

CSG IN AUSTRALIA: A MATTER OF 'WHEN' NOT 'IF'



On 13 November 2014, the New South Wales (NSW) government announced two important developments:

- First, it will adopt all 16 of the recommendations set out in the Independent Review of Coal Seam Gas (CSG) Activities in NSW (NSW CSG Report) by NSW Chief Scientist and Engineer, Professor Mary O'Kane.
- Secondly, CSG extraction projects in Sydney's water catchment areas may be approved.

These are seen as positive developments by the CSG industry and will result in a new framework being established in NSW that is likely to be adopted by other States.

CSG extraction in Australia has been the source of public debate, protests and legal proceedings concerning its safety and environmental impact, particularly on Australia's other precious resource, water. In Victoria, this resulted in a moratorium on all hydraulic fracturing activities and in NSW a freeze on all new exploration licence applications and the commissioning of the NSW CSG Report as a comprehensive independent report into the viability and safe operation of CSG in NSW. The impact of these restrictions has translated into greatly reduced CSG exploration activities

in these States, which has in turn exacerbated concerns regarding ongoing domestic and export supply.

Although perceived by the CSG industry as a "green light" for the development of CSG resources and an important step to the lifting of the freeze on licence applications, the adoption of the NSW CSG Report recommendations will have significant implications for existing and new players in the industry. This is because the NSW CSG Report recommends broad reaching reform of the regulatory framework. A snapshot of these reforms includes the following:

- New legislation, including a single Act encompassing all onshore subsurface resources (excluding water).
- New regulator policies, standards, risk assessments and reporting/disclosure requirements.
- Establishing an independent expert advisory body.



- Accessibility of information on a centralised database.
- Stringent requirements on operators in terms of monitoring, reporting, fees and royalties, insurances, and operating safeguards.

The relevant government ministries, the regulator, the industry, opponents to CSG and the public will all need to navigate their way through this new proposed framework as it is being implemented and enforced in the near future. This assumes that the recommendations of the NSW CSG Report are not reversed following the results of the impending NSW State elections. At this stage, the primary political protagonists in NSW all hold the same concerns about the safe management of resources and on going issues of gas supply and prices in NSW and as a consequence, while difficult to predict, it is unlikely that the adoption of the NSW CSG Report recommendations will be reversed as a result of the NSW election.

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