

Santos Ltd
ABN 80 007 550 923
60 Flinders Street
Ground Floor, Santos Centre
Adelaide South Australia 5000

GPO Box 2455
Adelaide South Australia 5001
Telephone: 08 8116 5000
Strategy & Corporate Development
Direct: 08 8116 5954
Facsimile: 08 8116 5285

The Santos logo, featuring the word "Santos" in a bold, blue, sans-serif font.

3 May 2012

Committee Secretary
Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Committee Secretary,

***Inquiry into the Environment Protection and Biodiversity Conservation Amendment
(Independent Expert Scientific Committee on Coal Seam Gas and Large Coal Mining
Development) Bill 2012 [Provisions]***

Santos welcomes the opportunity to provide a submission on the Bill to introduce an Independent Expert Scientific Committee (IESC) into the approval process for coal seam gas developments under the *Environmental Protection and Biodiversity Conservation Act 1999 (EPBC Act)*.

An Australian energy pioneer since 1954, Santos is one of the country's leading gas producers, supplying Australian and Asian customers.

With its origins in the Cooper Basin, Santos has been providing Australia with natural gas from the remote outback for more than 40 years. We have been producing coal seam gas in Queensland for 16 years. The company today is one of the largest producers of natural gas for the Australian domestic market, supplying 15% of the nation's gas needs.

Santos has about 2,800 direct employees (and a similar number of contractors) and has developed major oil and liquids businesses in Australia and operates in all mainland Australian states and the Northern Territory.

Santos' market capitalisation makes it one of Australia's top 20 listed companies.

From this base, Santos is pursuing a transformational liquefied natural gas (LNG) strategy with interests in four LNG projects. This strategy is led by the cornerstone \$16 billion GLNG project in Queensland – a leading project that will convert coal seam gas (CSG) from fields in the Surat and Bowen Basins into LNG for export through Gladstone Harbour.

In New South Wales (NSW), Santos has already invested around one billion dollars in prospective CSG areas, with plans to invest more than \$500 million over the next three years. Santos' permit areas cover over 62,718 square kilometres, with interest focussed around the Upper Hunter and the North-Western areas of the State. At present, Santos' activities in NSW are generally limited to exploration and appraisal activities, with commercial production works being several years off.

Santos' CSG projects in Queensland and New South Wales are both potentially impacted by the Bill.

Existing environmental regulation

Santos supports science-based environmental regulation of the CSG industry. It is worth noting that CSG would be one of the most highly regulated industries in Australia. The legislation, regulations and standards that apply to CSG are far more extensive than those covering other extractive industries or activities such as agriculture.

As an example of the comprehensive nature of the existing regime of environmental regulation, it took three years and three months and a 13,500 page Environmental Impact Statement (EIS) for Commonwealth and State approval to be granted for the Santos GLNG Project (the Project). These approvals included 1,200 strict conditions over the Project's operations and requirements for further, extensive scientific work to be undertaken as the Project proceeded.

In relation to water, the EIS process included numerous studies and reviews by companies, regulators and independent scientific authorities to understand the potential impacts of the Project. There are 35 different documents covering water management, monitoring, impact assessments and studies.

All of these reports draw the same conclusion: any impacts are limited and manageable through monitoring. This research has also found that CSG extraction can proceed in a sustainable way, and it will have no impact on the viability of the Great Artesian Basin. Indeed, purified CSG water is actually being used to boost agricultural productivity and add 50 year's worth of supply to Roma's town water.

Santos acknowledges the genuine concerns held in some sections of the community over the impacts of expanded coal seam gas exploration and production. The community demands a robust regulatory framework that provides confidence that all impacts will be monitored and managed.

This demands an efficient and effective approach to regulation.

We are concerned that the Bill proposes the introduction of another layer to the environmental approval process with no effective enhancement of the regulatory framework. Santos believes that this is an example of environmental regulation that the Council of Australian Governments (COAG) recently described as being:

"often duplicative and cumbersome, resulting in unnecessary delays and uncertainty, slowing broad economic growth." (COAG BAF Communiqué, 12 April 2012)

There are numerous examples of duplication in the current approval process and conditions that apply to the Santos GLNG Project. In many cases, both the Commonwealth and State approvals cover the same issues and seek to achieve the same outcome, but require slightly different compliance and reporting arrangements. For example:

- **Rehabilitation Plans:** the Commonwealth and State approvals require detailed rehabilitation plans to be developed. There is significant duplication but also variation in requirements between State and Commonwealth requirements.

- **Commonwealth requirements for CSG Water Monitoring Plans, Groundwater Modelling, Spring Surveys, Brine Management etc:** there is significant overlap with these requirements for State mandated CSG water management plans, groundwater impact modelling, spring surveys (mound springs), monitoring, reporting etc.
- **Constraints Planning and Field Development Protocol:** the Commonwealth and State approvals for the CSG fields require Santos to develop and implement the Protocol.
- **Disturbance Limits to Habitat Values for listed species:** disturbance limits to environmentally sensitive areas are quoted in both Commonwealth and State approvals.
- **Significant Species Management Plans, Species Management Plans, Fauna Management Plans:** all the approvals require various management plans to be developed for listed communities, flora, fauna and migratory species. There is a significant overlap as many species have classifications under Commonwealth and State regulations.
- **Environmental Offsets:** each approval requires the preparation of environmental offsets for impacts from unavoidable disturbance to regional ecosystems, threatened ecological communities, listed flora and fauna and migratory species. The offsets are required under various Commonwealth and State acts and policies. There is a significant overlap in the respective requirements.
- **Financial Assurance:** each approval requires the lodgement of financial assurance to ensure compliance with respective conditions.
- **General Monitoring & Reporting:** all the approvals have detailed monitoring and reporting requirements.
- **Annual Returns:** the Commonwealth and State approvals all have the requirements for the preparation of annual returns, basically covering the same issues, but different in format.
- **Third party Audit Requirements:** the Queensland State Coordinator-General's Report requires a 3rd party audit on an annual basis, State Environmental Authorities (EA) have 3rd party audit requirements against the operational plans & EA conditions every three years and Commonwealth approvals also have 3rd party audit requirements.
- **Decommissioning Plans:** both Commonwealth and State approvals require detailed decommissioning plans.
- **Induction Programs / Code of Conduct on Curtis Island:** LNG facility workforce required by State and Federal approvals to complete induction.

Given this extensive duplication, Santos acknowledges the commitment of the Prime Minister, Premiers and Chief Ministers to address multi-jurisdictional issues. In particular, we note the intention to:

- develop bilateral arrangements for accreditation of state assessment and approval processes; and
- deliver improved bilateral arrangements with states and territories to fast-track accreditation including through the development of standards.

It is important that in meeting its commitment to implement the Independent Expert Scientific Committee (IESC), the Australian Government is cognisant that it is adding a new layer to this already exhaustive process that it has also committed to streamline. Therefore, the IESC must be implemented in a way that minimises any delays or extra costs.

This is particularly pertinent for Santos as the only company with significant coal seam gas operations in both Queensland and New South Wales. We will be seeking more approvals in both States. As such, we are particularly concerned with duplication and delays associated with additional Federal processes. The process to seek approvals from Federal regulators for the next stage of the gas fields development for the Santos GLNG Project commenced on 19 April 2012. As such, any changes to the federal approvals process that causes delays or cost increases will have an impact on the progress of the Project.

The Santos GLNG Project already has 1200 extensive primary conditions associated with the project, which require a comprehensive compliance framework. We are concerned that building additional or varied conditions on top of the extensive environmental requirements we have in place will involve significant regulatory compliance burden.

Independent Expert Scientific Committee

Santos notes that the Australian Government has committed to the introduction of the IESC. However, Santos has four concerns about the way in which the Bill proposes to incorporate the IESC into the environmental approvals process.

1. Duplication of assessment: when it was first announced, it was implied the IESC would provide comments on applications being assessed by the States, and not applications being assessed by the Commonwealth Minister under the EPBC Act. Santos' interpretation of the drafting of the legislation is that the IESC will have a role in providing advice to the States on projects (extra two months) as part of their approvals as well as providing advice to the Commonwealth Minister when they receive an application for a controlled action under the EPBC Act. This means that where the separate State approval and EPBC approval exist, the IESC will provide advice on the same application twice.

Recommendation: This direct duplication of assessment should be eliminated and the IESC should only provide advice once on a project.

2. No input into Terms of Reference: under the Bill, the IESC is only involved in the approvals process after the EIS has been completed and considered by Commonwealth and State regulators. This means that if the IESC believes an issue has been overlooked, or not properly considered, another round of extensive environmental work would need to be undertaken. This could add years to the approval process.

Recommendation: The IESC should be consulted on the Terms of Reference for the EIS, just as other regulatory agencies are. This should occur within the existing statutory timeframe.

3. Two months for consideration: adding two months to the end of the approval process is unsatisfactory for all parties. For proponents, adding two months to a process that can already take years is concerning and is contrary to commitments made by government. It is also a very short timeframe to provide robust scientific advice, particularly given that the IESC has not been involved throughout the EIS. As such, there is a risk that the IESC provides qualified, rather than definitive, advice to the Minister, and fails to increase community confidence.

Recommendation: The IESC should receive the EIS at the same time as Commonwealth agencies and be required to provide their advice to the Commonwealth Minister within the existing timeframes that apply for Commonwealth assessment.

4. Scope beyond Commonwealth powers: Santos notes that the Bill does not define or place any limitations around what constitutes “scientific advice” that can be provided to the Commonwealth Minister. However, under the EPBC Act the Commonwealth Minister can only consider significant water impacts and Matters of National Environmental Significance (MNES). As such, the IESC could provide advice on issues that the Minister is legislatively (and constitutionally) prevented from considering.

Recommendation: This conflict could be resolved by defining the scope of the scientific advice provided by the IESC to include only those matters that can be considered by the Commonwealth Minister when making a decision under the EPBC Act.

Summary

Santos believes that the best way to minimise the inevitable duplication that will occur with the implementation of the IESC is to incorporate it into the existing process as much as possible.

The environmental approvals process commences when an Initial Advice Statement is submitted by a proponent to Commonwealth and State. The authorities then decide whether or not the proposal requires environmental assessment and the approval pathway.

The next step is the preparation of a draft terms of reference for the EIS by the proponent. This is submitted to the State regulator and sent to the Commonwealth regulator for input (as well as being publicly advertised for comment). At this point, the terms of reference should be sent to the IESC for their feedback within existing statutory timeframes. This would not add any length to existing timeframes, but it would ensure the IESC receives detailed information about the project and that the EIS covers all of the issues of concern to the IESC.

Once the EIS has been completed, it should be sent to the IESC at the same time as it is sent to Commonwealth regulators. The IESC can then undertake a detailed assessment and provide their advice to the Commonwealth Minister within the existing statutory timeframes. Their advice should only cover matters that can be considered by the Commonwealth Minister in making a decision under the EPBC Act. This is likely to provide more time for consideration (for example, the Commonwealth considered the Santos GLNG Project EIS for five months), but it won't add any time to the process.

The IESC should only provide advice once and this should be at the stage of the Commonwealth approval. It would be unnecessary duplication for the advice to be provided twice.

These changes would ensure the IESC was involved in the approval process from the beginning, so any issues they deem important are thoroughly investigated, and they are provided with extra time to consider the evidence and provide advice, but without lengthening the current timeframes for approvals.

Santos believes these changes to the Bill would be fairly simple to enact and would better reflect the Australian Government's stated policy of introducing additional independent scientific assessment of CSG projects.

Conclusion

Santos is proud of its record of safely and sustainably producing coal seam gas in Queensland for 16 years, and of the extensive assessment that had proven that our operations are environmentally responsible. The amendments outlined in this submission would strengthen the role of the IESC and prevent any increased burden on CSG proponents.

Santos would be happy to discuss our submission with the Committee at any time.

Yours sincerely

MATTHEW DOMAN

Group Manager, CSG Policy and Communications
Strategy and Corporate Development