. However, this is the third plan in three years. The industry is concerned that unnecessary restrictions and red tape placed on producers and explorers will continue to impede resource development and hamper further investment.

The current situation – which sees NSW import 95% of its gas, even though it possesses 500 years' worth of supply – should be viewed as unacceptable by the state's 1.3 million gas consumers.

The 2013-14 financial year saw only 10 exploration wells drilled in NSW, while not one production well was drilled in the state.

In Queensland, more than 1,600 wells were drilled in the same year.

The industry acknowledges the Government's declaration that it is intent on bringing on new gas supply in the state. However, before the policy principles can be translated into positive action, the Government must clarify some important details:

- The Government's plan appears to shut down opportunities for new investment in the state and does not allow for new exploration. Today's exploration is tomorrow's production.
- The suggestion that gas production be reserved for use in NSW is clearly at odds with the fact that NSW has relied on the willingness of other states to supply gas into NSW for many decades. The type of 'reservation' policy outlined has been widely condemned by many reputable parties.
- Benchmark farmer compensation agreements must not reduce the scope for flexible negotiation between the parties. They have the potential to create significant problems for gas companies and farmers alike, as they fail to recognise that every farm is different.
- The extension of "exclusion zones" is a clear case of arbitrary and politically driven regulation. The gas industry has no issue with the regulation of its activities, but the rules must be based on science and risk management principles.

Additional legislated costs to investors – whether related to compensation agreements, community contributions, or compliance – must be balanced with the need to ensure costs are not so high as to jeopardise development.

The natural gas industry has a proven track record in NSW and across Australia that is underpinned by science, world-leading technology, professional standards and expertise.

In Queensland, agriculture and gas production are working side-by-side through more than 4700 land access agreements that allow for the safe production of gas and the provision of income to farmers that is not dependent on the weather.

Industry looks forward to working with government and all stakeholders as a matter of urgency on policy proposals announced in today's strategy.

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