

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

2021–22 Budget Estimates

Melbourne—Wednesday, 30 June 2021

MEMBERS

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr David Limbrick

Mr Gary Maas

Mr James Newbury

Mr Danny O’Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor

WITNESSES

Ms Jaelyn Symes, MLC, Minister for Resources,

Mr Simon Phemister, Secretary,

Mr John Krbaleski, Head of Resources, and

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

The CHAIR: Welcome back, Minister Symes. I declare this hearing of the Public Accounts and Estimates Committee open. This time we are meeting with you for consideration of the resources portfolio. We again invite you to make a presentation, this time of 5 minutes. This will be followed by questions from the committee.

Ms SYMES: Thank you, Chair. Thanks to the committee for the consideration of the resources portfolio and also to representatives from the department who have joined me today.

Visual presentation.

Ms SYMES: To begin, here is a really good snapshot of Victoria's resources industry. It is certainly a very exciting portfolio, and there is lots to be excited about in the state. Extractives, mining and exploration play a huge part in our state's shared prosperity, and this has been the case for over 170 years now. These industries are a major source of jobs, wealth and opportunity for many Victorians. Of the approximately 13 000 workers in the industry, about half are in rural and regional areas, and combined, the minerals and extractives industries generate close to \$3 billion in value. Much of that value gets circulated within the economy, and the portion that comes back to the state gets reinvested in infrastructure projects like schools and hospitals.

As you can see here, we are witnessing record levels of mineral exploration across the state. In 2019–20 there was a total expenditure of \$135 million in exploration. That number has grown in 2021, outpacing national growth by a factor of three over the last five years, as you can see from the graph from the Victoria line and the Australia line. Victoria's share of Australia's total mineral exploration expenditure has more than doubled over the past five years, from 2.04 per cent in 2015–16 to 4.9 per cent in 2019–20, while annual mineral exploration expenditure has more than doubled since 2010, from 2.04 per cent in 2015–16 to 4.9 per cent in 2019–20. Gold production is at its highest level in over 100 years, and in 2019–20 nearly 800 000 ounces of gold was produced, with a sales value of \$1.84 billion. It goes without saying that our extractives sector is playing a critical role in supplying the materials we need for our infrastructure pipeline, which the government is well known for, but also to aid the recovery from the COVID pandemic.

Governments around the world are investing in infrastructure to stimulate economies and build lasting projects that will benefit generations to come. None of this in Victoria can happen without quarries, and that is why it is important supply is available when needed and near to where it is needed the most, because this reduces costs, trucks on roads and indeed emissions. To support the industry we have expedited the expansion of 12 strategic quarries on our priority list. This does not actually mean that the projects will be granted approvals on request but rather their applications are prioritised when considered. We are also piloting new planning protections to safeguard strategic extractive resources in Wyndham and South Gippsland in meeting our future needs in key supply areas.

There has been a raft of achievements and highlights over the past 12 months, but for the benefit of the committee there are just a few examples on the screen. This includes commencing the restart of the onshore conventional gas industry—which is going to be tomorrow, as a matter of fact—and updating our bond calculator to make sure it is fit for purpose and reflects anticipated rehabilitation costs. Responsibility, of course, for rehabilitation is incredibly important. It will take some time to get this right, but we are putting the policy settings in place to make sure mine and quarry operators pay for the rehabilitation of their sites after the resources have been utilised and that it is not left for the state to pick up this tab.

I also had the pleasure of launching the prospectors guide in Heathcote earlier this year. As you can see from the picture up there, I got to—some of those gold nuggets were real, not all of them. We also fulfilled our

election commitment to permanently ban fracking. IMARC, the international conference, was conducted online and had guests registered from 132 countries despite the challenges.

Last year, of course, was tough for us all, and the resources industry was no exception. The industry was particularly hit hard by border closures. The industry does rely heavily on FIFO workers and specialist staff and machinery from across the world. Industry had to adapt to the challenges, and we were pleased to work collaboratively with them on many solutions. I want to mention how impressed I was by the initiatives and resilience of the industry, who recognised in particular that the mental health of their staff was a key concern. It became one of their number one priorities.

Turning our minds to the budget, you can see here we have allocated \$35.7 million: \$10.6 million to enable earth resources regulation to continue timely delivery, \$6.9 million for new quarry development, \$13.4 million to attract new investment and \$2.4 million for legislative and regulatory improvements across the resources sector.

And Chair, just in the last slide, just for the benefit of the committee, there is legislative reform underway, which I am sure I can talk to a bit later.

The CHAIR: Thank you. Deputy Chair.

Mr RIORDAN: Thanks, Chair. Thanks, Minister. Look, I think when we met last time we spoke about the backlog in resource availability. And I note that in one of your slides there you have had 101 licences issued year to date, I think the claim up there was on—

Ms SYMES: Exploration.

Mr RIORDAN: Yes. That is just for exploration, so how many permits have been issued to start extractive industry quarries?

Ms SYMES: Quarries?

Mr RIORDAN: Sand, gravel—whatever.

Ms SYMES: Yes, sure. So since 2015 we have approved 53 new quarries.

Mr RIORDAN: Since 2015?

Ms SYMES: Yes.

Mr RIORDAN: How many?

Ms SYMES: We have approved 53 and put 12 quarry expansions on the priority list, which will bring more than 90 million tonnes of resources to market over their lifetime, and in 2019–20 there were four new quarries approved.

Mr RIORDAN: 2019–20, four new. Can you tell me—presumably those four new ones are included in the 53 figure—how many of those have actually started?

Ms SYMES: Just bear with me, Mr Riordan. I will just get some figures for you.

Mr RIORDAN: You have not worn hard hats to these openings obviously.

Ms SYMES: No. Once the approvals are granted it is on the businesses for their timing for when they operate.

Mr RIORDAN: Most businesses that get approval back in 2015 probably are not hanging around for six or seven years to start, so how many have actually started?

Ms SYMES: So the stats that I have in front of me for the extractives industry as of 2019–20: there are 860 quarries, 506 of those are producing, and they are producing 63.1 million tonnes.

Mr RIORDAN: But you cannot tell many how many of the licences you have issued have actually started.

Ms SYMES: I can take that on notice and get you some more specific figures.

Mr RIORDAN: All right. And while you are taking that on notice, because I think it is a related issue, my understanding of many quarry permits, and I have quite a lot through my patch, is that you may issue the approval but the planning requirements on it are either ridiculously onerous or limiting. So a major quarry that could potentially be supplying low-cost material for our much-needed road repairs in south-west Victoria may, for example, get a planning approval that says, ‘You can only run 10 trucks a day and carry only a few hundred cubic metres out in any one day’, which limits the production of that quarry by 60–70 per cent of what it should be able to do. How many quarry permits are you aware of that have those types of restrictions on them?

Ms SYMES: Mr Riordan, it is a difficult question to be specific about because there is a range of permit conditions and local government conditions, depending on the location of a quarry. For example, a quarry in a highly populated area would have higher restrictions in relation to hours of operation as opposed to a quarry that potentially has no neighbours. So it is probably a little bit difficult to extract those figures for you.

Mr RIORDAN: But it is an important figure to know, isn’t it, as resources minister? I mean, for example, my next question is: the government talks much about its tunnel building program and other big projects; the much-needed materials for those projects—how many of those projects are sourcing their materials from more than 200 kilometres from Melbourne?

Ms SYMES: Look, again, it would be difficult for me to answer that today. It is an important question that you raise, and it is a question that I ask. Obviously when we are looking at where the quarries are I get shown maps and I can determine where the—

Mr RIORDAN: My understanding is quite a lot of it is coming from New South Wales because it does not exist in Victoria.

Ms SYMES: There is plenty of supply in Victoria, and we are continuing to prioritise strategic sites. We have got our SERA projects that are helping us do that.

Mr RIORDAN: Do you have a figure on how much of the Big Build is coming from New South Wales because we do not have the resources in Victoria?

Ms SYMES: I do not have a figure, as Minister for Resources, but I am also not the minister responsible for the delivery of those projects. But what I can say is that the—

Mr RIORDAN: No, but surely you have an interest in our capacity to supply our own resources.

Ms SYMES: Yes, of course, which is why we are supporting strategic locations. We want to have quarries close to where projects are, because if you do not the costs increase. And also, as I started to allude to in my presentation, it sort of comes back to the start of your question around wanting to make business easy for industry—looking at the planning, making decisions under a new legislative regime that will flip some of those approvals so that the planning issues are dealt with before approvals so that there is more certainty to industry—something that I am prioritising as part of that legislative reform.

The CHAIR: Thank you, Minister. Mr Maas.

Mr MAAS: Thanks, Chair. Thanks, Minister and departmental team. If I could take you to the topic of the extractives industry, which of course you referred to in your presentation, but also budget paper 3, page 71, under the line item ‘Resources for recovery: securing the resources for Victoria’s economic recovery’. Minister, how will this funding help secure the future of the Victorian extractives industry and stimulate economic recovery across the state?

Ms SYMES: Thank you, Mr Maas, and for the opportunity to provide further details to the committee about this year’s budget investment in the resources portfolio. The budget provides \$35.7 million to ensure our minerals, quarries and gas sectors continue to grow and, as Mr Riordan was questioning, we want to meet the demand that everyday Victorians are relying on. Of this, \$6.9 million will be put towards facilitating new quarries in a way that is in line with community expectation and targeting places where resources are needed

for those issues that we went through earlier. The \$6.9 million will be put to delivering proper planning and certainty for the extractive industry. It will ensure that new and existing quarries can be further developed while striking a balance with the needs of local communities.

The government is investing around \$20 billion per year in capital spend between now and 2024 to aid the economic recovery and stimulate the economy. We have got the Metro Tunnel, North East Link, our Big Housing Build, obviously lots of schools and hospitals, and all of these projects require the materials that we have available here in Victoria. Indeed you would be all too familiar, as government members, that this is the largest capital program our state has ever seen. It is all about creating jobs and delivering benefits to Victoria for decades to come. We are ensuring that we replenish our supply of rock, gravel and sand as quickly as possibly through strategic planning and expediting some of those decisions. The funds will help us as a government plan and facilitate investment across the state in a methodical and strategic way.

Look, to be frank, as I have been in the portfolio for a while now, some of this work, if it had been done 30 years ago, would make our jobs a lot easier. We have got a bit of catching up to do in relation to making sure that we get the right sites and the right supply, because there is a lot of city that has been built up and densely populated which competes with quarry interests. We need to make sure we get the balance right and ensure that if we do get it right somebody in my position in future years will not have the same acute challenges. But I am certainly building on the work of my recent predecessors. It was the Treasurer, who was the resources minister, who put out the extractive resources strategy back in 2018, and that set up a road map that has been particularly important to guide some of my decisions and the work of the department for strategic planning in relation to this matter. It is all about accessing critical materials to build future homes and infrastructure affordably and indeed giving community and industry that all-important certainty as we go about that work.

Mr MAAS: Terrific. Thank you. I think I might leave it there.

The CHAIR: Thank you, Mr Maas. Mr Limbrick.

Mr LIMBRICK: Thank you, Chair, and thank you, Minister and team, again. One thing that was mentioned in the presentation was recreational prospecting. I would be interested: how does the recent announcement on national park designations affect what areas recreational prospectors are allowed to do this in, and has that guide been updated to reflect those new changes?

Ms SYMES: So I think you are referring to the VEAC announcement in particular?

Mr LIMBRICK: Yes.

Ms SYMES: Yes. So this was a report that was considered by government which accepted in principle or accepted in part 76 of those 77 recommendations in the *Central West Investigation: Final Report*, which was delivered some time ago. There have been variations to the recommendations which will further expand the Bendigo Regional Park in the Wellsford block and create an additional regional park in the Wombat-Macedon block, respectively. Importantly, around 49 000 hectares will remain available for recreational prospecting across the blocks of the investigation—in state forest, regional park, bushland reserves and historic reserves—except where it could impact on environmental and cultural values. There are a lot of prospectors out there. There are more than 57 000 people who have a Victorian miner's right.

Mr LIMBRICK: I know a bunch of them. They are passionate about it; they love it.

Ms SYMES: They are very passionate people. So in relation to the VEAC response, the government response makes approximately 8000 additional hectares of public land available for recreational prospecting, relative to the VEAC's recommendations, by creating an additional regional park in the Wombat-Macedon block and further expanding the Bendigo Regional Park in the Wellsford block. As I said, there are around 49 000 hectares available for recreational prospecting in that region. The guide that I referred to was more about appropriate practices and the like, but there is available information on websites about what you can do on public land, whether it is prospecting, hunting, camping or four-wheel driving and the like, and I certainly would encourage anyone who is interested in finding their fortune to consider taking up recreational prospecting. It is a great activity and there are a lot of groups out there that can provide a lot of advice on where to go and how to go about it.

Mr LIMBRICK: Thank you, Minister. It was mentioned in your presentation and also in a media release on 20 May that there is more support to cement Victoria's resources, and I see what you did there, but one of the items in there was around funding around minerals—'\$13.4 million to continue attracting new investment as the demand for minerals from the technology and renewable energy industries grows'. What is this \$13.4 million? How is this attracting investment? And what sort of minerals are we talking about here? Is this like rare earths?

Ms SYMES: We are having a massive interest in mineral exploration in Victoria, as I alluded to in the slide. Applications for exploration licences are certainly tracking upwards. In 2019–20 earth resources regulation received a record 154 mineral licence applications, including 132 for exploration licences. And even despite COVID and the pandemic and the tightening of financial ability of companies to invest in these types of projects, we have seen 125 licence applications, including 110 for exploration up to a couple of weeks ago, so still good, strong demand. In relation to your specific question about the types of minerals, particularly those that are transformed into renewable energy projects, whether it is wind turbines or solar panels or the like, it is mineral sands.

Mr LIMBRICK: I am going to run out of time. If there is all that investment, why do we need to invest this \$13.4 million to attract the investment—if the investment is already happening?

Ms SYMES: Well, we want to make sure that we have enough staff to deal with the queries and process all of the applications, because there is a competitive environment. Mineral exploration companies are looking around the world for places to invest, so if we do not have an appropriate regulatory regime and an open-for-business approach, then they will go elsewhere.

Mr LIMBRICK: Thank you.

The CHAIR: Thank you. Mr O'Brien.

Mr D O'BRIEN: Thank you, Chair. Minister, when will the government release the tender results of the north central Victorian ground release? When will that be announced to the community?

Ms SYMES: Thank you for your question, Mr O'Brien. The evaluation of tenders is being undertaken within a strict probity framework by an independent assessment panel, supported by a responsible exploration advisory panel. And for the first time we have a traditional owners advisory panel, which is a new process that I have been very proud to introduce and hope that it can be a good model for further government tender processes. The tender evaluation process remains underway. Successful tenderers will progress to the minerals exploration licensing process. My department have advised me that the delay in relation to this matter is at their end in processing the applications and certainly not in relation to community engagement or that traditional owners panel that I talked about. I am awaiting advice on who the successful tenderers are, and I certainly look forward to being able to announce the tenderers later this year. It is a live tender process; it is not something that I have direct involvement in, as is appropriate. I am hopeful that it will be finalised and announced in the very near future. In relation to the tender processes, I cannot make any specific public comments. I just have to await the outcome.

Mr D O'BRIEN: Sure. So have you got anything more concrete than 'later this year' in terms of when?

Ms SYMES: I am hoping in the coming months, but as it is a tender process that I do not have direct involvement with, I cannot really provide you with any deadline.

Mr D O'BRIEN: And if it is not the consultation process and the department have said, 'Yes, it's at our end,' what is the delay? I note in some of the background, 'Oh, COVID's caused some delays'. Well, we all know you either worked from home if you could or you stayed in the office and got on with it if you could not. Why do these things keep being delayed?

Ms SYMES: Mr O'Brien, I agree with you. I do not think COVID should be used as an excuse for delays unnecessarily across the board, but as I have explained, this is a live tender process that appropriately is separate to any political interference, and so I do not really have—

Mr D O'BRIEN: I am not suggesting it was; it is the bureaucratic process that I am—

Ms SYMES: political or ministerial responsibility in being able to reach in and extract the information that you are seeking. I, like you, am eagerly awaiting the tender outcome, because what it means is country jobs for predominantly country people in an area that is very exciting in our state.

Mr D O'BRIEN: Okay. Can I move on to the Latrobe Valley mine rehab. When we last met in December I asked whether the work plan variation had been approved for Engie to start the rehabilitation of the Morwell mine at Hazelwood. Has that now been approved? Where is that up to?

Ms SYMES: Mr O'Brien, thank you for your question. It is an important question, and I know you have got an ongoing interest in these matters, as do I. ERR is working with Hazelwood mine owner Engie to provide clear assessment approvals pathways and requirements for rehabilitation of that former coalmine. Engie submitted a work plan variation application last year for rehabilitation works at the former Hazelwood coalmine which proposed a staged approach for approvals, and the work plan variation cannot be progressed until planning approvals have been granted for the proposed new works. Earth Resources Regulation is consulting with agencies across government, including the Mine Land Rehabilitation Authority, to ensure that any staged approach to rehabilitation contributes to a safe, stable and sustainable outcome for the Hazelwood coalmine, as you would indeed expect is appropriate. So these matters are progressing, and as you would appreciate, there is my department and also DELWP in relation to EESs that need to be commenced.

Mr D O'BRIEN: You are predicting my next question, which was: will an EES be required for them to proceed to rehabilitation?

Ms SYMES: It is certainly a process that may be required in relation to this mine rehabilitation. They are all issues that we are working through. I am more than happy for Mr Hurst from the regulator to take you through any of those specifics.

Mr D O'BRIEN: I will come back to it.

Ms SYMES: Sure.

The CHAIR: Thank you very much, Mr O'Brien. Ms Richards.

Ms RICHARDS: Thank you very much, Minister and officials. I would like to refer you to budget paper 3, page 71, and I am interested in understanding a little bit more about extractives. I think it is something that many of us have an interest in, actually. The extractives industry is not something we hear much about, though, and I am interested in understanding whether it has a role in driving economic growth or economic development across the state and how important it is to the state's growth.

Ms SYMES: Thank you, Ms Richards, for your question, and it is true: we do not hear a lot about this rockstar industry.

Ms RICHARDS: Yes.

Ms SYMES: They are really good people, and they just get on and do their work.

Ms RICHARDS: Yes, that is great.

Ms SYMES: I think I have taken it upon myself to make sure I try and highlight their good work as much as possible, because I think we should be talking more about it. In the last financial year the industry produced more than 63 million tonnes of stone, sand and gravel, and this is all what contributes to building Victorian homes and infrastructure right across the state. As we know, it is really important to economic development and driving recovery, particularly after the pandemic. The houses we go home to, the roads we use every day and the buildings that we use are all thanks to quarries and the extractives industry. We certainly take for granted quite often the contribution extractives have made not only to our economy but also to society. The material will fuel the economic recovery and help build the infrastructure projects that our government has committed to delivering.

The building works package will provide, for example, \$2.7 billion towards shovel-ready projects and will spend \$5.3 billion building more than 12 000 new public housing homes in Victoria. These are projects that just cannot happen without the extractives industry. This industry is a group of people who are passionate about

their work. As I mentioned in my presentation, I have been certainly blown away by their response to COVID and how easily they got on with the job and shifted to make any adaptations that they needed to to keep their workforce safe—a real focus on mental health, as you would appreciate. One of the stories I heard, for example, is that it is a largely male-dominated field and a lot of blokes did not get to play footy on the weekend. That was a bit of an outlet for a lot of the workforce, so they were very conscious of these sorts of issues that were impacting their workers and they really stepped up and made sure that there was support and connections and networking going on through those difficult times. So it is a great industry to work with, and they are integral to basically everything that you build in the state, and I think, as Mr Limbrick identified, integral to our move to renewable infrastructure as well.

Ms RICHARDS: Thank you, Minister. Do you have any projections on where demand is likely to get to, and do we have any medium and long-term projections?

Ms SYMES: Sure. We have got some modelling from PwC that demand for resources will actually be double 2015 levels by 2050, so there is a lot of work going into supporting the industry to meet that demand. It is driven primarily by activity in the construction sector. Quarry-based construction materials, as I have identified, go into basically everything that the construction industry delivers. The performance of the construction sector saw short-term demand for extractives in Victoria remain strong through 2019–20 despite local and global uncertainty as a result of the pandemic. The value of building work undertaken in Victoria was \$40 billion last financial year, reflecting a 1.3 per cent year-on-year increase, and obviously the increase in the output of Victoria's construction sector suggests demand for extractives will continue to remain strong over the short and long term.

As I alluded to in my previous answer, the record infrastructure commitment has provided a lot of certainty for industry. They know that there is a lot of work for years, if not decades, of projects, such as the Suburban Rail Loop and the West Gate Tunnel. They know that effectively under Labor governments there is always going to be infrastructure projects that are going to require the services of the extractives industry. In addition to our pipeline of work, we are securing extractive resources through the strategic extractive resources road map to implement the priority list and to make sure that we are really facilitating industry investment in the right places to ensure that it can continue to meet that important demand.

Ms RICHARDS: Thanks so much, Minister. Thanks, Chair.

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

Mr HIBBINS: Thanks, Chair. Thank you, Minister, and your team, for appearing this morning. So \$72.3 million spent in the current financial year on the resources portfolio—I want to ask about the federal government's decision to open up areas near the Twelve Apostles for gas and oil exploration. What consultation was done with Victoria on this decision and what was Victoria's position in that consultation accordingly?

Ms SYMES: It is a good question, and it is not one that I did not anticipate would come from you today, Mr Hibbins. As you have identified, this is a matter that has brought to the attention a project that is somewhat in the vicinity of the Twelve Apostles—and when I say 'project' it is not to be confused with an actual project, but people are looking at it. Of course the Twelve Apostles are protected as a marine national park, and I will put on record that I would be opposed to any drilling near it, but because it is in a marine national park it means that no drilling can occur within those boundaries. All it is at the moment is a tender for exploration permits in commonwealth marine waters. Commonwealth marine waters are those that are 3 nautical miles, or 5.5 kilometres, off the Victorian coast. The ones closer than that are Victorian waters. The acreage release that the commonwealth did in recent weeks comprises 21 areas of six offshore basins across Australia. If an exploration permit is awarded over these areas, the activities would be regulated by NOPSEMA, and of course a strict environmental and safety regulatory regime is well established for offshore exploration development and is led by that organisation. NOPSEMA requires as a first step an offshore project proposal detailing the environmental impacts and risks over the life of the project. Prior to any activities commencing the public would of course be consulted on any detailed environmental plan. Following a release of any public comment, NOPSEMA would then determine whether to approve a project.

Your question talked about Victoria's involvement. We, effectively, get notified. My delegate receives that information, and so therefore it is not a matter that we have specific approval or the ability to object to. However, I note the community concern. I certainly note the reason that you would be raising this, and I can maintain that I would oppose any activity that remotely puts at risk the integrity of the Twelve Apostles or indeed the important national park that surrounds them.

Mr HIBBINS: Just to clarify: it was just a notification? There was not any consultation and there was not any discussion?

Ms SYMES: It does not really work like that. I will refer to Mr Hurst to just give you an overview of the process.

Mr HURST: Thanks, Minister. The process involves the commonwealth developing and identifying areas of potential exploration interest from a petroleum geoscience perspective. They then consult the relevant state entity—in this case me, acting as a delegate—to ascertain any other particular interest from a petroleum development point of view, mindful of the development potential for offshore petroleum off Victoria's coastline. This is obviously all outside 3 nautical miles, so 5.5 kilometres off the coastline. Where there are prospective areas, they are identified for the purpose of then conducting the tender process. As the minister has outlined, then there are a whole lot of processes to go through before you actually conduct any specific exploration programs or, for that matter, any resource development type of activity. So it is a process between the delegates in the commonwealth jurisdiction and the state.

Mr HIBBINS: So when they came to you, what did you say to them? It sounds like there was a consultation.

Mr HURST: Yes. I was supportive of the prospect of releasing the areas off the Victorian coast for exploration development in line with government policy to support further exploration and development of offshore petroleum resources subject to the relevant safeguards. It is important to note that the commonwealth does have a veto power, so essentially the consultation with us is more a case of a confirmation-type exercise.

Mr HIBBINS: Okay. Thank you.

The CHAIR: Thank you, Mr Hibbins. Ms Taylor.

Ms TAYLOR: Thank you. Minister, I refer you to budget paper 3, page 251, under the resources output summary. There is \$66.2 million allocated to the portfolio. This seems to be a small reduction from last year's budget. Can you explain why?

Ms SYMES: Thank you, Ms Taylor, for your question. On the face of it it might look like a cut, but there is a good reason to explain where this portfolio is going in relation to its funding allocations. The reason for the reduced funding is mainly that we have wrapped up the once-off additional funding for the strategic extractive resources area pilot, which I referred to earlier—we call it the SERA pilot project—and funding to kickstart the extractive resources strategy. \$13.2 million was announced in the 2019–20 budget for protecting raw materials for Victoria's infrastructure pipeline initiative, which did help to deliver critical resource land use and transport planning initiatives from the strategy. So there has been no cut to the department at all. In fact we have been increasing our staffing complement to ensure that more approvals and more support for industry can be provided, and that has certainly grown since I last appeared before this committee. The staff will help with the surge of applications coming into the department off the back of what has been a really great year for the sector. The output you refer to will continue to support projects like CarbonNet, regulating the conventional gas industry and facilitating investment and reducing red tape through the *State of Discovery* initiative.

Ms TAYLOR: Thank you. I might just pick you up on that point of CarbonNet, noting that offshore petroleum passed recently. What stage is CarbonNet up to?

Ms SYMES: We are following your scientific theme, Ms Taylor. I am pleased to say we are making steady progress with CarbonNet in making it a commercially viable investment. I guess the best way to describe CarbonNet is that it is a commercial-scale carbon capture and storage—or CCS—network in Gippsland using world-class offshore storage sites in Bass Strait. I certainly did not know a lot about this stuff before I became Minister for Resources, but it is pretty fascinating, and it is fair to say I have become a convert to this project

and the opportunities that it could create for our state. CCS forms part of the Victorian government's climate change framework as an enabler of decarbonisation of industry, including new industries such as hydrogen production. The project was set up in 2009, so it does have a long history.

The legislative amendments to the offshore petroleum Bill that you spoke about will facilitate the next stage of the process. This is a Bill that received bipartisan support, and I think, Mr O'Brien, you are pretty familiar with this project in its location near your electorate. The potential of this project—it is good that it has got bipartisan support, because the benefits of it will be realised by a future government, so the benefits for Victorians, regardless of who is in power, will have the opportunity to come to fruition. I think there is certainly a huge potential upside if we can reach full commercialisation of this project as well as the HESC project. I just want to thank the commonwealth in particular. This is a joint project, and they have contributed to it. It would not have gotten off the ground without both governments committing to it, and it is an important partnership.

We are certainly committed to progressing the CarbonNet project towards a final investment decision over the next few years. So between now and then we will work hard to make sure that all of the engineering is up to scratch and comprehensive regulatory and environmental approvals are facilitated through the regulators, and obviously, again, this is a project that would be subject to an EES.

Ms TAYLOR: How will CarbonNet facilitate further investment in the region?

Ms SYMES: Well, the project has approximately \$150 million of combined commonwealth and state government funding already; we had \$51 million in last year's budget. But Ernst & Young recently did some modelling which I guess explains why I get a bit excited about it. The project could deliver 2700 jobs a year during construction and approximately 1200 jobs per annum both directly and indirectly in carbon capture and storage enablers. CarbonNet-enabled industries are also estimated to increase gross state product by \$1.056 billion per year during operation—so a massive project that we are hoping to get off the ground at some time in the future.

Ms TAYLOR: Thank you.

The CHAIR: Thank you. Mr O'Brien.

Mr D O'BRIEN: Thanks, Chair. Just quickly on that one, Minister—the CarbonNet project—we know the HESC project will not go to commercialisation without CarbonNet; does CarbonNet go ahead if HESC does not proceed?

Ms SYMES: I might let Mr Krbaleski respond.

Mr D O'BRIEN: Just briefly if you are able to. If it is not a yes/no, I understand, but—

Mr KRBALESKI: It is one of a number of opportunities in terms of customers. It is the main game in terms of access to Japan and its markets, but we are pursuing a number of other opportunities at that commercial scale.

Mr D O'BRIEN: That might utilise CarbonNet?

Mr KRBALESKI: Yes, potential customers for CarbonNet.

Mr D O'BRIEN: Okay; thank you. Can I go back to the mine rehab question, perhaps direct to Mr Hurst because it is a technical one. You would be aware of the issues with Yallourn open-cut at the moment and the Morwell River. Has there been any consideration given to the Morwell River being at least temporarily diverted into the Hazelwood mine both to deal with the issue at Yallourn and also to begin the filling of Hazelwood?

Ms SYMES: I could—

Mr D O'BRIEN: I am happy for you to take it, Minister.

Ms SYMES: Look, it is an important question, obviously. We have had—and you would be all too familiar with, Mr O'Brien—the weather events and issues in relation to the integrity of the mine wall at Yallourn. Earth resources, through Anthony and his staff, are certainly well engaged in the mitigation issues. Obviously it is

about having to reduce the water at the mine site so that rehabilitation can occur. The current diversion is not enough to deal with the water flows, and so in collaboration with DELWP, Engie, EnergyAustralia and our department we are looking at all options, and indeed diversion into Hazelwood mine is certainly one of those considerations.

Mr D O'BRIEN: Okay. Righto. Can I ask: has Hazelwood started filling the pit at all?

Ms SYMES: Through this process?

Mr D O'BRIEN: No, no, broadly.

Ms SYMES: No.

Mr D O'BRIEN: Okay. Has a decision been made finally whether it will be a pit lake or not?

Ms SYMES: No.

Mr D O'BRIEN: Has a decision been made as to whether it will be partial pit fill or a full pit? I know Mr Hurst gave us evidence about various height datums and everything last time. Where is that at now?

Ms SYMES: Yes, we continue to work with Engie on various rehabilitation options. Obviously the Mine Land Rehabilitation Authority was also established in your neck of the woods to give technical and scientific advice in relation to safe and stable structures. Obviously these are really, really important decisions to make. A full pit lake is one option, a partial pit lake is another option and indeed remediation works of other ranges can also be considered.

Mr D O'BRIEN: So just on that, a non-pit lake option is still on the table?

Ms SYMES: We have to consider all options. A full pit lake is the easiest. The complicating factor is access to water. We have an issue down there where there are floods, so there is available water, but we know that due to climate change and competing interests in water these are complex issues to work through. Indeed we are looking at alternative water measures, whether it be desal or recycled water. Everything is still on the table.

Mr D O'BRIEN: Has that progressed any further—a pipeline from the eastern treatment plant using recycled water?

Ms SYMES: Everything is still under consideration. Engie, as the owner and operator, are ultimately responsible for the rehabilitation, and it is the government's policy that we want to work with them in being able to facilitate the best—and an achievable—option.

Mr D O'BRIEN: I appreciate there is a crossover with the water portfolio, but does Engie have approval to use its existing groundwater and/or surface water entitlements for rehabilitation?

Ms SYMES: That is entirely a matter for the Minister for Water.

Mr D O'BRIEN: It is not really, is it, Minister? Because ultimately to rehabilitate the mine, if it is going to be with a pit lake, you are going to have to be talking to the Minister for Water.

Ms SYMES: Of course, but in relation to how Engie go about the rehabilitation it will also be subject to their submitting their work plans, which are under consideration at the moment.

Mr D O'BRIEN: Okay. Thank you.

The CHAIR: Thank you. Mr Richardson.

Mr RICHARDSON: Thank you, Chair. And thank you, Minister, for your time. I want to take you back to the topic of CarbonNet and that project at budget paper 3, page 251, under the resources output summary. Just going on from Ms Taylor's questioning, Minister, earlier you mentioned the environment effects statement. What has been the public consultation to this point, and how is that tracking along?

Ms SYMES: Thank you, Mr Richardson. It is an important question, because of course in my previous answer I talked up the jobs and the economic prosperity that come from such an exciting project. But of course a project like that cannot proceed without social licence, and we certainly need to get buy-in from the local community. Part of this process is committing to an EES, which obviously invites all interested parties to participate. We are hoping to start it perhaps later this year or early next year. It will be a rigorous assessment of the environmental implications of the project, and despite my excitement—and not to indicate that this is a done deal—there will be proper consideration of the environmental impacts and community concerns, and anyone that has got grievances can certainly use that as a facilitation to air those.

Separate to the EES, we have also set up a community reference group chaired by Dr Amanda Caples to engage with locals and address their concerns. I think the committee may recall from last year that Dr Caples also headed the stakeholder reference group for the Victorian gas program and did a fantastic job, so I have got confidence that she will continue to do a great job in this space. There has been significant engagement with local communities in Gippsland on the principles of CCS and the opportunity it presents for the region and the state more broadly.

I fully accept that carbon capture is something that a lot of people are not that familiar with and a lot of people have questions about, like, ‘How secure is it? Does it leak? Will it explode?’. They are genuine questions that the community are entitled to ask and to get scientific experts to respond to. We have certainly sought to get the message out there; for example, direct mail and media and there have been 10 in-person community information sessions and three successful science week activities. The team has presented at multiple industry events, building a profile for the project domestically and internationally, and CarbonNet is planning a series of online information sessions as we speak. It is fair to say we are doing everything that we can to help the community understand the risks and safeguards, and certainly there has been a lot of positive buy-in of the benefits that it has to offer. We certainly want to bring the community on the journey of this project as it evolves and indeed if it eventually becomes what we hope it can.

Mr RICHARDSON: Fantastic, Minister. I just want to take you then to the significant economics of this and then the environmental outcomes as well. I am interested in how you are tracking your milestones along that journey and achievements on the project.

Ms SYMES: Yes. Look, I get regular updates on this. We have drilled and executed safely within quality and importantly within budget. This is the first offshore well for CCS. The offshore appraisal operations at the Pelican site, which is one of the sites down there, have confirmed that it is capable at least of 5 million tonnes per year for 25 years, with significant upside capacity under analysis, so potentially increasing capacity by 50 per cent. There are also desktop engineering and geophysical studies of the other site known as Kookaburra, and the estimated storage capacity is 187 million tonnes. I guess, coming back to those figures that were presented by independent analysis, there is huge potential for carbon capture. As Mr O’Brien asked, there is a customer, HESC, that is all about providing hydrogen to the Japanese market, which is a key potential customer, but there are potential benefits for numerous industry bodies and for new technologies that maybe we do not even know exist yet. This is a really exciting project. We continue to demonstrate the science and the community buy-in. There is a long way to go, but we continually make sure that everyone knows what we are doing down there.

Mr RICHARDSON: Thanks, Minister. I might leave it there.

The CHAIR: Thank you, Mr Richardson. That concludes the time we have set aside for consideration with you today, Minister, of your resources portfolio. We thank you, Minister, and your officials for appearing before us in this capacity. The committee will follow up on any questions which were taken on notice in writing, and responses will be required within 10 working days of the committee’s request.

The committee will now take a break and resume consideration later today with Minister Hutchins. I declare this hearing adjourned.

Witnesses withdrew.