QUEENSLAND resources COUNCIL

Working together for a shared future

12 July 2011

Committee Secretary
Senate Standing Committees on Rural Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600
Via email rat.sen@aph.gov.au

Dear Committee Secretary

Thank you for the opportunity to comment on the Senate Standing Committee on Rural Affairs and Transport's inquiry into the management of the *Murray Darling Basin – impact of mining coal seam gas*.

The Queensland Resources Council (QRC) is a not-for-profit peak industry association representing the commercial developers of Queensland's minerals and energy resources. QRC works to secure an environment conducive to the long-term sustainability of minerals and energy sector industries in Queensland.

QRC counts a number of coal seam gas (CSG) producers amongst our membership who have operations in the Queensland section of the Murray Darling Basin. QRC's CSG members have indicated that they will be providing inputs to the Inquiry through APPEA (the Australian Petroleum Production and Exploration Association). QRC supports the views that have been put forward from APPEA as the peak national body for the upstream oil and gas exploration and production industry, but provides this submission to reflect a broader resource perspective.

QRC understand that the terms of reference for the inquiry are to examine the economic, social and environmental impacts of mining coal seam gas on:

- **a** the sustainability of water aquifers and future water licensing arrangements;
- **b** the property rights and values of landholders;
- **c** the sustainability of prime agricultural land and Australia's food task;
- **d** the social and economic benefits or otherwise for regional towns and the effective management of relationships between mining and other interests; and
- **e** other related matters including health impacts.

QRC's submission is focussed on providing input to assist the Committee in addressing terms of reference **c** – *the sustainability of prime agricultural land and Australia's food task and* **d** – *the social and economic benefits*

The topic of sustainability of Queensland's best cropping land and the interplay with the resource sector has been a contentious issue with attention focussed on the State Government's policy of strategic cropping land. In the context of this debate, QRC has sought to better understand the relative footprints of the two industries – cropping and resources. Please find attached two reports.

Resources Development on the Darling Downs: A threat to food security?

The first report is the QRC's research monograph, *Resources Development on the Darling Downs: A threat to food security?,* which projects a likely footprint of resources in the Darling Downs by 2020 (April 2011).

Analysis conducted in 2010 by the QRC with the assistance of the Department of Environment and Resource Management shows that the resources sector accounted for 0.09 % of the state in terms of land disturbed compared to cropping that accounted for 2.1 % and grazing natural vegetation that accounted for 86.1%.

The Darling Downs encompasses 9,007,000 hectares (ha) of the state. In 2010 the resources sector accounted for approximately 10,000 ha or 0.1 per cent of this total land area. In 2020, this is expected to increase to approximately 50,000 ha or 0.6 per cent[1] of total land area on the Downs. Indeed, if the Darling Downs was the size of the entire Gabba stadium, the resources sector in 2010 would have consumed just 24 seats. By 2020, the sector it is estimated will have consumed just 139 seats.

Scenario 1 - Foregone wheat and chickpea production

Assuming that between 2011 and 2020 an additional 50,000 ha of land is utilised temporarily by the resources sector, what would be the percentage reduction in wheat and chickpea production if all that land was used in constant 3:2 crop rotations – that is, a BAU scenario of one sorghum, one wheat and one chickpea crop every two years between 2011 and 2020?

Analysis shows Darling Downs wheat production (cumulatively over the nine years) would be only 0.27 per cent lower – being the difference between the BAU scenario and the scenario that all the land is utilised temporarily for resources development. A slightly larger impact is recorded for Darling Downs chick peas production which would be approximately 5.09 per cent lower (again cumulatively over the nine years).

Foregone production is also represented as percentage of Queensland, Australia and global production for the period 2010-2020 at Table 1.

Table 1

Wheat	
% of foregone production Darling Downs	0.27%
% of foregone production Queensland	0.15%
% of foregone production Australia	0.01%
% of foregone production World	0.0004%
Chickpeas	
% of foregone production Darling Downs	5.09%
% of foregone production Queensland	1.24%
% of foregone production Australia	0.37%
% of foregone production World	0.02%

Scenario 2 – Foregone beef production

Like scenario 1, the second scenario is if all the 50,000 ha of temporarily utilised land was used in beef production (a more reasonable assumption given the quality of the land affected). Cumulatively over the nine years beef production would be down 0.34 per cent if all the land was utilised when compared to a BAU scenario (all the land is used for beef production). Foregone production is also represented as a percentage of Queensland, Australian and global production for the period 2010-2020 at Table 2.

[1] Defined as the expected joint activities of Arrow Energy, Tarong Energy, Millmerran Power Management Pty, New Hope Coal Australia Ltd, Ambre Energy, Peabody Energy Australia Ltd, Origin Energy, ERM Power, Santos Pty Ltd, and QGC Limited. The QRC understands that other companies are exploring on the Darling Downs and total land disturbance would have to be adjusted once drilling, regulatory and final investment decisions are concluded.

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Table 2

Beef production	
% of foregone production Darling Downs	0.34%
% of foregone production Queensland	0.03%
% of foregone production Australia	0.01%
% of foregone production World	0.0002%

Whilst acknowledging concerns about food shortages, this paper concludes that even under the most optimistic assumptions concerning yield rates and land usability, the resource sector's land disturbance footprint in the Darling Downs will be minimal and is highly unlikely to have a material impact on domestic or global food security.

Mineral and Energy Resource Sector in Queensland economic impact study

The second report was commissioned by the QRC and completed by the Central Queensland University and the EIDOS Institute. *Mineral and Energy Resource Sector in Queensland economic impact study*, November 2010 sought to analyse industry data on where (and how much) the resources industry purchases its goods and services, where it makes its voluntary community contributions and where it pays its workers. The work was commissioned as part of the preparation for the QRC's website www.queenslandeconomy.com.au

The report allows the direct impact of the resource industry in Queensland to be seen at the local and regional level. Further, the flow-on effects in the local economy have been estimated at the Local Government Areas and Statistical Division levels which allows a detailed regional view of the resource industry's contribution.

The Darling Downs has an important but currently modest resources history - with coal mining, gas production and coal and gas fired electricity generation the main activities.

In 2010, these activities generated $2.6 billion in output and approximately $136 million in royalties for the state government to spend on essential services.

We also know that these proponents spent $429 million dollars on goods and services from businesses on the Downs. We also know that the 1,200 Downs based workers of these companies injected another $154 million in wages and salaries into this region. That translates into an average take home pay packet of around $130,000 a year.

Directly and indirectly on the Downs last year, QRC members generated almost 7,500 jobs, equivalent to 6.1 per cent of the entire workforce. The modelling also concluded that for every direct resources sector job created another 5.2 indirect jobs were created on the Downs.

Right now there is approximately $60 billion in new resources sector capital expenditure that will impact upon the Darling Downs over the next 5 years[2]. A large percentage of this investment is for the CSG/LNG projects which will ultimately be shared between the upstream gas fields activities, and the downstream Gladstone liquefaction activities.

These activities will need considerable goods and services, and the companies are focussed on sourcing these as locally as they can. The QRC anticipates substantial additional employment and wealth creation for the Downs from these capital investments.

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[2] Arrow $4b, ERM $1.4b, New Hope $0.5b, Northern Energy $0.5b, Origin $35b, QGC $8b, Santos $7.7b, Xstrata Coal $6b

By 2020 – less than 10 years from now- the QRC estimates that the annual value of resource production on the Downs and the associated downstream processing at Gladstone and other resource activities to grow from $2.5 billion today to in excess of $26 billion by 2020. Conversely, the QRC estimates that the agricultural sectors' value of production in the Darling Downs will be approximately $2.2 billion by 2020 at 2009/10 prices[3].

The coal seam gas industry will be a major driver of this forecast economic growth and it is important that the Senators understand the bright prospects for the regional economy in considering the economic, social and environmental impacts of coal seam gas operations on the Murray Darling Basin.

Thank you again for the chance to provide comments on the discussion paper. QRC would welcome to opportunity to appear before to Committee to address any of the matters raised in this response. If you have any question on this submission, please feel free to contact QRC's Chief Economist, David Rynne

Yours sincerely

Michael Roche
Chief Executive

Enc.

[3] The Darling Downs produced $1.882 billion in agricultural output in 2009/10. This forecast assumes 1.5 percent percent growth per annum to 2020.

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