

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Budget estimates 2020-21 (Symes)

Melbourne—Friday, 18 December 2020

MEMBERS

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr David Limbrick

Mr Gary Maas

Mr Danny O'Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor

Ms Bridget Vallenge

WITNESSES

Ms Jaelyn Symes, MLC, Minister for Resources,

Mr Simon Phemister, Secretary,

Ms Penelope McKay, Associate Secretary,

Mr John Krbaleski, Head, Resources, and

Mr Anthony Hurst, Executive Director, Earth Resources Regulation, Department of Jobs, Precincts and Regions.

The CHAIR: Welcome back, Minister Symes and your officials. Thank you for again appearing before our committee today, this time in relation to the resources portfolio. We invite you to make a 5-minute presentation. This will be followed by questions from the committee. Thank you.

Ms SYMES: Awesome. Thank you, Chair.

Visual presentation.

Ms SYMES: The final portfolio for this morning for me is the resources portfolio, which is a really important portfolio to the state. Resources underpin our economy and indeed our everyday items and our way of life. From the minerals in your smartphone to the materials in your house, resources are an integral part of all our lives. Earth resources is a major contributor to jobs and regional prosperity across our country towns. There are close to 10 000 Victorians employed in the sector, and almost half of all jobs are based in rural and regional areas. Victoria's resources sector is certainly undergoing a resurgence, with strong minerals exploration and strong goldmining leading this charge. That is great news for regional Victoria given that resources projects are regionally based and bring valuable wages and follow-on economic benefits to those communities and support local energy, retail, education, tourism, recreation, businesses, facilities and infrastructure.

You can see from this slide that it has been a very busy time for ERR. We have wrapped up the gas program after three years and released the final report this morning. The program undertook extensive geological and aerial surveys and a number of environmental studies. The work was overseen by the state's lead scientist, Dr Amanda Capels. The results were positive for industry and positive environmentally, allowing us to unlock the onshore resources and help facilitate thousands of jobs and potentially hundreds of millions of dollars in benefits to local economies. Our North Central Victorian Goldfields tender will hopefully result in the next Fosterville, and our scientific studies are showing promise in our pathway towards realising this.

The METS sector is often overlooked when we talk about mining, but its contribution to the state is extraordinary. It is made up of extraordinarily talented people who solve complex problems, come up with new ways of doing things and increase safety and productivity for the sector. Their services are sought after worldwide, and that is why we have partnered with the commonwealth and industry to establish the METS Export Hub, highlighting and selling this local expertise to the world.

There is no doubt that our growing population and ambitious infrastructure build is leading to an unprecedented level of growth in demand for extractives. This government has a clear strategy and actions to enable the reliable and affordable supply of construction materials to support Victoria's growth. We established the extractives strategy task force to guide the implementation of the *Helping Victoria Grow: Extractive Resources Strategy*. The task force includes representatives from across government and industry and is monitoring the supply and demand of extractive resources very closely. Since 2014–15 supply of sand and stone has increased over 20 per cent. This is in part due to the work that this government has done in streamlining approval processes and providing confidence to the industry.

Regulatory approvals for new and expanding quarries assessed within statutory time frames has exceeded our target of 95 per cent for the last two financial years. Four new quarries were approved last financial year, bringing the total to 53 since 2015. We also have a priority list of existing quarries seeking to expand, with the goal of cutting approval times in half. This process ensures an expansion project is monitored and prioritised by the lead agencies involved. There are 10 quarry expansions that have already been approved through this

process, and they will bring more than 90 million tonnes of resources to market over their lifetimes. We continue to add projects to this priority project list where expansions require planning approval, focusing on areas close to the highest demands for raw materials. The Strategic Extractive Resource Areas pilot project is protecting the locations of strategic resources in the context of broader community interest and considerations.

As you can see from the data on this slide, Victoria's mineral sector is on the up, growing from \$102 million to \$136.5 million with increased exploration across the state, which could potentially lead to more mining. The average quarterly mining exploration expenditure growth in Victoria since June 2016 has been 13 per cent—over three times the national average, which is sitting at 4 per cent. This year Victoria saw the highest level of mineral exploration on record in ABS history.

As a result of the pandemic, the state's resources sector held up relatively well, but we did see a considerable drop-off of activity in the petroleum sector. Challenges included logistical disruptions, restrictions on equipment and labour availability due to border closures and challenges in sourcing new capital. In response to listening to industry recommendations, I approved the deferral of the collection of rent and annual fees this year to aid the immediate cash flow of mines, quarries and exploration companies. The collection of around \$3.5 million of revenue will be delayed by six months to January 2021.

This slide goes through the new budget initiatives that were in this year's budget in relation to the onshore conventional gas moratorium—the restart of the industry—\$16.5 million to manage growth in the resources sector, \$4 million to the state's regulatory licensing system and money for the important job of rehabilitation.

The CHAIR: Thank you, Minister. Deputy Chair.

Mr RIORDAN: Thank you, Chair. Thanks, Minister, for the presentation. It is an important area and once again a big feature of my electorate.

But my first question to you refers to the resources outcomes outlined on page 284 of budget paper 3. According to the Earth Resources website, which shows the recipients of grants under the Target minerals exploration initiative, six of 10 grants provided under round 1 of the scheme went to one company, Stavely Minerals. Over \$1 million, or 48 per cent of all grants, went to the one company. A further \$480 000 was given to them in the third round of that initiative. Lyall Grey was the senior community engagement officer in DJPR between November 2018 and February this year, when these grants were approved. He has subsequently been employed, surprisingly, as stakeholder engagement manager at Stavely Minerals. Minister, why was one company awarded about half of all the grants in the first round of a scheme that was supposed to support our resource sector generally?

Ms SYMES: Mr Riordan, thank you for your question. I am advised that it is a competitive process assessed by an independent panel that provides advice to government.

Mr RIORDAN: So Minister, are you telling us, or do you want us to believe, that you have just put a presentation up there highlighting literally tens of millions in development—you said record investment in the resource sector—and yet only one company is capable of getting over half your grants that you have available for support of that industry?

Ms SYMES: Well, to bring you back to your question that was in relation to the Target grants, which are about promoting mineral exploration and which are indeed experiencing great attention, there was a very large offering of opportunities in the Stavely area, so it is not surprising that that area attracted a lot of the dedicated funding that was to promote particularly that activity.

Mr RIORDAN: So you have no filter in your department to say, 'Hang on a sec, we're giving all the money to one company'?

Ms SYMES: I can just confirm it is an independent process.

Mr RIORDAN: Okay. So therefore, Minister, do you think it is appropriate now that Mr Grey has left that your department undertake a review of the procedural fairness of giving over half the money to one company?

Ms SYMES: I am not quite sure if you are making specific accusations against the conduct of a particular individual, Mr Riordan, but I can confirm that the—

Mr RIORDAN: I am absolutely drawing a line between a person in your office that organises the grants—gives over half the money to one company—and then magically starts working for that company. I am suggesting that looks questionable, Minister.

Ms SYMES: But as I indicated in my previous answer, the grants administrator in the department is not directly responsible for the decisions of who gets grants, because that is decided by an independent panel for the purposes of that program.

Mr RIORDAN: Minister, are you telling us that you have no concerns at all with the probity and the public perception of that?

Ms SYMES: I am advised that the individual you have referred to is not actually involved in any of the grant approvals but was involved in community engagement activities.

Mr RIORDAN: Minister, would it alarm you a little bit to know, then, that senior managers in your department are on Mr Grey's LinkedIn website and in an:

... unsolicited, nomination for a community engagement award:

Every day Lyall brings to work a committed approach to help his stakeholders and communities understand the Governments approach to minerals exploration—

and he is obviously very good at getting them grants. The last bit about the grants is my thing, but your senior manager in DJPR are quoted on his LinkedIn website, sprouting what a great guy Lyall is at bringing stakeholders and communities together for mineral exploration. Now he is working for one of those people after your department has given them all the money.

Ms SYMES: If you have got a specific allegation about someone's conduct, then there is an appropriate way for you to do that.

Mr RIORDAN: My simple question is: are you going to look? Does it concern you, the view of that, the public perception of what I have just outlined? Can you make a commitment that you can check your systems are in fact as robust as you say they are?

Ms SYMES: Sure, I will have a look at it.

Mr RIORDAN: You will. Okay. I think that is reasonable. According to budget paper 3, page 18, the government continues to refuse to lift its moratorium on conventional gas exploration.

The CHAIR: Mr Riordan, your time has expired. I will pass the call to Mr Gary Maas, MP.

Mr MAAS: Thanks, Chair. Thanks, Minister and team, yet again. If I could take you to your presentation, Minister, you talked about the growth in expenditure in minerals exploration. What have you been able to do to facilitate this growth and provide confidence to the industry?

Ms SYMES: Thank you, Mr Maas, for your question. It has indeed been a focus of the department to really capitalise on the opportunities that this sector brings to our state, and it has been important for me as minister to be able to provide certainty to industry and facilitate as much investment for our state as possible. That is what we have been focused on for the last couple of years, which is timely because the expenditure in minerals exploration has increased six times over the past six years. For example, in the 12 months to June 2020 total minerals exploration expenditure was \$136.5 million. That is a massive 33 per cent increase on the year before. This year, as I did indicate in my presentation, we saw the highest level of exploration expenditure in the history of statistics being kept by the ABS, and that is certainly no accident. You have to ensure that you are placing the state in a position that demonstrates to industry that you are open for business and that Victoria is a great place to come and explore for those items.

The money that is primarily being spent is certainly dedicated to our regional communities and therefore I think probably ties in well with the previous discussion on regional development. It does create really good opportunities for high-quality employment. This budget provides \$16.5 million over two years to continue to support Victoria's resources sector so that we can improve efficient regulation and industry development—so, helping companies with their applications, ensuring a quick turnaround and having more staff to facilitate that

important work. Funding is also provided to continue to proactively respond to the increasing extractive resources needed to deliver our ambitious infrastructure program, including, again, more resources for Earth Resources Regulation to respond to demand pressures from increased activity and often the complexity of the applications that the department has to help industry resolve.

Mr MAAS: Yes, it was pleasing to see comments from the Minerals Council welcoming this funding into Earth Resources Regulation work through licences and applications. So, what is the state of mining in Victoria at the moment?

Ms SYMES: It has been good. It is a great industry to work with, and they are certainly not shy in coming forward and telling me what the industry needs from government. And the Minerals Council has been a really good leader always but particularly during the pandemic, I have got to say. In relation to funding and freeing up or deferring licence fees and things like that, this is a direct response to what industry has certainly brought to our attention, because it is an industry that is vital to work in partnership with; certainly they are the experts. But I guess similar to the story with exploration, mining has coped really well through the pandemic and is in a very positive position.

As I have indicated, mining employs thousands and thousands of Victorians, and it is an integral part of a lot of country areas and provides prosperity and meaningful employment opportunities. It certainly does not hurt that the gold price is going pretty well at the moment, which makes even more investment in gold exploration attractive. Obviously the Kirkland Lake Gold Fosterville mine is the envy of the world, but we do have mines all across the state that are doing really well and continue to employ more people. The jobs are the result of years of work to ensure that we have the right framework to ensure that it is easy to come and do business in Victoria, attract investment and indeed promote that local spending. There are record levels of exploration, and that is a vote of confidence for the future of the industry.

The \$16.5 million in this budget certainly will be required, because we need to beef up the regulator to deliver a new management system and increase operational efficiency to ensure that we can fast-track as much as possible the capacity and respond to the growth in this area.

Mr MAAS: Great, thank you. I will leave it there.

The CHAIR: Thank you. Mr Sam Hibbins, MP.

Mr HIBBINS: Thanks, Chair. Thank you, Minister and team, for appearing this morning. The budget allocation of \$5.1 million over two years is to facilitate the Victorian gas program and the regulation around that. In relation to this year, with COVID, the government has delayed a number of similar activities, such as setting emission reduction targets and implementing the state's new environmental protection laws. Has COVID resulted in any delays to the resumption of onshore gas drilling?

Ms SYMES: Thank you for your question, Mr Hibbins. I think, as was announced alongside the Victorian gas program report led by the chief scientist and also the legislation that went through the Parliament, this year was about ensuring that industry could prepare for the orderly restart, and industry can begin ongoing exploration and development activity from July 2021. So there has been limited impact because a lot of the preparatory work that companies and licence-holders have been doing this year has not involved anything that has been particularly impacted by COVID restrictions and the like.

Mr HIBBINS: So no delays from a government perspective—that side of things?

Ms SYMES: The job of government is to put the regulatory framework in place and consult with the community, and that work is ongoing.

Mr HIBBINS: Thank you. Can I confirm for the committee's benefit that in the scientific analysis used to support the Victorian gas program and the resumption of conventional gas drilling, the emissions resulting from that gas drilling did not actually include when that gas was then subsequently used—it only related to the extraction of the gas?

Ms SYMES: So, Mr Hibbins, the findings of the Victorian gas program estimate that the additional emissions from producing the gas domestically onshore would be between 122 000 and 329 000 tonnes of CO₂

annually. This is equivalent to 0.1 to 0.3 per cent of Victoria's greenhouse gas emissions as at 2017, and these emissions I am advised will have a negligible impact on Victoria's emissions profile.

Mr HIBBINS: But just to clarify, in determining those emissions, that is relating solely to extraction; it does not count emissions from burning gas or using gas.

Ms SYMES: That is correct.

Mr HIBBINS: Thank you. In the report, what was the impact on gas prices from the Victorian gas program?

Ms SYMES: It is about shoring up additional supply, and I do not have the ability to give you an estimate on future gas prices. The program that we announced will have a default position of making domestically available the gases for Victorian homes and industry. Importantly the amount of gas that could be likely to be brought to market is between 128 and 830 petajoules, so it is about making sure that we have enough gas supply. Importantly—I think we had this conversation last year—we have a very strong record of renewables as a Victorian government, and it is certainly a focus. This is a necessary measure for transition fuel, particularly for industry, but goes hand in hand with our commitment to a cleaner energy future and our commitment to net zero emissions by 2050. This is about ensuring that industry and Victorians can have confidence that their energy needs will be met without compromising our clean, green reputation.

The CHAIR: Thank you, Mr Hibbins. Mr Richard Riordan, Deputy Chair.

Mr RIORDAN: Thanks, Chair. Continuing on with Mr Hibbins's gas questions, you mentioned before in response to Mr Hibbins that on 16 March you announced the intention to allow for conventional gas exploration, but it is not going to commence until next year, July 2021. Do you accept that this delay in bringing conventional gas back into the market is putting increased pressure on supply and prices?

Ms TAYLOR: Point of order?

The CHAIR: Sorry, Mr Riordan. Point of order, Ms Taylor?

Ms TAYLOR: I am just wondering the budget paper reference.

Mr RIORDAN: Budget paper 3, page 18

Ms TAYLOR: Thank you.

Mr RIORDAN: Same as Mr Hibbins.

Ms SYMES: Mr Riordan, the important thing to ensure the orderly restart of this industry and indeed the jobs and gas that it will produce was to ensure that you got the regulatory framework and community engagement processes right. I acknowledge that the moratorium was due to expire and there is effectively a 12-month gap between the expiry of the moratorium and the restart of the industry, but it was not open to me to pre-empt the Victorian gas program outcome to enable an immediate restart, because I did not know what that report was going to say and we gave a commitment that we would be basing any decisions on the findings of that important work. So once the decision was presented to me or presented to government, it was necessary to have the 12 months of implementation to develop and enforce the new regime. It certainly provides that really important time for government to work with industry and community to ensure best practice of the regulatory regime underpinned by new regulations, regulatory guidelines and compliance actions, and there will be some formal public consultation on the new regulations early next year.

Mr RIORDAN: Minister, you made mention before to Mr Hibbins that you do not have control of or cannot have a glass bowl on future gas prices. I accept that, but we do know that Australian gas prices have increased around 125 per cent. Do you believe or do you accept that to some extent the moratorium and now the delay in getting back to conventional gas have played a part in those price increases?

Ms SYMES: I think what I would say, Mr Riordan, is that new gas will hopefully have a downward pressure on gas prices and our industry restarts in July next year.

Mr RIORDAN: In recognising that the moratorium will be lifted, the government has announced its intention to ban the fracking of gas by putting it into the Victorian constitution, which is an incredibly extreme, very committed action to take. Minister, if you are so opposed to fracking, why then does the state continue to import—and will continue to import—fracked gas from other states, particularly Queensland?

Ms VALLENCE: Good point.

Ms SYMES: I reject the contention that it is an extreme measure. I think that we developed a policy and we want to make sure that it is protected from future reversals, so making changes to the constitution is—

Ms VALLENCE: Happy for other states to—

The CHAIR: Ms Vallence, you do not have the call.

Mr RIORDAN: So why the constitutional commitment to not have it in Victoria but be happy to use it from elsewhere?

Ms VALLENCE: Very good point—hypocritical.

Mr D O'BRIEN: A bit like importing forestry products from Malaysia.

Ms SYMES: Our decision to ban fracking is about the protection of Victorian agricultural industries and communities and has been very well supported in country areas.

Mr RIORDAN: Therefore is that an acceptance by the government that fracking can in fact be done safely?

Ms SYMES: No.

Mr RIORDAN: So you are happy to take unsafe extraction of gas from other states but not Victoria?

Ms SYMES: Because it is a national market, you do not necessarily know where the shandy of gas is coming from.

Mr RIORDAN: Minister, you can absolutely stop—

If you are that concerned about its efficacy, you could take that position. Could a cynic look at it as the same as if we ban logging in East Gippsland but are happy to take our timber from Malaysian rainforest? Is it the same concept: 'We are happy to make a political stand purely for political reasons but not really commit to a belief in it'?

Ms SYMES: Look, I am the minister responsible for gas when it is under the ground. When it is an energy resource, that becomes a matter for a different minister.

Mr RIORDAN: But, Minister, when you are Attorney-General next week, you may in fact find legal cases—

The CHAIR: Mr Riordan—

Mr RIORDAN: Yes?

The CHAIR: you are interrupting the minister before she has had an opportunity to finish what she was saying.

Ms SYMES: Yes, I am just making the point that energy usage—I do the ground stuff. The energy minister does the stuff when it translates into industry.

Mr RIORDAN: And what, the Attorney-General is left to clean up the mess, are they?

The CHAIR: Mr Riordan, your time has expired. Pauline Richards, MP.

Ms RICHARDS: Thank you, Minister and officials, for appearing before us this morning—still just this morning. Referring you to budget paper 3, page 283, I would like to explore a little bit around mining and COVID-19, and I note that the department fell short of its mining application targets by 13 per cent. I am

interested in having some sort of understanding or explanation of why this occurred and what impact COVID had on the minerals industry.

Ms SYMES: Thank you for your question. In some respects we have been a victim of the circumstance and a victim of our own success in relation to this portfolio. We fell short of our targets to process mine licence applications in large part because we were overwhelmed by the record levels of activity and applications coming our way because of disruptions particularly in relation to January and February due to the bushfires and ongoing disruptions because of COVID-19. The level of activity was beyond any expectations, and the additional expenditure in this year's budget will go some way to alleviate these pressures and provide extra funding to help turn these applications around in a timely manner.

It is fair to say that the mining industry was certainly not completely unaffected by the pandemic, and the Victorian budget reports that there was an impact in response to those issues. It is a testament to the resilience of the industry and more importantly the resilience of the people working in this industry that it has held firm. It is certainly in a position to grow into the future. As I have indicated, there is a lot of need to ensure that this industry is supported, because it is really important to country areas. For too long we have looked back at the gold rush as the only time mining in the state really had value and an impact on our state, and I want to help change that narrative to ensure that our future outlook for mining can be just as bright as our past achievements.

Ms RICHARDS: Thank you, Minister. I am interested in how the government is helping the extractives industry in this context.

Ms SYMES: I think, as I have been pretty clear, this industry is really important to our state. Without affordable building raw material such as rock and sand, the state's construction cannot build a better Victoria, it cannot support economic growth and indeed would impact thousands of jobs. The budget does include \$6.7 million for protecting raw materials, an initiative to support the growing extractive sector.

We are securing extractive resources in the long term through our strategic extractive resource areas, which is abbreviated to SERA, and reviewing existing extractive industry interest areas. The interest areas provide a broad marker for where potential extractive resources are located across the state, while SERA is being trialled to provide better protection for strategic resources within the planning system. It is a big interplay between my portfolio and the planning minister's portfolio in relation to projects. Public consultation on the SERA pilot project in the Wyndham and South Gippsland local government areas closed in July, and a decision on the planning controls to protect these resources is currently under consideration. Almost all work plans were processed within the statutory time frame, in part by moving to a risk-based approach for approving work plans and accelerating approvals where possible for quarrying operations.

Furthermore, there is the key focus of Victoria's extractive resources strategy to ensure there is enough supply of extractive resources to support the infrastructure needs of the future. We do have a record investment in the Big Build, so it is important that this sector is certainly part of the delivery of the ambitious outcomes for the prosperity of our state. So I guess when combined, all of these measures provide certainty and guidance and support to industry to help them do what they do best, and that is dig up rocks and help us build stuff.

Ms RICHARDS: Great. Thank you. Just with the short amount of time left, I think I will leave it there. So thank you so much, Minister.

The CHAIR: Thank you, Ms Richards. Mr Sam Hibbins, MP.

Mr HIBBINS: Thank you, Chair. I want to move to the initiatives 'Building on earth resources' and 'Minimising risks from rehabilitation of mines and quarries'. Now, you have talked a lot about, I think, reducing approval times, a very forthright plan to expand mining, but the Auditor-General report that came out this year was pretty damning in terms of the department actually effectively regulating mines. It really raised the issue of the conflict of interest between on one hand regulating mining yet then on another hand promoting mining. So how are you—

Ms SYMES: Sorry, I missed that. Promoting mining and—

Mr HIBBINS: Regulating.

Ms SYMES: Regulating.

Mr HIBBINS: Being the promoter and the regulator, how are you responding to the Auditor-General's report?

Ms SYMES: Thank you, Mr Hibbins. It is fair to say that the VAGO report was a frank assessment of the historic and systemic shortcomings within the department. We are dedicating ongoing efforts to make sure that we have ongoing improvements. It was not a surprise, the report. When I became minister the department were well aware of their shortcomings, and they had some internal reviews and indeed were going through the VAGO process. So there were improvements being made in anticipation of findings—not standing still and waiting for the report necessarily. We also saw firsthand the devastating impact of the Hazelwood mine fires, which obviously produced a report about how to do things differently. We welcomed the report and accepted all of those recommendations. We have certainly in recent times confirmed with the Auditor-General our commitment to deliver regulatory practice strategy and incorporate the recommendations from their report.

It is fair to say this is an ongoing process, but I would like to highlight some of the steady improvements that have been achieved. In terms of reopening the Hazelwood mine fire inquiry and in response to the inquiry, we have increased respective bonds from a total of \$41 million up to \$591 million and brought forward legislative requirements for risk-based work plans. The first piece of legislation I brought through as minister in this portfolio was the *Mineral Resources (Sustainable Development) Act* to help with the management of the state's mines and ensure mining licences would be required to contribute appropriately to rehabilitation costs in their mines. I think, bringing it back to the budget, the \$16.5 million is to help build on earth resources capacities and the \$21 million is to minimise the state's risk from rehabilitation.

Mr HIBBINS: Sorry, can I just move on to the coalmines in the Latrobe Valley and the government's response to that. Are the bonds sufficient for the rehabilitation of those coalmines, and what is the government's view in terms of how they will be rehabilitated? Because it is becoming pretty clear that filling them up with water—there is not enough water.

Ms SYMES: No. Unfortunately, Mr Hibbins, if it was as easy as just filling it up with water that would make this portfolio a lot less complex. I might ask Mr Hurst to directly respond to your questions in relation to bonds because he is the expert.

Mr HURST: Thanks, Minister. I appreciate it. So rehabilitation bonds are set against the existing work plan that is in place for a particular mine or quarry or petroleum operation. In this case the bonds were reviewed after the Hazelwood mine fire inquiry—the second inquiry in particular—and increased quite substantially. The bond we currently hold as a bank guarantee for Hazelwood is \$289 million. The AGL Loy Yang one is \$154 million, which is a combination of a bank guarantee for 80 per cent of it and 20 per cent as a parent company guarantee; and Yallourn is \$148 million. Now, those bonds will be reviewed as the rehabilitation plans change over time. As circumstances change and new information becomes available about the requirements to rehabilitate those sites to be safe, stable and sustainable, including the water equation, then that will be factored into the costing for the rehabilitation bonds.

Mr HIBBINS: Thank you. Thanks, Chair.

The CHAIR: Thank you, Mr Hibbins. Mr Tim Richardson, MP.

Mr RICHARDSON: Thank you, Chair. Thank you, Minister and department representatives, for joining us today.

Ms SYMES: You are very well versed in that introduction.

Mr RICHARDSON: Yes. Thanks for coming along. I feel like I am in a bit of shock after the Deputy Chair's comments about fracking. He seemed to suggest our policies on that are political, and I think that would be of great concern to regional and rural communities given the Victorian government's position on that, but that will be a matter for them to—

Ms Vallence: What, to import fracked gas from other states?

Mr Riordan: No, we were just testing the moral efficacy of the government's position.

Mr RICHARDSON: I thought he was saying it was fracking great, but that is okay. It is an incredible position to take so—

Ms SYMES: I think he seemed to intimate that we are importing international raw forest timber to supply our contracts as well, which we are not, so—

Mr RICHARDSON: The questions are a bit off today—

Mr Riordan: Creating a high moral ground that you refuse to abide by yourself.

The CHAIR: Deputy Chair.

Mr RICHARDSON: But I want to take you to budget paper 3, page 14, Minister. This budget provides \$5 million over two years to support the regulation of Victoria's conventional gas resource. How will this money be spent and what return on investment are we expecting to see?

Ms SYMES: Very good—thank you, Mr Richardson. The decision to end the moratorium on onshore gas, as I have highlighted, was not something that was taken lightly. It was not something that we just decided as a government. We took three years of comprehensive scientific research and community consultation to come to that decision, which was informed by the gas program outcomes. The gas program focused on determining the impacts, risks and potential benefits of onshore conventional gas exploration and development, investigating opportunities for further underground gas storage, supporting exploration for offshore gas and supporting work programs for resource planning, regulatory improvements and community engagement. The first report was published, and I again should take the opportunity to thank for their important work Dr Caples and the stakeholder advisory committee. It was a very detailed and intensive workload that they got through, but throughout the whole process they focused on evidence-based policymaking and were led by the science. When I was overseeing the progress of the gas program I was obviously agnostic as to the outcomes of it, because it was something that was important to be led by the experts on.

In June 2020 the Victorian Parliament passed the *Petroleum Legislation Amendment Act* for an orderly restart of conventional gas exploration and production. As we have discussed with Mr Riordan, it will be from July next year. In terms of that we are certainly hoping to enhance community confidence in industry, which is predominately strong in the areas where they are most impacted, because they have a pretty strong understanding of the benefits of and need for this industry.

The \$5 million in this year's budget will develop, implement and enforce a new regulatory regime to facilitate the orderly restart of the onshore conventional gas industry, and we want to work with industry and communities to develop a really rigorous engagement and transparency obligation to improve the regulatory framework and guarantee world's best practice approaches.

The development of onshore gas resources is estimated to generate as much as \$310 million annually for regional economies and, as I have indicated, is a good job generator—potentially thousands of good quality jobs, high paid and long term.

Mr RICHARDSON: That is a substantial potential investment. Minister, I want to take you to the stakeholder advisory panel. I understand that part of the work is to undertake that wideranging community engagement. For the committee's benefit it would be great to hear how that went and if you think it could be replicated in other policy settings.

Ms SYMES: Yes. Look, I cannot take all the credit; I inherited the gas program. I think it is a fantastic way to develop policy in complex areas, notwithstanding it took three years, and it did cost close to \$40 million. Where policies such as this are so contentious and the evidence is not clear, I think it is a really good model that can be replicated. In terms of the work of the stakeholder advisory panel, the people were brought in to do that work covered a diverse set of voices and interests, and thankfully the advice we received back was very clear.

The panel included members from unions, the AIG, the VFF, Environment Victoria, community groups and industry. As I said, it was a three-year program and they engaged with 950 people across south-west Victoria, Melbourne and Gippsland via more than 780 events, including the likes of briefings, meetings, forums and direct telephone conversations, and we were able to collect a diverse range of views from a variety of people. It

is a good model. It takes the politics out of it as well and makes sure that government are accepting the advice and the science from the experts before making these important decisions.

Mr RICHARDSON: Thank you.

The CHAIR: Thank you, Minister. Mr O'Brien.

Mr D O'BRIEN: Thank you, Chair. Minister, I would like to just continue on from what Mr Hibbins was talking about with mine rehab in the Latrobe Valley. The budget paper reference is page 97 of budget paper 3. Engie, the owner of Hazelwood, plans to start filling the Morwell open cut with water next month. Does it have all of the relevant government approvals to do so?

Ms SYMES: It is well advanced and undergoing a work plan variation at the moment in relation to their water access and the starting of the rehabilitation. But I think I might get Mr Hurst to take you through that process in a bit more detail.

Mr HURST: Sure. Thanks, Minister. Engie has applied for a work plan variation for the rehabilitation of the Hazelwood mine site. They have put forward a proposition that is twofold. One is a concept to move to a water level of plus-45 metres Australian Height Datum, but also an interim step that is based on moving to a—

Mr D O'BRIEN: Sorry, Mr Hurst, can you speak up a bit. It is a bit hard to hear you.

Mr HURST: That is probably the first time I have been asked to do that, but yes. Thank you. They have proposed a concept only to go to plus-45 metres Australian Height Datum. Their proposal is to go to minus-7 metres Australian Height Datum as an interim step. At this stage they do not have the work plan variation approval. We have pointed out some pathway options for them. They need both work plan variation approval and also planning confirmation, so it depends on the final proposition they put forward. There is a lot of technical information to be confirmed around the geotechnical aspects to make sure that is a safe and stable landform but also to confirm the water arrangements that they have in place. They are not ready to go to plus-45 metres—that would require a much more complex planning assessment, possibly an EES as well—and at this stage we are seeking further information and clarity about what their next plan is.

Mr D O'BRIEN: So can they start filling the mine next month?

Mr HURST: No.

Mr D O'BRIEN: When do you expect that you will have a decision on that work plan?

Mr HURST: We expect to be doing a lot more work with them early in the new year. We should be receiving further advice from the company in terms of key geotechnical questions around the minus-7 level, but they have also flagged some other water levels around the minus-22 metres Australian Height Datum level, so they have got a number of options to put forward. This is a proponent-led proposition to rehabilitate the site. We then have to assess it against the *Mineral Resources (Sustainable Development) Act* requirements.

Mr D O'BRIEN: Okay. This is probably to the minister or to you, Mr Hurst. The strategy released midyear indicated the government was going to go away and look at alternative options to pit lakes and alternative water supplies. Has it done that? And is there any alternative?

Ms SYMES: Look, it is important work that is ongoing. We have got the new mine rehabilitation authority that is really important and integral to that future work. We know that this is a complex area. As I have identified, if it was as easy as being able to fill them up with water, then this problem would not really exist. We know that that is going to be difficult. We know there are competing interests for water. Rehabilitation is a responsibility of the mine owners or operators, and therefore we are working with them on future opportunities for alternative water sources.

Mr D O'BRIEN: Okay, but at this stage nothing alternative has been identified?

Ms SYMES: Nothing really concrete.

Mr D O'BRIEN: Okay. You are definitely not using concrete. Minister, budget paper 3, page 255, has the resources output for your department, and it is a 40.3 per cent cut—or a \$49.4 million cut—to the output. What is the reason for this savage cut?

Ms SYMES: I would not articulate it as a cut, Mr O'Brien.

Mr D O'BRIEN: Well, it is in the brackets, and that means cut—that means less.

Ms SYMES: It can be attributed to the conclusion of specific programs, including the gas program and CarbonNet.

Mr D O'BRIEN: CarbonNet is an ongoing program. That is still not finalised.

Ms SYMES: The drilling component of the program.

Mr D O'BRIEN: Okay. Given that 20 per cent of licence applications and work plans in effect are not being processed within the mandatory statutory deadlines, how can you justify the cut when those government targets are not being met?

Ms SYMES: I would bring you back to my previous answer that there is no cut. It is the completion of programs and specific projects. The ongoing staffing in fact has been enhanced, with more people ensuring that the regulatory work of the department is completed in a more timely manner.

Mr D O'BRIEN: Okay. Thank you.

The CHAIR: Thank you, Minister. Ms Nina Taylor, MLC.

Ms TAYLOR: Thank you. You were talking before about scientific findings, and I think it would be useful for the committee to have evidence of those scientific findings of the VGP.

Ms SYMES: Right up your alley, Ms Taylor. The program included Victoria's largest ever airborne gravity survey, regional air and groundwater testing, as well as the assessment of thousands of rock samples. The survey covered 32 000 kilometres in the Otway geological basin, and the gas program undertook some 47 technical reports that are all available online. The team undertook geological assessments in the Otway and Gippsland basins to better understand the rock formations and whether there is likely to be commercial quantities of gas and assess the hydrogeology of these regions, particularly around the risks to the watertable of an onshore gas industry and whether risks can be acceptably managed. It is a pretty cool process. I got to do a bit of the 3D virtual rock formation things as they attempted to explain the very technical side of this. So it is great to have really high-quality experts on this project.

As has been confirmed, they found that there was a commercial quantity of gas onshore, primarily through Gippsland and the South-West Coast, but more importantly it found that if the resource was developed, it would have a negligible impact on groundwater supplies and agricultural industries. The advice that we received from the lead scientist is that Victoria's environmental and safety regulations are appropriate to manage any of those minimal risks. This is particularly important for surface and ground water in regional communities. As you would appreciate, there are a lot of competing interests, such as agriculture, and obviously people's interests in the environment and their surroundings.

The additional gas will improve energy security by increasing the diversity of gas supply and also benefit industrial users, particularly in regional areas. Probably a good quote would be from Dr Caples, who said:

The panel and I took a close and careful look into the geoscientific, technical and environmental research to better understand Victoria's undiscovered onshore conventional gas resources.

... If developed, this gas would improve energy security while Victoria transitions to a low carbon economy.

There is certainly tons and tons of data to sift through, but the best part about it is that most of it is publicly available for those that are so interested.

Ms TAYLOR: Thank you. Where do we expect the benefits to flow? I think members Mr Riordan and Mr O'Brien might want to prick their ears up at this point.

Ms SYMES: It is not just country communities, but some members of your team today certainly will see local benefits for their local communities that they represent, because we will be seeing benefits derived in south-west Victoria and the Gippsland region, which are certainly represented by hardworking local members.

The production of the onshore resources, as I said I think to Mr Richardson's question, could generate around \$300 million annually for regional economies and create thousands of jobs over the lifespan of these projects. The extra gas also is hoped to put downward pressure on gas prices. We have committed that any new gas produced in Victoria will need to be prioritised for the domestic market, so supporting our local industries and consumers first. Additional gas will improve energy security by increasing the diversity of gas supply and will also benefit industry users in regional areas, because it will be new options for local suppliers for their transmission costs. This will be implemented by placing that obligation for that domestic choice first.

Ms TAYLOR: Thank you. We know that onshore gas is not the only place that the government has led in making important policy. The decision to enshrine the ban on fracking in the constitution is also highly relevant to this policy, isn't it?

Ms SYMES: Yes. We do not take our decision to allow onshore conventional gas exploration to mean unconventional gas will be allowed in Victoria, and it is one of those distinctions that I have to continually make. There are a lot of people that get confused about the differences in gas extraction, and that is why it is really good to be able to point to our decision to ban unsafe fracking for Victoria but also be able to point to the scientific evidence of the onshore gas extraction that the experts tell us is safe and therefore a benefit to the community. So they are two very different propositions but obviously both underpinned by really good evidence-based policy. I think next year we will be doing that bill, so I look forward to that debate in the house.

The CHAIR: Thank you very much, Minister. That concludes the time we have set aside for consideration of your estimates this morning. We thank you and your officials for appearing before our committee today. The committee will follow up on any questions taken on notice in writing, and responses will be required within 10 working days of the request.

The committee will now take a break before resuming consideration with Minister Leane at 1.00 pm.

I declare this hearing adjourned.

Witnesses withdrew.