Why we oppose Sydney Gas

Bob Kennedy, presentation to Singleton Chamber of Commerce, May, 2007

The structure of this paper is to discuss issues inherent in the Petroleum (Onshore) Act 1991, and to then cover issues specific to Sydney Gas Ltd.

When we first heard of the Sydney Gas Petroleum Exploration Licence (PEL) it did not raise any real alarms. After all, the property named Beyond Broke had been undermined by Beltana and the house had dropped 1.8 metres.

Then it became apparent SGL were trying to communicate very selectively and were not willing to hold a public meeting. This raised alarm bells as we had heard of the antagonistic approach in Camden and more recently in Dooralong and Yarramalong Valleys. We had seen the Ray Martin exposé on Sydney Gas and our community became very concerned at the attitudes and practices of Sydney Gas.

So with the help of solicitors Peter Reid (Energy and Resources Lawyers) and Graeme Gibson, former Singleton Councillor, Mayor and solicitor, we began to learn about the NSW Petroleum (Onshore) Act 1991. All of the communities' previous dealings with mining companies had been under the NSW Mining Act which covers the coal industry.

It should be stated quite clearly at this point that HBGAG, is not opposed to the extraction of Methane gas from coal seams. We fully understand that in the needs of safety and the ability to mine it is necessary to remove Methane gas which in some instances can be quite dangerous. Further, that the practice of burning or bleeding it into the atmosphere has occurred for years. We support the use of that Methane rather than having it bled away into the air.

It should be remembered that, at one time, a landowner owned their land from the core of the earth to the heavens. Over time, with airline travel the air rights were eroded and the NSW Government had long since grabbed mineral rights as their own. With the Petroleum (Onshore) Act the Government decided that it would now own all petroleum and gas rights as well.
In grabbing these assets from land owners not only did the Act remove an asset but it granted explorers significantly improved conditions.
For example, under conditions of a Petroleum Exploration Licence (PEL) an exploration company has only to "prevent *or minimise* the contamination or pollution of any stream, water course or catchments area". This is bad law.
Other clauses contain the right of the Minister to override the owner of the land.

This has to ring loud alarm bells!

So how does the Mining Act compare to the Petroleum (Onshore) 1991 Act?
Under the Mining Act there are several ways in which both the environment and the land owner are given rights.

- The exploration process is clearly separated from the right to mine and an Environmental Impact Study is required as part of the Mining Lease approval process.
- There are clear guidelines for the exploration activity and making good any areas impacted.
- There are clear access protocols for geologists and their activities.
- There are provisions in the process for a Community Consultative group.
- Once Mining is approved there are atmospheric, noise and dust monitoring requirements.
- There are procedures and a method for repairing and rehabilitating any damage caused by Mining.
- Values are protected to some degree by land acquisition rules. A recent mining consent included the right for a given number of landowners to request, in writing, that the mining company acquire their land. The land was to be valued at market value at the time the request was put in writing. The market value was to be on the basis that mining had not taken place.

This level of protection and transparency has been developed over many, many years and when Singleton Council was the regulatory authority there was a strong emphasis on rehabilitation and the conditions under which mines operated. Further, having been directly impacted by the Beltana Underground Mine, we have seen first hand the

extensive monitoring and reporting required.

Turning to the Petroleum (Onshore) Act.
Staff of the NSW Dept of Primary Industries have indicated that the Act was written with the larger land owners of western NSW in mind.
Also there was very little expectation of success and that is why the Act does not adequately cover extraction.

- Whilst there is a definition of Petroleum there is no reference to CSM and no differentiation between CSM and conventional gas.
- Access and compensation is very loosely defined.
- Little or no reference to monitoring activities.
- Nothing to provide or compensate for the impact on land values.

The Petroleum Onshore Act 1991 is not comprehensive, is poorly structured and quite frankly is inadequate for the sorts of communities represented by Camden, Yarramalong/ Dooralong or Bulga and Broke.
We believe that the Petroleum Onshore Act 1991 is draconian and completely unfair to the environment and the landowner.
The Department is instigating a review of the Act in 2007/8 and this will include:

- The Structure of Titles (Separation of different outcomes)
- Review of Environmental Factors (REF)
  - Water resources, erosion and impacts on soil.
  - Odour, noise, vibration and dust.
  - Fencing and livestock
  - Traffic movements.
  - Hours of operation
  - Negative impact on land values.
- Compensation for access and acquisition.
  - Land Access: Duration of PEL's, land holder rights, native title.
  - Safety
  - Environment, heritage and greenhouse effect, national parks and reserves.
- Interaction with Coal and Other Mineral Titles.

Almost suggests we need to write a new Act from scratch!

And it does however clearly emphasise the inadequacy the current Act.

But surely with all the experience gained from interaction with and learning from the Coal Industry we should not have to start again. Why re-invent the wheel? There are areas of monitoring, environmental and safety provisions as well as compensating or protecting land values that can be extracted from the Mining Act and conditions of coal leases.

So, having painted a backdrop of an inadequate and poorly structured Petroleum Onshore Act let me now explain why we are saying "**NO**" to Sydney Gas.

This paper has already underscored the lack of consultation
To provide you with one example; one that SGL have raised as a success in community relations and consultation!
The Open Days held at Singleton Library.

- They were held on Friday PM and Saturday AM, just the time our Tourist operators were busy with new arrivals or helping sort the itineraries of those that arrived the previous night. Why couldn't this be held at Bulga or Broke Halls rather than remotely from the affected landowners?

- Our group prepared 73 questions to ask those representing SGL. As we went through the questions we were able to eliminate some, but the answers we received were
  - "We do not know that at this point."
  - "We are at the start of a long journey and have not developed our thinking yet",
  - "That is not of concern"
- There were some generic answers but the point I am making is that the two half days were not helpful and that was clearly shown in our exit interviews.
- We became frustrated at these continued deflections and non answers and asked the simple question

"What is the size of the prize"?
Answer: "We are at the start of a long journey and have not developed our thinking yet."
Experience as a Finance Director in exploration let us know that was not the answer, so we then asked "Your SGL board has approved spending $26 million over 6 years and you are unable to identify the potential prize! What sort of good management or governance is that?"
Answer: "We are at the start of a long journey and have not developed our thinking yet."
No one in the room was impressed.
A Singleton Councillor was heard to comment that the Open Days were a waste of time.
The very next working day a number of our group who had become shareholders in SGL went to Sydney for the AGM. It was an extraordinary meeting in that the Chairman was thrown out of office and the new Managing Director attending his first AGM revealed that there were 673 bcf of CSM available of which SGL would have 424bcf!

The Board of SGL has as one of its responsibilities
"promoting the success of the Company in a way that ensures that the interests of shareholders and key stakeholders are properly understood and protected"
So why could the shareholders be told of this potential and our effected landowners not?
SGL have made much of their community consultation process.

Do not believe a word of it!

Remember the definition of "consult" means "to listen to or take advice from" This certainly has not happened and, despite protestations from former MD Moore, he has not addressed the issues we have raised.

Let me now briefly review of the Access and Compensation Agreement which SGL says complies with the relevant section in the Petroleum (Onshore) Act, which I have already indicated is somewhat "loosey goosey".
Our lawyers have described the proposed SGL agreement as "oppressive" and "harsh and unconscionable" in that it places encumbrances on the title of the land that impede selling or dealing with the land by way of a lease or mortgage. The vendor must also agree on sale of the land to have the new owner agree to the same terms and conditions already in place.
The Agreement is for the life of the SGL lease and that could be up to 6 years for exploration and potentially 42 years for extraction.
What is it worth to tie your land up for potentially 50 years ?
$2500 once-off access fee and
$2500 per hole per annum. That's $50 per week which won't be worth much in 40 to 50 years time.
Oh, by the way, it is not indexed!

The next issue is that the SGL leases cover the alluvials and water tables of the Wollombi Brook, and it should be noted that Beltana, in particular, have gone to great lengths not to go near undermining the alluvials. They know the risks.
SGL do not see a problem "you have as much chance as being hit by a rock from outer space as we have of damaging the alluvials" Well this is an admission that there is a risk.
However small the risk to our Brook might be, it is not acceptable, even more so when nobody has water and everybody is praying for some rain before our next crop.
In lay terms, the drilling through the water table or alluvials is not the real issue. SGL knows this, it is actually what happens in the seams underneath, As the coal seam is fractured by water, the gas and seam water is withdrawn, and what is left is, if you like, a cavern, this may collapse and in so doing may cause fractures that drain the water table. If that happens the Wollombi Brook could well be no longer.
Nobody, repeat nobody, knows what will happen. Tim Jones, a Queensland Hydrologist, pointed this out to the detriment of Sydney Gas in Dooralong.
So whilst SGL might say the risk is minimal, they really do not know and to our group **any** risk to water, however small, is not acceptable.
We are also concerned about drilling so close to the world heritage listed Wollemi National Park

Added to this SGL are not a company of substance. 6 Managing Director's since 2004 and a significant

number of Chairman suggest little stability and certainly little recourse if something were to go wrong.
The surety for the hole in Inlet Road Bulga is $15000
Ask yourself, what would that fix?

We are not opposed to CSM. We would look to support the pipeline from Liddell power station but are told that without some sort of emissions trading scheme it is doubtful that it will proceed. The coal companies have utilised some freed Methane gas but on a very small scale because it does not present a very good economic proposition. They believe, we are told, that the economics do not stack up.
SGL say the Gas in Place Estimates in our valley are 673bcf. In Camden they are 1596 bcf and in Merriwa they are 2178 bcf
Why then are SGL pursuing the Bulga Broke resource?
They struggle to make Camden viable, the estimates for which are twice our size and Merriwa is three times our size.

So, in conclusion, the Petroleum (Onshore) Act 1991 is simply inadequate, even the NSW Government administration is seeing real concerns
SGL are not a company of substance, they have a lousy history of multiple MD's and Chairs and have not earned the trust of our community because they have not engaged us in any way.
It is for all these reasons, outlined here, that we at HBGAG say no to Sydney Gas.