

CORRECTED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2004–05 budget estimates

Melbourne – 23 June 2004

Members

Mr W. R. Baxter

Ms C. M. Campbell

Mr R. W. Clark

Mr L. A. Donnellan

Mr B. Forwood

Ms D. L. Green

Mr J. Merlino

Mr G. K. Rich-Phillips

Ms G. D. Romanes

Chair: Ms C. M. Campbell

Deputy Chair: Mr B. Forwood

Staff

Executive Officer: Ms M. Cornwell

Witnesses

Mr T. Theophanous, Minister for Resources;

Mr D. Seymour, acting secretary;

Dr R. Aldous, executive director, minerals and petroleum division;

Mr S. Condron, acting chief finance officer, Department of Primary Industries.

The CHAIR — Good morning, and welcome. I declare open the Public Accounts and Estimates Committee hearings on the 2004–05 budget estimates for the portfolios of resources and energy industries.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded and witnesses will be provided with proof versions of the transcript early next week.

In accordance with the guidelines for public hearings I remind members of the public they cannot participate in the committee hearings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers as requested by the minister or his chief of staff can approach the minister's side of the table. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room.

Before I call on the minister to give a brief presentation on the more complex financial and performance information in the budget papers, could mobile phones please be turned off and pagers put to silent. Thank you, Minister. Over to you.

Mr THEOPHANOUS — Thank you Chair. It is a privilege to be here again before the Public Accounts and Estimates Committee, with which I have a great affinity and a long association. I will try to be brief. I know that members prefer ministers not to have lengthy presentations, and I certainly will not be doing that, but there are some things about the resources portfolio, which I will deal with first, that I think are important to state, because although it is somewhat understated in the overall governmental public presentations it is nevertheless one of the most important portfolios from the point of view of the economy of the state.

I will give information beginning with the portfolio responsibilities under minerals and petroleum, which are included in the resources portfolio. We have a vision which is for a safe, sustainable and dynamic minerals and petroleum industry which contributes to the wealth and wellbeing of Victorians.

In order to maximise that we look at a range of new projects which in our view have to pass what is being referred to as the triple bottom line, or as we prefer to say, 'a win-win-win situation'. They need to be economically viable, they need to ensure real community benefits and they need to protect the environment. The minerals and petroleum outputs from my portfolio assist industry by attracting and facilitating investment, by encouraging and developing technologies to minimise the impact on the environment and by developing and enforcing a regulatory framework for health, safety and environmental management. That is a broad overview.

One of the achievements and some of the new initiatives we have made in the last year or so are very significant. The SEAgas pipeline became operational, as members would know, on the day before we had the Moomba fires, which meant that gas was not going to be available in South Australia. We commissioned that on the night before the fires, which shows that sometimes when balancing tough decision making against community interests for these sorts of things, even to the point of making compulsory acquisitions, making the tough decision is the right thing to do. On that particular occasion we made the right decision because the whole state would have been without gas and power. That is a very important project which links South Australia to Victoria for gas.

The Bass Gas project is expected to be operational this year, and it will provide a significant new diverse supply of gas to our system. We have the \$75 million Fosterville gold project under construction. The \$1.1 billion Thylacine Geographe gas fields development in the Otway Basin has also been improved. They are very significant developments within my portfolio area.

We have a number of greenhouse gas technologies to try and reduce the amount of greenhouse gases — in our brown coal resources in the main. We have committed \$750 000 over three years to the cooperative research centre (CRC) to reduce greenhouse gas emissions from stationary sources, and we are also looking at geosequestration within this context as well, although there are other technologies we are looking at, particularly coal-drying technologies. We have increased the contribution to the CRC for clean power from lignite to \$1.5 million from 2005–06. That is about improving combustion efficiency in our brown coal stations and developing new drying technology, particularly mechanical thermal expression, which is in a state of some developmental advance down in the Latrobe Valley.

This slide is designed to show just how much we gear off the spending in this portfolio. You can see that this portfolio has an output funding level of \$18.3 million, but what we gear off that is quite extraordinary, because we gear off a range of gas explorations and mineral sands and other developments, including gold, which has been worth approximately \$400 million over the last two years. We are doing all those developments which are listed there, and you can see that when you add the Otway gas basin, the Fosterville gold project, the Douglas mineral sands project et cetera, \$8 billion to \$10 billion worth of value is being created from this resources area. Of course the Latrobe Valley, which is very important to us in the Gippsland Basin, has a huge industry down there which is supported by this department. When you add to that the gas developments in the Otway Basin and elsewhere in Gippsland, you can see that this area contributes massively to the state and to the economy — in the vicinity of \$8 billion — so the \$18.3 million is a very good investment from the point of view of the state.

The CHAIR — Minister, given the time, could we take the next slide as read and move to goals and challenges?

Mr THEOPHANOUS — Yes, I am happy to do that. Just concluding in relation to goals and challenges, the goals we have — it is really coming back to the beginning again — are about protecting the environment, about a triple-bottom-line approach and about reducing greenhouse gas emissions. We do an enormous amount in all of those areas, but we also bear in mind the importance of improving health and safety within the community; the importance of ensuring that those community expectations are met; and, finally, the importance of working with the community in a range of these projects, and we try to take them with us as we go along.

The CHAIR — I take you to page 200 of budget paper 3, where the Victorian Initiative for Minerals and Petroleum is referred to. Could you please advise the committee how that initiative will ensure companies explore in Victoria and what its future role will be to ensure that exploration continues?

Mr THEOPHANOUS — The Victorian Initiative for Minerals and Petroleum is a very important initiative, and I have to say it has enjoyed cross-party support over the years. We have supported the initiative and expanded it as well, and we have committed to spending a minimum of \$1 million per annum on the VIMP in improving the data that is available to Victorians. Almost \$30 million will have been invested in the VIMP by June 2005, so it is a very substantial Victorian investment in providing data. It assists in the exploration of new mineral deposits and petroleum fields, and it allows for competition for the exploration dollar, which becomes much more intense if there is available data that can be used. The attraction of mineral and petroleum explorers is imperative for this area, and obviously they are attracted to the best geological database. I think it is true to say that Victoria has the best geological database in the country, and we are very pleased to be able to say we will be converting the whole database to a digital information database to be available even more readily. Finally, despite what has been a worldwide decline in exploration activities, the VIMP program has contributed in Victoria to an increase in exploration expenditure in this area in this state.

Mr FORWOOD — Welcome, Minister. I turn to the issue of Hazelwood. You would be aware of Rod Myer's article in this morning's *Age*, and part of that article indicates that if approvals are not forthcoming the coal there will run out by 2009. I put that proposition to Minister Thwaites when he was with us late last week, and apart from the fact that he suggested I raise the issue with you, he made it very clear that as far as he was concerned I was operating — —

Mr THEOPHANOUS — He is very clear on ministerial responsibilities.

Mr FORWOOD — He made it very clear that he believed I was operating on an incorrect assumption, that their coal was not running out and that they did in fact have substantial reserves of coal. Perhaps you could clarify for the committee what the actual situation is with Hazelwood and where we are up to with it. You and I both know that 1600 megawatts would be a significant amount of electricity to take out of the system, so perhaps you could just inform the committee of where we are up to.

Mr THEOPHANOUS — Of course this is a major issue for my portfolio area, and it is one which I spend a considerable amount of time working towards. The background to this is that Hazelwood requested some additional coal — 92 million tonnes — from the government, and we said at the time that we wanted to apply the same formula we had for the brown coal tender, which was to ask for reduced emissions from the use of that new coal in order to make it available. However, we gave the concession that we were prepared to allow them to spread

it out over the whole of the mine and over the whole of the time of the operation of the mine, so in that sense we think it is quite an achievable objective for them and it is environmentally responsible for us to have done that.

You referred to a date of 2009. If there were no additional steps taken by Hazelwood — that is, if they did not shift the river, if they did not build the roadworks and if they did absolutely nothing except use what coal they could access — then that would probably be the date beyond which they would be struggling to have further coal. However, even without an agreement with the government in relation to the 92 million tonnes, it is within their gift to do some of those changes and to make some of those capital investments that are required, and that would provide them with a significant extension from 2009 out into the out years — probably another decade beyond that and maybe more. So the 92 million tonnes is really to get that last bit that brings it through to 2028. I think that more or less answers the question you asked.

The CHAIR — Thank you.

Mr FORWOOD — Do you want me to keep going on this topic now?

The CHAIR — We can come back to it. If you have something in relation to the 2009 date, you can have a supplementary, otherwise we will come back to it.

Mr DONNELLAN — Minister, one purpose of the minerals and petroleum outputs as per page 199 of budget paper 3 is to ensure industry operations meet community expectations. One such expectation is the assurance of environmentally responsible behaviour on behalf of mining and extraction activities conducted in Victoria. Would you advise the committee on what action DPI has taken to ensure that rehabilitation bonds for both mines and quarries are adequate to comprehensively rehabilitate a site if the responsible company defaults on its rehabilitation requirements?

Mr THEOPHANOUS — Thank you, Mr Donnellan, this is a very important area. It is one which guarantees the future for regional Victoria in terms of rehabilitation following mining and one that we have spent a considerable amount of time on. The current requirement is the submission of a rehabilitation bond for all mines and quarry sites in accordance with the Mineral Resources Development Act and the Extractive Industries Act. The purpose of the bond is to provide a financial guarantee to the public that rehabilitation works will in fact be undertaken, even if a company is unable to meet its financial obligations for whatever reason.

We are currently holding a total of \$100 million in rehabilitation bonds in Victoria, which is a significant amount of money, and we have recently completed a review aimed at ensuring that the bonds are cost effective. As a result, in some cases we have increased the rehabilitation bond and in other cases we have been able to modify it or reduce it. It was also intended to determine how the department's systems for management of the bonds are working, and I am happy to say that we believe that they are working very well and that going forward we will not experience the sorts of difficulties that we may have had in the past in relation to inadequate levels of rehabilitation bonds that have been made available, which mean it consequently then fall to the state to repair the damage.

Mr FORWOOD — I want to go back to Hazelwood. Do I take it from your answer that the EES that is currently under way is only about ensuring access to the company's existing coal and that it can use that coal without any change to its emissions from the plant, and that the pit that you are dealing with is the additional coal, which is not the subject of the existing EES, and that over the life of the project you will be requiring a better emission regime for that coal?

Mr THEOPHANOUS — Essentially that is correct. The EES is progressing, and it is based on the shifting of the river. It is a very good project, and the local community supports the shifting of the river. You would be aware that at the moment the river is just a big pipe in that area; it does not actually exist, it is underground in a big pipe — —

Mr FORWOOD — It has been shifted before.

Mr THEOPHANOUS — That is right. The environmentalists are also pleased with the approach, because it will bring the river out into the open, as it were, as part of the project. I am fairly confident that the company will want to proceed with that project, and it is certainly progressing its EES, which is at the consultation stage. I know that a huge number of submissions have come in in relation to the EES, and I can tell you that the vast majority of those submissions support the project, and that is pleasing. That will allow Hazelwood to continue.

However, it wants access to the additional coal. We are simply saying that we are in the final stages of negotiation with it in relation to a deed of agreement for emission reductions over the period that we are talking about, which would be through to 2028.

Mr FORWOOD — Just in relation to that response, for which I thank you, does that mean that the existing EES does not deal with emissions at all and just deals with the river, the road and all that sort of stuff, and that, if you issue a permit after you reach the deed of agreement, the company will be required to do another EES on the new bit?

Mr THEOPHANOUS — Perhaps I should clarify the way in which this is working. First of all, the EES does not include emission reductions — —

The CHAIR — The current EES.

Mr THEOPHANOUS — The current EES. The EES which is under consideration at the moment is to shift the road and so forth. Part of the shifting of the road and the change that is required affects the new area where the 92 million tonnes are. So from that perspective the EES covers that area as well; it is tied up in it. But if Hazelwood were to decline the offer for the extra coal area, it would be open to the company to simply make other arrangements in the way it structures the project and use its own area with a modified proposal. But at the moment it is moving ahead as if that 92 million-tonne area were going to be made available to it. My expectation is that it will occur.

I have to say that unfortunately the previous government gave what Hazelwood say was a nod and a wink that it would get this extra coal without any requirement for emission reductions, and that has been a source of some of the tension in this in relation to its expectations. But we have been fairly straight in saying that we do not accept that. There is nothing that we believe legally binds us to that, and so we are proceeding with it.

Mr FORWOOD — Finally on this topic — —

The CHAIR — On the EES? You can come back and ask all your questions on Hazelwood if you want.

Ms ROMANES — One of the priority actions covered recently in the government's economic statement *Victoria* — - *Leading the Way* is mentioned on page 28 of budget paper 3, and that is to create new export opportunities and innovative industries. In relation to your resources portfolio the Bracks government has identified mineral sand projects as important opportunities for capital investment, employment and value adding in Victoria. Could you advise the committee of the actions taken by the government to facilitate mineral sand projects?

Mr THEOPHANOUS — The mineral sand industry is a new and emerging industry. It is a very important part of what has become a kind of mining boom that is taking place in Victoria. Once again Victoria is seen by mining investors as one of the key areas to invest in, when for a long time it was considered that really investment was to go into Western Australia and into other areas. That is because of two factors. One is the resurgence that has taken place in relation to goldmining. The second is in relation to the mineral sand deposits that we have found and are now in a position to try and explore and develop. There have been several significant mineral sand discoveries in Victoria, and the outlook for future developments is very positive, with a number of companies now seeking approvals and undertaking feasibility studies going forward.

We have given approval for stage 1 of the Douglas mineral sand project near Horsham, and the port of Portland has also been exporting bulk shipments of heavy mineral products from Wemen. It is expected to provide the same service out of that port for the Douglas project, so we are expecting that the export goes out of one of our ports as well. It is not going to go across into South Australia.

There is an integrated mineral sands action agenda (MSAA) which was prepared by consultants and managed by the Victorian Minerals and Energy Council and funded by DIIRD, Minister Brumby's department, and an implementation plan on the recommendations of the MSAA was released in June 2003. We are working on implementing that recommendation. I think you will find in the not-very-distant future a number of fairly major announcements for the development of mineral sands in this state.

Mr FORWOOD — A final one on Hazelwood, Minister. It is a two-part question. You are confident, I take it, that the environment effects statement process can be done in time for them to undertake the works that will

enable them to continue to operate into the future on the coal that they need, and secondly Rod Myer, who seems to be very well informed about issues at Hazelwood — and I would not look at you and suggest that you were briefing him — —

Mr THEOPHANOUS — I thought it might have been you, Mr Forwood.

Mr FORWOOD — Rod Myer said on 10 June that the Victorian government was believed to be out to impose a deadline on negotiations in relation to the new west field. They say that the government appears to be tiring of the negotiations. Is it the government's intention to put a deadline on the reaching of agreement with Hazelwood?

Mr THEOPHANOUS — I would not be completely honest with the committee if I did not indicate that these negotiations have been difficult. They are not easy negotiations. There is obviously an investment required by the company.

Mr FORWOOD — Four hundred million dollars?

Mr THEOPHANOUS — I am not in a position to say what the investment might be. It is that company's set of decisions, and it will work that out itself, but I do not think that figure is correct. I think you are really referring there to the cost of shifting the roads and the river more than the environmental impost that we are talking about.

Mr FORWOOD — Okay.

Mr THEOPHANOUS — But it is a significant additional impost. We are not walking away from that. However, it is also the dirtiest of our power stations. For every 1 megawatt of electricity it produces, it also produces 1.55 tonnes of CO₂ into the atmosphere, and I do not think it is unreasonable for us to ask, in providing additional coal for such a power station, for some reduction which will require an investment. I have to tell you that the negotiations are tough. They are delicate. They involve a bit of to-ing and fro-ing, and there will come a point where we will have to say, 'This is our bottom line', and then the company will have to make a decision in relation to it. But we are determined to get some level of appropriate reduction in emissions over time in that power station as part of this package, and I believe we will do so.

Mr FORWOOD — But you have not set the deadline yet?

Mr THEOPHANOUS — We are still in negotiation. We have not — —

Mr FORWOOD — So the deadline will be set soon?

Mr THEOPHANOUS — As I said, we are determined to get an outcome, and we want to get an outcome soon.

Mr FORWOOD — And the question about the EES?

The CHAIR — The timeliness.

Mr THEOPHANOUS — As to when it will be — —

Mr FORWOOD — Because my understanding is they need to actually start work in order to ensure — —

Mr THEOPHANOUS — I think they are on track with the EES. I spoke to them yesterday, and they appear to be happy with the EES process, and they are on track with it.

Ms GREEN — Minister, an objective of the minerals and petroleum regulations services output described on page 199 of budget paper 3 is to ensure that industry operations meet community expectations. One such community expectation of the gas industry would be that a supply of natural gas would be available whenever needed. Following the Longford disaster in 1999, could you outline for the committee what action has occurred to ensure that there are alternative supplies of natural gas available to Victorians?

Mr FORWOOD — Good question. Who wrote that?

Mr THEOPHANOUS — That is a very good question.

The CHAIR — She knows her minister.

Mr THEOPHANOUS — Thank you, Ms Green; it is a very important area as well. I think it is important for us to reflect back a little when talking about this to what the situation was five years ago when the Longford fire happened. There was a disastrous situation where the state was without gas for a period of two weeks. People lost their lives in that fire. Some people might want to make light of it, but in fact the actions that have been taken over the last five years have been crucial in developing an industry which is now diverse and which has alternative supplies, so that if a similar occurrence were to take place at Longford, the state would not be in a situation of having no alternative source of supply of gas.

That is because of an important set of developments. One is that now we are hooked up to three other states. We have the SEAgas pipeline, which I mentioned before, which hooks us into South Australia, and through that to the Moomba fields beyond. We have a pipeline which hooks us into New South Wales, and we have a pipeline which goes down into Tasmania. So we are now at the hub of the southern Australian gas network. Victoria is in the middle. We also built the gas hub down in the Latrobe Valley, which means we can bypass Longford from these other sources of gas supply in the event that we had that kind of situation emerge. Finally, we have been able to get alternative sources of supplies of gas. Those alternative sources now are coming on stream with the Bass Gas project, and something in the vicinity of 10 per cent of Victoria's supply is capable of coming out of that field. We have the Otway developments, which will come on stream and have been announced by the companies to go forward. There is a \$1 billion development down there. It is capable of providing 30 per cent of Victoria's peak winter demands, so it is a very substantial new, diverse source of supply.

The other thing we did was that TXU built its storage capability so we could store gas. One of the reasons we were able to help South Australia was that we were able to use the gas storage facility that TXU has built to pump gas into South Australia. So today, five years on from Longford, this state has a completely different situation in relation to the provision of gas. We will never again be in the situation where if one facility goes down it will mean that the whole state is unable to function from the point of view of gas, and I am very pleased to have been part of a government that has delivered that.

Ms GREEN — So a reticulated gas barbecue is a good thing now, unlike in 1999?

Mr THEOPHANOUS — You can have a reticulated one, and there will be no problems at all.

Mr FORWOOD — If you are connected to gas. In the country you cannot.

Minister, pages 199 and 200 of budget paper 3 list the output groups that you have responsibility for: \$8.2 million in minerals and petroleum regulation services and \$10.1 million in industry development and information. We know, for example, that a million bucks of that will go to the Victorian Initiative for Minerals and Petroleum. I wonder if you could — you could either do it now or take it on notice — provide the committee with information about how the funds in of each those output groups will be spent? There will be other programs, I know, and there will be some for administration and things like that. Perhaps you will want to take it on notice.

Mr THEOPHANOUS — I am happy to take it on notice. I simply say that the total budget this year will be \$18.3 million, which is up from \$17.3 million, so there is an increase in the budget. You have correctly identified what some of the uses of that budget will be.

Mr SEYMOUR — The increase is largely due, as you pointed out, Mr Forwood, to the greenhouse gas technology initiative and the enterprise bargaining agreement flow-on cost as it relates to that output. I am happy to provide a full reconciliation, as I offered yesterday.

The CHAIR — Moving on and building on Ms Green's question in terms of alternative energy to the Longford gas plant, with regard to the Victorian oil and gas projects which are on the radar screen and which are very important for this stage, I would be interested in an explanation to the committee of what work has been done within the department on further projects for gas and oil.

Mr THEOPHANOUS — As I mentioned during my presentation, we are experiencing booming times in the gas sector, but also in the petroleum sector, in this state. I was very pleased to provide that information to the

committee. Petroleum exploration in Victoria is now nearing record levels, with almost \$350 million spent in the past two years on that exploration. So it is a massive injection by industry to find new sources of oil and gas in various parts of our state.

We also have more than \$2 billion worth of projects under development at the moment and another \$1 billion worth under consideration. So we have the gas project, which I have already mentioned; we have Casino, Otway gas and the Minerva project. These represent the opening up of entirely new fields and are part of a strong development on the back of strong exploration that has taken place in Victoria.

The exploration and development directly affect businesses in rural Victoria. I think it is worth mentioning here that up to \$63 million was spent in 2002–03 alone by the oil and gas industry on goods and services purchased from local businesses, so this is massively important to rural communities from the point of view of the flow-on effects that take place with expenditure arising from these investments.

There are also significant employment benefits to regional Victoria, and just to mention a couple of the projects: the Minerva and Otway gas projects will provide 60 highly skilled and paid regional jobs in the Port Campbell area. It might not sound a lot to be talking about 60 jobs, but in regional Victoria let me say that 60 jobs means a hell of a lot, and they are part of these developments on an ongoing basis.

This does not happen by accident. It happens because we have the Victorian Initiatives for Minerals and Petroleum project, we have the data and we have the support structures in place. We encourage the businesses to go and do the work. We help them evaluate what is around and we provide guidelines on their legislative requirements and so forth. Also we assist them in actually engaging with the community to get community support for these projects as well. It is a big part of what we do, and it is very successful.

The CHAIR — Would you be prepared to give the committee a copy of the list of those projects so it can highlight them in its report?

Mr THEOPHANOUS — I would be very happy to provide that to you.

Mr DONNELLAN — Does the financing for all this exploration come from offshore, onshore or a combination of multiple sources?

Mr THEOPHANOUS — It is a combination, but obviously the existing players are a big part of it. Esso BHP is making significant investments, as are Santos and Woodside. There are a whole range of them making very significant investments in these areas.

Mr FORWOOD — I am sure that when the committee gets the information that you will be providing in relation to the output groups there will be a line in there telling how much money the department is planning to spend on Eureka 150. I know you have established a ministerial committee to plan the celebration of Eureka from a resources point of view so that it does not turn into an arts festival. Perhaps you might care to outline to the committee what your plans are for celebrating the minerals and resources side of Eureka and how much funding you have allocated for that celebration later this year.

Mr THEOPHANOUS — I should say that the Eureka celebration is the primary responsibility of the Minister for the Arts and Minister for Planning. It is a major event and it is important for Victorians. Of course we are part of that, and we will be putting out some projects that are associated with that event. I think we are putting out a special miner's right which will be able to be accessed by small miners, and I am sure they will appreciate that. A couple of functions are also being organised. I was really keen to try to get something appropriate to the nature of the new gold industry. Really we have almost a second gold rush, but the difference between the first and the second is that the second will be essentially underground.

Mr FORWOOD — And highly capitalised.

Mr THEOPHANOUS — Highly capitalised, but different in the sense that it will essentially be in deep underground mines. I was very keen to see if we could organise something underground during that time, and I think you will find there will be some events which will allow the public to actually go down into the mines and see what is going on in this very important mining area.

Dr ALDOUS — We are working with various stakeholders such as the Victorian Minerals and Energy Council, which is actually now part of the Minerals Council of Australia, and also with the small miners and prospectors, including the Prospectors and Miners Association of Victoria, with a view to looking at what projects can be done. There are some being planned, but we cannot say specifically what they are at this stage.

Mr FORWOOD — Do have a line item? I presume you have some money available.

Mr THEOPHANOUS — I think we are doing it within the normal budget of the department. We will find some money within that.

Mr DONNELLAN — Under the section on promoting rights and respecting diversity on page 39 of budget paper 3 there is a reference to land and resource management within indigenous communities in Victoria. Relating this to the resources portfolio, could you outline the benefits of the native title pro forma documents for mineral and petroleum projects?

Mr THEOPHANOUS — Thank you for that question. Of course one of the important things that obviously we have to do on an ongoing basis in the resource area is to deal with issues associated with our indigenous communities. That is a separate issue to the issues we deal with concerning other communities that have an interest in developments that might occur in various places. We set about trying to develop a way of getting these agreements in place more quickly in order that there be the capacity for these developments to get past the native title issues and requirements in a streamlined way and to allow developments to proceed much more quickly than they otherwise would have. We have been working on pro forma models or agreements that can be used off the shelf, if you like, to deal with probably 80 per cent of the issues that are confronted so that you are not reinventing the wheel every time you go out to try to reach an agreement with an indigenous community. We got the industry body involved and the indigenous community involved with us, and we pulled them together to develop these pro forma agreements which could be used on an ongoing basis.

These pro forma agreements have now been developed. They will remove a huge amount of unnecessary red tape and greatly speed up the negotiations between indigenous communities and the mining and petroleum industries. I can tell the committee that other states have shown an interest in the Victorian pro forma model and are wanting to see how we did it, so we are giving them access to some of that as well. It was a result of a strong partnership between the government, the Victorian Minerals and Energy Council — so the peak body — and Native Title Services Victoria, which worked on this for a considerable period in order to bring it about. It came about essentially because of a shared interest. It was an interest of all the parties to streamline the arrangement.

The commonwealth's Native Title Act has a right-to-negotiate process, but the trouble is that no practical help is given along the way in relation to that act. The previous process was far too time consuming and too costly, it was uncertain and there was a lot of needless red tape with legal representation from both sides getting in the way of some of those negotiations. So it resulted in a backlog and all sorts of issues and problems.

Nine pro forma native title agreements have been developed, and they are set to change all that. The indigenous communities support them. One reason is that they have a chance under these agreements to participate equally in the decision-making process at the cutting edge where the real issues are for them and not be bogged down in the minute detail which is not really what they are concerned about. It is a positive development, and it is part of our consulting with our indigenous communities but also living up to our obligations to those indigenous communities as a government and as a community.

Mr DONNELLAN — Have they been in the marketplace long enough for you to make an assessment of how much they have sped up the process, or is it a bit early?

Mr THEOPHANOUS — Yes. The final version has not been finished, but we did some trials of some of them in the developmental stages. I might check with Richard on this, but I think we found they were speeding up the process by up to 80 per cent. Is that correct?

Dr ALDOUS — There have been quite significant improvements for people working through this process. They find it much easier. It is early days, as we pointed out, but we expect a lot of the backlog issues we have had associated with that will gradually disappear now as a result of people being able to work through these processes more easily.

Mr FORWOOD — I turn to the issue of the 150 Eureka celebrations. We all know the history of Eureka 150 years ago. It is my understanding that the Prospectors and Miners Association of Victoria is in the process of developing 12 demands aimed at improving conditions and regulations affecting its members' activities which it is proposing to serve on the government. Has the government been involved in this process to date, and what response is the Prospectors and Miners Association of Victoria likely to get?

The CHAIR — They will not be shot at, that is one thing!

Mr FORWOOD — They will be pleased to hear that, because most of the time they reckon the government is taking pot shots at them.

Mr THEOPHANOUS — Mr Forwood, it is important to get this into some context. While we encourage the small prospectors to go around and look for gold, and it is a very good social activity as well as providing people with an interest and so on, you would not exactly call it one of our major industries. Indeed I think the last figure I saw for the amount of gold that was actually found by the combined small prospectors showed that the value of that gold is somewhere around \$150 000.

Mr FORWOOD — That is what they declare.

Mr THEOPHANOUS — Perhaps there are a few nuggets in people's pockets that we do not know about, but we can only work on what is declared. So it is not exactly a big goldmine; it is at the smaller end. It is very important; we support it; but it has to be balanced in relation to the whole of the industry and other issues and demands.

As I said, we will produce a special miner's right for them, which they support, for the Eureka celebrations, and they will continue to play their part. I do not want to downplay their part, but I do not want either to try to pretend that it is a major industry from the point of view of Victoria. I can say that we are having ongoing discussions with them. They are part of my consultative group. They are certainly vocal in pushing their demands. They have a few issues they would like resolved which are really outside our capacity to resolve, one of which is the insurance issue for going into mines, particularly underground mines, where they might want to do a bit of prospecting. That is a significant issue, but it is not one the government can easily resolve because it is not prepared to say insurance should not exist in those circumstances. The ongoing discussions with an interest group will continue.

Ms ROMANES — Minister, you have talked a lot about the importance of reducing greenhouse gases. Can you therefore comment on the topical issue of geosequestration and what role the government intends to play in developing this process?

Mr THEOPHANOUS — Geosequestration is an important process, and I want to inform the committee about what we are doing in this area because there are two major things happening in this area. I attended the first international carbon sequestration leadership forum in Washington on behalf of Victoria. That was the initial meeting. It was a very high level meeting from countries that are interested in sequestration from around the world. We were able to secure the second international forum for Melbourne for September, so that will be held in Melbourne, and rightly so because there is considerable scope in Victoria to look at this technology going forward. We are also providing funding for a CO2 CRC which is looking at this. We are providing \$750 000 over three years for that examination.

Having said that, I also want to say this: in its energy statement the federal government made great play of this technology. It was talking about how the \$500 million fund that it had was going to result in carbon being sequestered underground as a long-term solution to our emission reduction needs. We in Victoria do not accept that this action alone — that is, looking to a technology to resolve reduction in emissions — is the answer. We believe we should adopt our international obligations under Kyoto. We believe that there should be national leadership in relation to an emission trading or emission reduction scheme — which is not taking place — and that there are other technologies which are important for existing infrastructure. In other words, for our existing power stations it is much more important to look at technologies like coal drying technologies and super critical boilers that can reduce the amount of emissions. Geosequestration is something that will be applied to future power stations rather than existing ones and so is a solution going forward for 20 or 30 years time. One of the issues we have with the federal government's approach is it does not do anything from the point of view of meeting international obligations on emission reductions right now, which Australia ought to be doing something towards.

Mr FORWOOD — I want the minister to reiterate that he has committed Victoria to a geosequestration future.

Mr THEOPHANOUS — That is not what I said, Mr Forwood. I tried to put in context that we are interested in this technology, as we are in other technologies, but that this technology is a long-term, 20 or 30-year project going forward and would have to apply to new or significantly changed facilities for it to be applicable. Other technologies such as coal drying can be applied to existing power stations right now, as can super critical boilers and other forms of technology like that. More importantly — I am sure you will ask me about this and I will be happy to talk about it with my other portfolio hat on — there is the whole question of having a balance with renewable energy and other forms of energy for this state. Geosequestration is not the only answer to our emission reduction problem. It is one technology which may or may not work. It is worth investing in, but to put all your eggs in that basket is a policy mistake, and it is a policy mistake of the federal government.

Mr FORWOOD — The federal government is not putting all its eggs in that basket.

Mr THEOPHANOUS — I think it is.

Mr FORWOOD — The issue is that you have come into the Parliament on more than one occasion and lauded geosequestration and Victoria's role in promoting it. As you said at the start of your answer, we have the world conference here in September of this year. I want to know what funds the Victorian government is investing in geosequestration.

Mr THEOPHANOUS — I think I just told you that we have committed \$750 000 towards a CRC in this area. We also have a couple of projects in particular, the APEL project, which are contingent on it developing geosequestration. That is part of the brown coal tender process it was successful in. This technology is going to be developed. However, it is a technology going forward for the future, and it is only one of a large number of other approaches which should be used, including an emissions trading scheme, other technologies and renewables, all of which are missing from the federal government's approach.

Witnesses withdrew.