

DEPARTMENT OF THE PRIME MINISTER AND CABINET

PM&C
Secretary
Dr Gruen
Dr Kennedy
Mr Yeaman
Ms Pearce

To: Prime Minister

SANTOS - NARRABRI CSG PROJECT

PMO
Mr Clarke

s 22

CABINET
SECRETARY

Recommendation - that you:

1. note this update on Santos' proposed coal seam gas (CSG) project at Narrabri.

Noted

MALCOLM TURNBULL

Date:

Comments:

Key Points:

1. Your Office requested we update you on the Narrabri CSG project.
2. Santos proposes to develop and operate a CSG field in the Gunnedah Basin, southwest of Narrabri in New South Wales (map at [Attachment A](#)).
 - a. The majority of the proposed project is on State forest land in parts of the Pilliga set aside by NSW for extractive industries.
3. The proposal is contentious and has attracted a considerable degree of public interest and scrutiny, through both local and national media coverage. A summary of key stakeholder groups and views is at [Attachment B](#).
4. Santos appears to be applying lessons from its Queensland projects to build local support.
 - a. It will establish a \$120 million Gas Community Benefit Fund to support local programs and initiatives.
 - b. Some private land is included in the project area. Santos has said it will only drill on private land where it has Land Access Agreements with willing landholders. It has released indicative compensation for landholders affected by the project (Santos factsheet at [Attachment C](#)).
5. The proposal is being assessed under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act), conducted under the assessment bilateral agreement with the NSW Government.
 - a. Santos is not seeking approval to conduct hydraulic fracturing.
 - b. The assessment has a considerable way to go. A state decision will likely take at least 12 months. The final EPBC Act decision will be due 40 days later.

- c. Public consultation on the Environmental Impact Statement for the project is likely to occur from mid-February to April 2017.
 - d. As part of the assessment process, the Commonwealth and NSW will request advice from the Independent Expert Scientific Committee on Coal Seam Gas and Large Coal Mining Development (IESC) on the likely impacts to water resources.
 - e. Nationally protected matters triggered are threatened species and communities, water resources and Commonwealth land (for potential impacts to the Siding Spring Observatory at Coonabarabran).
6. Santos' Groundwater Impact Assessment indicates the project would have a negligible impact on water users, but the Namoi bioregional assessment may suggest otherwise.
- a. A bioregional assessment for the Namoi Region is underway as part of the Australian Government's Bioregional Assessment Program. The assessment is examining the risk to water resources and water-dependent assets from proposed coal mining and coal seam gas developments (including Santos' Narrabri project) in the region.
 - b. Preliminary analysis from the bioregional assessment has identified several key concerns in relation to the potential water impacts of the Narrabri project (see summary at Attachment D).
 - c. The assessment is due for publication in spring 2017. Its findings may be taken into account by the Environment Minister when making an approval decision on Narrabri. The IESC may also use the assessment to formulate its advice on the project.
7. The Gas Industry Social and Environmental Research Alliance (GISERA) has initiated eight research projects in NSW (listed at Attachment E), focussed around the Narrabri Gas project as the state's only new gas development.
- a. All GISERA research is published online. Work will be completed progressively from mid-2017 through to late 2018.
8. In 2014 Santos was fined by a NSW court for failing to report spills of untreated CSG waste water in the Pilliga forest.
- a. The spills occurred in 2011 when Santos was a shareholder of Eastern Star, owner of the affected site. Santos took over Eastern Star at the end of 2011.
 - b. Under the EPBC Act, the Environment Minister may take into account the previous environmental record of a proponent as part of the approval decision.

Background:

9. Santos claims the project could supply up to 50 per cent of NSW gas needs and provide significant benefits to the region. This includes the creation of about 1300 jobs during the construction phase and around 200 ongoing positions. Santos estimates over its life the project could generate around \$1.2 billion in State royalties.
10. A proposed pipeline will connect the project into the Moomba-Sydney pipeline.

Kelly Pearce
Assistant Secretary
IIE, Environment, Energy and Climate Change
February 2017

Policy Officer: s 22
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Consultation: Regional Development

ATTACHMENTS

ATTACHMENT A MAP OF PROPOSED PROJECT AREA

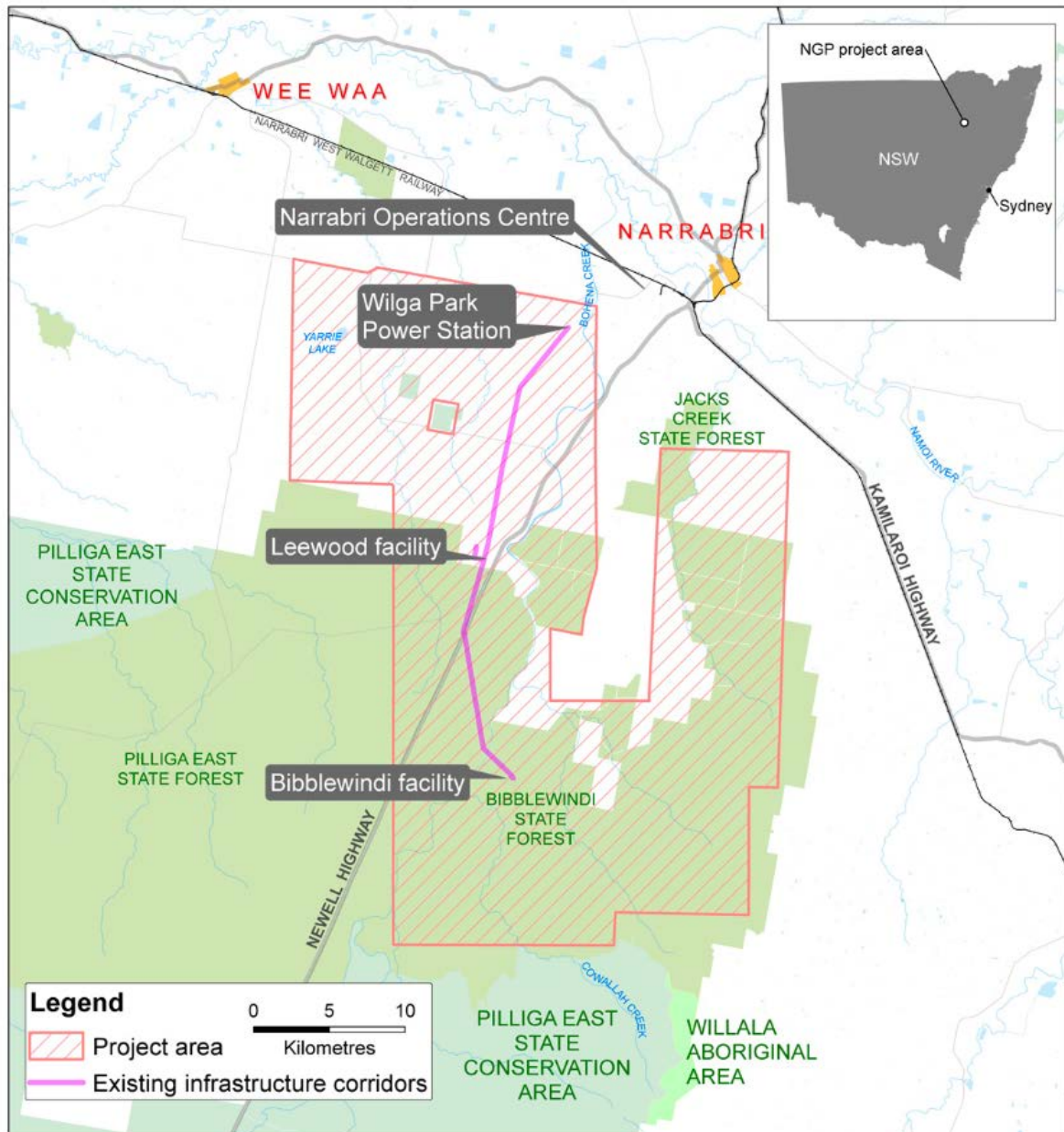
ATTACHMENT B STAKEHOLDER GROUPS AND VIEWS

ATTACHMENT C SANTOS' WORKING WITH LANDHOLDERS FACTSHEET

**ATTACHMENT D NAMOI BIOREGIONAL ASSESSMENT – PRELIMINARY
ISSUES ANALYSIS**

ATTACHMENT E LIST OF GISERA PROJECTS

Proposed project area



Stakeholder groups and views

- Prominent opposition groups include Lock the Gate, People for the Plains and the Knitting Nannas.
- Over 3000 submissions were received on the EPBC Act referral. A further 2,800 campaign submissions were received by the Environment Minister's Office.
- Key issues raised include: the significance of likely impacts; concerns about Santos' alleged poor environmental record; social and economic concerns (including impacts to farming land); potential heritage impacts; and concerns around lack of consultation.
- Reactions to Santos' recent lodgement of the Environmental Impact Statement include:
 - Lock the Gate: 'This project makes no sense economically, socially, politically or environmentally and it is our hope that it soon falls over under the weight of public opposition and economic absurdity.'
 - NSW Greens: '[This] will reignite a massive battle in NSW over coal seam gas which the farmers and community will win,'
- There are also prominent supportive stakeholder groups, including local lobby group Yes2Gas and the Narrabri Chamber of Commerce.
 - The president of the Chamber of Commerce has reportedly claimed previous CSG exploration has had 'absolutely huge benefits' including 'the influx of extra money, sponsorships for clubs that weren't getting it, sponsorships for infrastructure in town, in the region.'

Community Consultative Committee

- Santos has established the Community Consultative Committee in Narrabri and Upper Hunter, which is chaired by NSW Land and Water Commissioner Jock Laurie.
- The Santos website says the Committee's role includes identifying issues of community concern and information-sharing on Santos' work and plans. It meets monthly.
- Organisations represented on the Committee include Santos, the NSW Environment Protection Authority, the NSW Department of Industry, Narrabri Shire Council, the North West Local Land Services, the NSW Country Women's Association, NSW Farmers, People for the Plains, the Narrabri Chamber of Commerce, the Narrabri Local Aboriginal Land Council, and the Lower Namoi Cotton Growers Association.

Namoi Bioregional Assessment – preliminary issues analysis

- Key concerns in relation to the proposed Narrabri CSG project:
 - Contamination of Namoi Alluvium by chemicals used in CSG extraction.
 - CSG extraction could affect the Pilliga forest (recharge zone for the Great Artesian Basin) including water contamination, waste spills and leaks from evaporation ponds.
 - Reduced pressure in the Great Artesian Basin, with possible implications for other water users. In contrast, the Great Artesian Basin Sustainability Initiative is designed to restore artesian pressure.
 - Reduced water available for irrigation, particularly in the Namoi regulated river and upper and lower Namoi alluvials.

GISERA Projects

Project	NSW region(s)	Status (proposed completion date)
Surface and groundwater		
Improving the representation of the impact of CSG in groundwater models	Namoi (includes Narrabri)	Yet to commence (30/11/2018)
Spatial design of groundwater monitoring network in the Narrabri Gas Project area	Narrabri	Yet to commence (30/11/2018)
Impacts of CSG depressurisation on the Great Artesian Basin (GAB) flux	Pilliga	20% complete (30/06/2018)
Greenhouse gas and air quality		
Regional methane emissions in NSW CSG basins	Pilliga	20% complete (30/07/2017)
Social and economic impacts and opportunities		
Decommissioning pathways for CSG projects	Camden, Surat basin, Narrabri	Yet to commence (28/02/2018)
Analysing economic and demographic trajectories in NSW regions experiencing CSG development and operations	Multiple, including Narrabri	25% complete (30/06/2017)
Social baseline assessment of the Narrabri region of NSW in relation to CSG development	Narrabri	25% complete (30/08/2017)
Health impacts		
Human health effects of coal seam gas	Multiple, including Narrabri	Yet to commence (31/08/2017)