

Senate Rural Affairs and Transport References Committee

Questions on Notice – Wednesday, 20 July 2011
BRISBANE, QLD

Inquiry into management of the Murray-Darling Basin

Question Number	Page No's.	Witness	Question asked by	Answered
1	6	QFF	Senator Joyce	Unanswered as at 13/03/13
1	46	APPEA	Senator Sterle	12/8/11

**SENATE RURAL AFFAIRS AND TRANSPORT
REFERENCES COMMITTEE**

Inquiry into the management of the Murray-Darling Basin

Public Hearing Wednesday, 20 July 2011

Questions Taken on Notice – Queensland Farmers Federation (QFF)

1. HANSARD, PG 6

Senator JOYCE: We were told yesterday that in 1915 the act changed in such a way that these gas rights were taken from the farmer and handed over to the state. Is that your understanding of it?

Mr Galligan: I had no understanding of that. I have heard that story before, so that sounds—

Senator JOYCE: Can you take that on notice, because if that is the case then we should see—

Mr Galligan: Proper guidance.

Senator JOYCE: exactly what right was changed.

Mr Galligan: Yes.

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**Questions Taken on Notice – Australian Petroleum Production and
Exploration Association (APPEA)**

1. HANSARD, PG 46

Senator STERLE: To follow on from Senator Edwards's line of questioning, there was no-one at the meeting saying, 'We've had a great time,' and that is alarming too. You have mentioned some figures—\$15,000 or \$20,000 up front. We heard none of that. How can we find out exactly how well compensated, or not, the farmers are?

Senator EDWARDS: They are all constricted by confidentiality agreements, so how do we find out what the truth is?

Senator STERLE: There is an echo in the room. I have to agree with that echo.

Senator EDWARDS: I apologise, Senator.

Senator STERLE: Thank you. Mr Wilkinson, are you taking that on notice?

Mr Wilkinson: I think I would probably have to come back. Obviously we cannot give details about individuals, because we are bound by the confidentiality agreements.

Senator STERLE: I fully understand, Mr Wilkinson, and I am not cutting you off, because, you see, it is very hard for this committee to sit back and put up a different line of argument.

Mr Wilkinson: I will seek information from our members as to the average, if I can average it, and give the inquiry a sense of the sort of compensation ranges that are common rather than exceptional.

Senator STERLE: That would be very helpful.



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**Response to Questions Taken on Notice – Australian Petroleum Production
and Exploration Association (APPEA)**

1. HANSARD, PG 46

LAND ACCESS COMPENSATION

In Australia ownership of subsurface resources is vested in the Crown. This is a distinctly different system from that in some other jurisdictions, including parts of the United States, under which landholders own the subsurface resources. Where landholders own the subsurface resource they are generally entitled to a royalty payment which in Australia is instead paid to the State and Federal Governments (through State royalty and the new federal resource rent tax). Company tax payments to the Federal Government also account for a significant portion of the return to the community from resource extraction.

Under Queensland law, landholders are therefore entitled to be fully compensated for the impact of resource extraction activities on their land rather than to receive a return from the extraction of the resource. Under this system compensation amounts vary widely as impacts vary widely. For this reason, while an average amount can be produced it is misleading in that it would treat all land and petroleum activities as homogenous when there is considerable variation in reality.

The quality of land ranges from low value land which is not used for agriculture to high value, highly productive agricultural land. Compensable petroleum activities also vary widely in their impacts from early stage exploration activities such as seismic and core well drilling, to production wells with long access tracks and a camp site for drilling. For example, one well in the corner paddock of a 10,000Ha grazing property with public road access will have a substantially smaller impact than 15 wells on a 1,000Ha irrigation property. Further, under Queensland legislation all impacts must be compensated for but specific impacts are not necessarily identified or calculated separately.

In addition, while each company uses its own consistent principles these may vary across companies and the coals are not the same everywhere leading to different infrastructure designs and impact. The use of existing/new access infrastructure is also different on each property.

Within the above context, advice given to the Committee that upfront payments of some \$10,000 are made is correct. Approximate payments on a per well basis are \$2,500 though again we note that per well calculations are misleading. Both upfront payments and payments for wells may be significantly higher or lower depending on the actual level of impact. We also understand that further information on compensation has been provided to the Committee in some of our member company's submissions, in particular those of QGC and Santos.

The industry also reimburses fees incurred by landholders (for legal, valuation and accounting services for example) in the negotiation of agreements. These costs vary widely in accordance with the amount and nature of advice required and in some instances have been many tens of thousands of dollars.