

Manager, COAG Energy  
Council Secretariat  
Department of Industry,  
Innovation and Science  
GPO Box 9839  
CANBERRA ACT 2601

20 May 2016

Dear Sir/Madam

**Gas Supply Strategy Implementation Plan - Consultation Paper**

QGC welcomes the opportunity to respond to the recently published Gas Supply Strategy Implementation Plan (**the Plan**) Consultation Paper (**the Consultation Paper**) released by the COAG Energy Council (**the Council**). Overall, QGC is very supportive of the Gas Supply Strategy (**the Strategy**). We support the deepening of collaborative efforts between jurisdictions on scientific and regulatory issues associated with onshore gas development. These initiatives should assist in supporting exploration and investment in new gas supplies to meet domestic and international requirements.

In December 2015, The Queensland Curtis LNG (QCLNG) project commissioned its first LNG train and we operate an integrated Coal Seam Gas (**CSG**) to LNG supply chain providing gas to domestic and international customers. There are considerable learnings associated with the establishment of a workable CSG industry in Queensland that could be applied in other jurisdictions. One of the key issues is creating the appropriate frameworks to enable the effective transfer of knowledge and we view this process as supporting this important initiative.

In relation to the Consultation Paper, we would like to make the following specific comments.

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### Improved information on gas reserves and production potential

In accordance with Queensland Government<sup>1</sup> requirements, QGC reports bi-annual Proven and Probable reserves. It is commonly recognised that this detailed reporting framework sets an industry benchmark and these arrangements are not necessarily in place in other east coast jurisdictions. As such, in implementing the Plan, we support the development of a central location for the publication of reserves. It is our expectation, however, for those parties reporting under the Queensland framework, that the requirements do not extend beyond what is currently reported and does not create confidentiality issues for producers. In this regard:

- Decisions on reserves and production reporting should not extend beyond the requirements in place for parties reporting in Queensland. Furthermore, this issue has been consulted on through multiple processes and there is opportunity to consolidate this work through development of this Plan. Further detail on reserves reporting is outlined below.
- The Plan refers to “Improving information on gas reserves and production potential”. The information reported under the Queensland framework represents Proven and Probable Reserves (2P Reserves), which reflects commercially recoverable volumes. Daily production data for facilities over 20TJ (including those operated by QGC) is published by the Australian Energy Market Operator (AEMO) on the National Gas Services Bulletin Board (NGSBB).
- In this context, it is unclear the purpose of referring to “production potential” and in our view it does not appear relevant. Furthermore, the suggestion to provide drilling and well performance data is concerning as this is commercially sensitive information. Further industry consultation, however, would be necessary prior to any final decisions.
- To avoid duplicative reporting, we have a strong preference that Queensland reserve information is sourced directly from the Department of Natural Resources and Mines (DNRM) website.
- Reporting timeframes for parties in other jurisdictions should also directly align with those required by DRMN. Not only is this important to reduce regulatory burden, it ensures the consistency of the information reported.
- Publication timeframes should also align directly with those applied by DRMN. DRMN delays the publication of data by six months to preserve confidentiality.
- QGC undertakes the reserve calculation process annually (which reflects general industry practice) on a calendar year basis. As such, the second

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<sup>1</sup> As stipulated under the Petroleum and Gas (Production and Safety) Regulation 2004 and administered by the Queensland Department of Natural Resources and Mines (DNRM)



round of reporting reflects published reserves less production. As production is publically available, it would seem reasonable to consider shifting to an annual reporting cycle.

- Under the Queensland Government framework, the reserve calculation methodology is not reported or published. For comparative purposes, consideration could be given to publishing this together with the reserve data.
  - We note the ACCC has recommended the reporting of reserves based on common price assumptions. In our view this requires careful consideration as it could discourage investment in new supply by disadvantaging smaller players. A preferable outcome would to be to publish the relevant methodology.
- QGC does not support the publication of “uncontracted reserves” as this is not a straightforward process and could potentially misinform stakeholders.
- As noted, the issue of reserve reporting is being considered as part of the Australian Energy Market Commission’s (AEMC) East Coast Wholesale Gas Market and Pipeline Frameworks Review and the Australian Competition and Consumer (ACCC) which made similar recommendations in its Report on the East Coast Gas Inquiry. Given the level of commonality across these multiple processes we recommend the Council consolidate its consideration of the issues and undertake further consultation with industry prior to implementation.

#### **Improving Public Availability and Accessibility of Rigorous Science and Factual Information**

- QGC is a member of the Gas Industry Social and Environmental Research Alliance (GISERA) and participates in the National Management Committee. We fully support the expansion of GISERA’s scope to a national level. As members of the initial Queensland alliance for GISERA, we have seen the benefit of the high standards of scientific analysis and rigour brought to issues and matters of interest to communities and associated industries by CSIRO researchers and their partners. Importantly, the governance system established by GISERA to protect and preserve the independence of the CSIRO and its research has been effective in producing reports and information that can be relied upon for their high integrity.
- With the commencement of activities in New South Wales by GISERA, the opportunity to share and build on learnings and knowledge developed through Queensland-based research is evident. Ultimately, we believe the ability to establish a co-ordinated approach to investigating the social and environmental implications of the expanding gas industry and build a national body of knowledge of the highest standard will be of benefit to communities across Australia.

**Consideration of Leading Practice Regulatory Frameworks that Effectively Manage the Risks and Address Issues**

- The Queensland CSG industry has successfully transitioned from project construction to operations supportive by a robust and comprehensive framework of legislation and regulation which has facilitated sustainable development.
- From an environmental perspective, the Strategy should not be implemented in a form that creates obligations for onshore producers additional to those already in place in Queensland (and this equally applies to land access). From a Queensland perspective, considerable work has taken place on understanding and implementing relevant solutions to address concerns.
- QGC considers that the development of regulatory frameworks that effectively manage the risks and issues for all conventional and unconventional gas resources would benefit from national coordination. From our perspective, one of the key aims from this process is to ensure the successful transfer of knowledge and learnings across the jurisdictions that then translate into relevant, workable and consistent regulatory outcomes at a State and Federal level.
- This is particularly relevant in terms of understanding how the Queensland CSG industry was successfully established and the solutions implemented to address a range of issues (including community, land access and environment).
- To facilitate these outcomes we consider there is benefit in the Department of Industry, Innovation and Science co-ordinating and managing this work. Further stakeholder engagement would be necessary to define the overall work programme and allocate responsibilities. Furthermore, This overall approach should assist in effectively transferring the relevant learnings across jurisdictions and ensuring meaningful outcomes

QGC would be pleased to discuss any of the issues raised in this response and please do not hesitate to contact me on (07) 3024 7581 or [joanne.pafumi@bg-group.com](mailto:joanne.pafumi@bg-group.com).

Yours sincerely



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