

Santos Ltd  
ABN 80 007 550 923  
Santos Centre  
60 Flinders Street  
Adelaide South Australia 5000  
GPO Box 2455  
Adelaide South Australia 5001  
Telephone: 61 8 8116 5000  
Facsimile: 61 8 8116 5050  
www.santos.com



**17 July 2015**

The Secretary  
Legislative Council Standing Committee on Environment and Planning  
Parliament House, Spring Street  
Melbourne, Victoria 3000

**Email:** [epc@parliament.vic.gov.au](mailto:epc@parliament.vic.gov.au)

Dear Sir,

### **Inquiry into Unconventional Gas in Victoria**

Santos wishes to provide the following comments to the inquiry being conducted by the Parliament of Victoria into matters relating to "the exploration, extraction, production and rehabilitation for onshore unconventional gas."

Santos has no direct interests in onshore gas activity in Victoria, so will not make a detailed submission on this Inquiry's terms of reference. Instead we note and support the submission made by the Australian Petroleum Production and Exploration Association, the peak body of Australia's upstream oil and gas industry.

Santos' operations in Victoria are focussed offshore in the Otway and Gippsland Basins. The company produces gas and condensate from the Casino, Henry, Netherby and Minerva fields in the Otway Basin off Victoria's west coast, and is a participant in the development of the Kipper gas project in the Gippsland Basin. Santos has operated the Patricia Baleen gas processing plant, about 10 kilometres south of Orbost in eastern Victoria, for the past 11 years.

However, with extensive onshore gas interests in South Australia, Queensland, New South Wales and the Northern Territory, Santos would make the following points relevant to this Inquiry:

- The exploration and production of natural gas, whether from so-called "conventional" or "unconventional" source rock, is a safe and sustainable activity, which has been conducted in Australia for over 60 years.
- The economic and energy security benefits of this activity are substantial.
- The environmental impacts of the natural gas industry are minor and are effectively managed and mitigated under a robust regulatory framework.
- The natural gas industry has developed side-by-side with agriculture in most Australian states, including Victoria, for decades – to the great benefit of both industries.

While Santos has no direct onshore operations or interests in Victoria, the company is concerned at the wider implications of this Inquiry. As Australia's second most populous state, and with abundant energy resources, both onshore and offshore, Victoria has a significant ongoing role as an energy producer and consumer.

While we are not making a detailed submission to this Inquiry, we do attach five recent submissions by Santos on the “unconventional” natural gas exploration and production, including the use of hydraulic fracture stimulation in our industry:

- Submission to the Northern Territory Government Inquiry into Hydraulic Fracturing, June 2014;
- Environmental Assessment Report into Fracture Stimulation Operations in the Cooper Basin, May 2014;
- Submission to the Western Australian Legislative Council’s inquiry into the implications for Western Australia of Hydraulic Fracturing for Unconventional Gas, October 2013;
- Submission on NSW Government Strategic Regional Land Use Policy, May 2012; and the
- Submission to the Senate Rural Affairs and Transport References Committee’s inquiry into management of the Murray Darling Basin – impact of mining coal seam gas, August 2011.

While these submissions outline Santos’ position in relation to matters this Inquiry is considering, we would particularly urge the Committee to pay close attention to a number of independent national and international reports on the onshore unconventional natural gas industry, its impacts and benefits.

All of these reports have found risks associated with our industry are no greater than other industrial activities and land uses – and to the extent that risks exist they can be effectively mitigated and managed under an appropriate regulatory framework.

These reports include:

- UK Taskforce on Shale Gas second interim report - Assessing the Impact of Shale Gas on the Local Environment and Health – July 2015
- US Environmental Protection Agency, Assessment of the Potential Impacts of Hydraulic Fracturing for Oil and Gas on Drinking Water Resources (External Review Draft) – June 2015
- Report of the Independent Inquiry into Hydraulic Fracturing in the Northern Territory – November 2014
- NSW Chief Scientist’s Independent Review of Coal Seam Gas Activities, Final Report – September 2014
- An Evaluation of Fracture Growth and Gas/Fluid Migration as Horizontal Marcellus Shale Gas Wells are Hydraulically Fractured in Greene County, Pennsylvania – US Department of Energy’s National Energy Technology Laboratory – September 2014
- New Zealand Parliamentary Commissioner for the Environment – Drilling for Oil and Gas in New Zealand: Environmental Oversight and Regulation – June 2014
- Engineering Energy: Unconventional Gas Production: A study of shale gas in Australia – ACOLA – June 2013. ACOLA is the interface of four Australian Learned Academies: Australian Academy of the Humanities, Australian Academy of Science, Academy of the Social Sciences in Australia, Australian Academy of Technological Sciences and Engineering
- Shale gas extraction in the UK: A review of hydraulic fracturing – The Royal Society / Royal Academy of Engineering – June 2012

Dr Allan Hawke AC’s Northern Territory report is the most recent comprehensive review of unconventional gas activity and regulation in Australia. It found that “there is no justification whatsoever for the imposition of a moratorium on hydraulic fracturing in the NT.”

While Santos accepts that many in the community have genuine questions and concerns about the impacts and benefits of our industry, inquiry after inquiry have found our industry to be safe. Unfortunately, continuing formal inquiries have now become a platform used by those opposed on ideological grounds to ongoing investment in the natural gas industry to propagate exaggerated and misleading information.

Addressing genuine questions and concerns can only be achieved by genuine engagement between the industry and the community. Santos believes the industry needs to take an active stance in public discussions about our activities. We do that, and urge other companies to do the same.

While we will let APPEA respond to the specific terms of reference of this inquiry, we note that this Inquiry like many others before it focusses on the environmental impacts of our industry, and particularly the perception of detrimental impacts on other industries, most notably agriculture.

Santos strongly believes that agriculture has benefitted significantly from interaction with our activities, and access to both the energy we provide and products such as fertilizers, plastic piping and tanks that are produced using natural gas or other petroleum products.

Cultivating the right balance between the development of Australia's natural resources and maintaining a strong agricultural sector is essential to our future growth and prosperity.

It is disappointing that much recent public discussion has confected a conflict between agriculture and the mining and resources sector.

Santos has worked with farming communities since its inception. Our decades-long partnership with the pastoralists of north-eastern South Australia – where our operations commenced in the 1950s – has been mutually beneficial and seen the region's agricultural output grow as we have.

We have a large number of access agreements with local landholders right across the areas we operate in – and we have very good relations with virtually all of them. When we surveyed our Queensland landowners last year, 9 out of 10 said they would welcome us back on their land.

One of the very positive aspects of our industry is that we provide real returns directly to the landowners we work with. It is worth noting, that over the full 10-15 year period that most landholders that work with us in Queensland and NSW would typically receive around \$1 million. In both states, farmers with more wells could earn considerably more.

While we have no current operations onshore Victoria, Santos has had recent and instructive experience in Western Victoria – where we held exploration acreage and producing assets in the onshore Otway Basin from 1999 until 2004, when they were sold to Origin Energy.

These were in the general vicinity of the townships of Timboon, Nirranda, Port Campbell and Curdie Vale – an area which supports significant dairying and tourism industries (including the 12 Apostles and Great Ocean Road) and has high conservation values.

Our operations involved conducting seismic surveys, the drilling of six gas wells, construction of flowlines and the construction and operation of the Heytesbury Gas Facility near Port Campbell. These activities involved working with over 300 landholders.

Discussions and negotiations with these landholders were open and honest with the basic premise being that our activities should not have any detrimental impact on their farms and businesses.

Yet less than a decade later these same activities are subject to a moratorium in Victoria.

Santos firmly believes with the appropriate safeguards in place, robust regulation and a commitment to the highest operating standards, the gas industry and agriculture can build mutually-beneficial partnerships wherever natural gas resources are found below farmland. That belief is backed by our track record in South Australia, Victoria, the Northern Territory, Queensland and New South Wales.

Our industry has played a key role in providing non-farm income to farmers, attracting young people back to rural communities and often 'drought proofing' pastoral leases by locating and making available additional water resources. We have also supported a wide range of community services in regional areas.

A very good example of this collaboration can be found in Roma in Queensland, where we are working with the local community to inject treated water from coal seams into the Gubberamunda aquifer, which provides the town's water supplies. In addition Santos provides irrigation quality water from coal seams to more than 2,500ha of improved pastures and plantations throughout the Roma region.

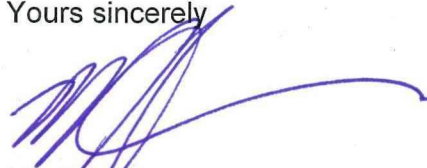
Roma, which has hosted the natural gas industry for decades, has enjoyed steady population growth, lower unemployment and a stronger economy as a result of the expansion in coal seam gas activity over the last 10 years. The average age of its population, at 32, is seven years younger than the similar-sized town of Narrabri in New South Wales – where Santos plans to develop a project that could supply half of NSW's gas needs but where significant coal seam gas activity has not yet begun.

The successful development of both the resources and agriculture industries is about finding ways to work together. We know this approach works, and Santos' more than 700 land access agreements nationwide are proof that our industry and agriculture can co-exist.

Bipartisan political support has been central to building these great industries for Australia, and the jobs and prosperity they underpin. It is essential that this partnership continues in Victoria.

We hope this Inquiry will facilitate it doing so.

Yours sincerely



Matthew Doman  
**Manager Public Affairs, Eastern Australia**