

BASIN SUSTAINABILITY ALLIANCE INC



2014/15 ANNUAL REPORT

MESSAGE FROM THE CHAIRPERSON

BSA has had another busy year and committee members have taken advantage of all opportunities to meet with Government Ministers, Industry and others at which times we have raised our concerns with respect to the effects of resource activity on agriculture and the environment on which our farming and grazing businesses depend.

The main issues still confront us as they have over the years, namely:

- The impact of the resource industry on the underground water reserves including the declining water levels in aquifers and the gassing up of water bores.
- Pollution of underground and surface water by the contaminants being mobilized as the resource industry dewateres the aquifers to extract gas or coal.
- The lack of independent baseline assessments and monitoring of underground and surface water. CSG Watch is in the process of and will be further conducting scientific testing in the future
- The lack of Government regulation and oversight of the resource industry generally. (It seems it is all too easy for companies to obtain Departmental approval for matters which would otherwise constitute a breach of the companies Environmental Authority (EA). For example, the release of a huge volume of methane into the atmosphere near Wandoan. Such a release on the coastal strip would have caused an uproar.
- The management of salt. There is still no solution for the many brine dams which if or when the liners deteriorate and allow the escape of the brine or they overflow would have a devastating effect on our agricultural and grazing land not to mention the waterways.
- Abandoned mineral exploration wells. Since BSA raised the matter there has been a fire in an abandoned well at Warra, and methane found to be venting at 60 litres a minute from another hole near Chinchilla. I suspect that out of the hundreds of thousands of unmarked abandoned exploration holes in existence there are probably others venting methane directly into the atmosphere which have not been detected.
- Fugitive Emissions.
- Serious flaws in the "Make Good" arrangements.
- Weed management.
- The social and mental health of farmers and graziers having to deal with enforced occupation of their lands by resource companies. Landholders do not have the right to say no to CSG development on their land.
- Changes to Environmental Authorities relaxing conditions originally placed on resource companies. We have seen conditions such as the need for drill mud to be disposed of in waste disposal sites now being allowed to be spread on property.
- The drop in Royalties being paid to the Queensland Government as a result of the falling export price of gas. Since the downturn in the oil price earlier this year the export price of LNG has dropped to such an extent that on our calculation royalties being paid currently to the State of Queensland are a fraction of what was anticipated by the State Government and currently hovering over negative territory. The consensus view from many commentators is that the oil price is expected to remain in the doldrums for some time in the future.
- The increasing costs to landholders of water bore drilling caused by an increase in rogue gas.

Since the CSG industry ramped up in approximately 2010 a large number of landholders have been battling difficult weather conditions. Many have experienced drought for several years and their properties remain drought

stricken as I speak. Others have suffered destructive floods. In addition, until recently cattle prices had not increased for several years and neither keeping up with inflation nor the increase in business input costs. It is always the case in the rural sector that commodity prices are at their highest when the commodity is in short supply, as in a drought, with the result that many farmers are unable to take advantage of the price increase. These circumstances have made those affected landholders vulnerable to unscrupulous resource industry companies, employees or contractors. This situation is exacerbated by the imbalance of power in favour of the resource company when landholders are forced to negotiate matters such as conduct and compensation agreements and make good agreements which are foreign to many landholders. The imbalance of power between landholders and CSG operators is a matter that has still not been addressed by Government despite the imbalance having been explained to them on many occasions.



In relation to water policy it is very disappointing that after apparently reviewing the Water Reform and Other Legislation Amendment Act introduced by the LNP prior to the last election Labor is reportedly going to reintroduce the Legislation shortly with key sections of the Acts remaining giving Resource and mining companies the right to extract unlimited amounts of water for their operations without the need to obtain a licence, leaving landholders powerless to seek the intervention of the of an independent arbiter . The only plus is that the miners will have to report on the volume of water they have extracted. The CSG industry already has the right to extract unlimited amounts of associated water.

The disappointing fact is that the Labor and the Liberal parties at both a State and Federal level are seduced by the lobbying power and the monetary donations given to their respective party machines by the miners – a situation which creates a difficulty in our trying to get our message across.

In the past 12 months we have seen explosive gasses underlying the black soil plains at Hopelands near chinchilla. The government of the day assured residents that it did not pose a health risk. However, it later transpired that some of the government officers involved in testing in the area reportedly became ill and required medical treatment.

Near Wandoan a large amount of methane was vented into the atmosphere where some 25 families reside nearby. The vent was undertaken to remove gas from approximately 100km of gas pipeline in order to allow maintenance to a section of the pipeline. The noise associated with the venting gas could be heard up to 25km away from the venting site. One landholder living some 8klm from the vent site said the noise of the gas being vented was similar to an F1-11 passing overhead.



Several years ago, Ian Hansen, a BSA Committee member, warned Government officers and Parliamentary Ministers of the day of the danger associated with the thousands of abandoned mineral exploration holes as a result of the release of rogue caused by CSG extraction. Frustratingly no action was taken to address his concerns which have proven to be correct. One such hole caught fire near Warra and proved very difficult to extinguish.

During the course of recent research conducted by GISERA another such hole near Chinchilla was found to be venting gas at some 60litres per minute. Doubtless there are many other such abandoned mineral exploration holes venting methane into the atmosphere which are currently undetected. It is extremely worrying from both a safety and health perspective.

Ian Hansen warns landholders that the costs of drilling a water bore will increase as rogue gas becomes more of a problem. Rogue gas and the now evident changing gas pressures beneath the ground surface are being caused by the dewatering associated with CSG extraction. This increase in water bore drilling costs cannot be recovered from the CSG industry even though it is a direct result of CSG extraction.

Since the downturn in the oil price earlier this year the export price of LNG has dropped to such an extent that on our calculation royalties being paid currently to the Queensland Government are a fraction of what was anticipated by government. The consensus view from economists is that oil prices are expected to remain in the doldrums for some time in the future with one commentator forecasting that the price of oil will be as low as US\$40.00per barrel (Brent spot) by 2035.

When the forecast promise of jobs and economic windfalls from this CSG industry are not being realised¹ it is heartbreaking to see our rural landscapes, water security and way of life being destroyed or compromised for no good reason. The other fear we hold is that the reduction in company profits as a result of the lower gas prices will result in a seriously reduced financial capacity for CSG companies to meet their environmental and rehabilitation responsibilities especially if the major resource companies on sell their interest in their gas wells to second and third tier resource companies as gas well production tails off in the future. The second and third tier companies will not have the financial resources of the larger global companies currently in possession of the States gas wells. We are already seeing companies seeking changes to their EA's in an attempt to rein in overheads.

The Queensland State Government has a poor record of waste regulation of the resource and waste industries as evidenced by the 2014 Auditor General's Report into the Environmental Regulation of these industries. This report found that the Department of Environment and Heritage Protection: "is not fully effective in its supervision, monitoring and enforcement of environmental conditions and is exposing the State to liability and the environment to harm unnecessarily".

A Right to Information application made by BSA in May 2013 to obtain a gas well Stimulation Risk Assessment (SRA) report by a CSG company shows clearly the complete lack of transparency in the industry and the lack of industry oversight by the relevant State Government Departments. The SRA is a document the tenure holder must prepare prior to undertaking well stimulation activities to ensure that the stimulation activities are managed to prevent environmental harm. The SRA document was finally received by BSA some 12 months after the lodgement of our RTI application and 12 months after the hydraulic fracturing was conducted by the company.

The report received was grossly inadequate as it was clear on the face of the document that certain assessments required to be undertaken by the company had not, in fact been done. In mid 2014 the Department of Environment and Heritage Protection (DEHP) tried to block the release of some of the information in the SRA being sought by BSA citing that "there is a possibility that the quality and transparency of future stimulation risk assessments submitted to DEHP may be impacted". BSA was concerned by this as we felt that in providing their rationale, the DEHP were undermining their regulatory role in CSG development. The standard of quality and transparency of data in an SRA is a legal obligation on a resource tenure holder conferred to them through the EA which allows them to operate their tenure/s. No CSG company has the capacity to opt out of, or dictate the standard and transparency of data legally conferred upon them to provide in their SRA/s.

¹ *See "Low oil prices are here to stay as the US shale oil revolution goes global" by Roberto F. Aguilera and Marian Radetzki published in "The Conversation" October 5, 2015.

On the contrary, BSA felt that the DEHP in addition to other Government departments are charged with the responsibility of ensuring that the resource industry is submitting reports and data of the highest quality and transparency so that resource activity causes minimal environmental harm and so that the residents and landholders in the State are protected. The power to ensure quality reports rests rightly with the DEHP and not the company. Last year we alluded to the fact that some government departments appeared to be under resourced. This obvious lack of supervision by the DEHP in respect of the SRA referred to above may well be as a result of such under resourcing. If so, Government needs to address the problem urgently.

The CSG industry claims that in excess of 4500 signed Conduct and Compensation agreements. However, just because a CCA is signed does not mean that all those landholders are happily coexisting with CSG companies when they are compelled to sign the agreements. Further, we fear that many of the agreements that have been signed have no teeth as the CSG companies will not agree to the insertion of penalty clauses against them if damage occurs such as the introduction of weeds onto a property. There are of course some landholders who are happy with the additional income from the wells on their property. However in our experience it is the exception rather than the norm.

Similarly proponents of the CSG industry argue that the fact that very few landholders have utilised the Courts is indicative of the fact that the system regulating the CSG industry in Queensland is working well. This is not the case. After several years of drought most landholders do not have the financial capacity to fund a court action or the desire to face the daunting task of prosecuting a David and Goliath fight against a well healed resource company with the possibility of the State Government joining the proceedings against the landholder. Similarly the often trotted out suggestion that agriculture has coexisted with mining for decades is misleading in the extreme. Until recently most mining and CSG extraction was conducted on a small scale (under 1000 gas wells) for domestic use. In Queensland we are now talking 40,000 gas wells almost entirely for export purposes. In addition, any CSG was formerly confined to the shallower coal seams. It is now clear that CSG companies are seeking to drill for shale gas under the guise of their CSG licence approvals.

With gas exports about to start in earnest I suspect the problems for landholders as a result of this industry will escalate. Unfortunately, there will be much work for BSA to do in the future.

In closing, acknowledgments:

I wish to thank all committee members for their valuable contribution to BSA. In particular those members who are retiring namely Anne Bridle, Veronica Laffy, Neil Cameron, Peter Shannon and Kylie Goldthorpe.

Anne Bridle has been a committee member of BSA since its inception and the knowledge she has in relation to CSG issues is readily obvious in the Senate Submission she and Peter Shannon presented to the Senate Select Committee into Certain Aspects of the Queensland Government Administration related to Commonwealth Government Affairs. Anne will be sorely missed. Anne will continue to be on the advisory committee of the research body known as GISERA. Landholders can rest assured that they are ably represented by Anne in this role.

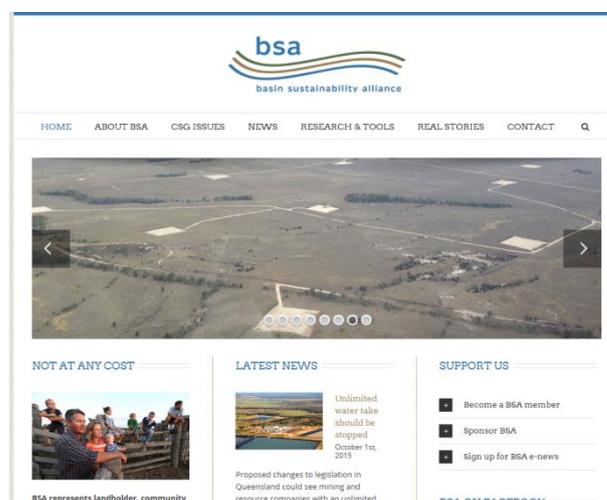
Veronica Laffy has been on the committee for a number of years, and we have appreciated her input and genuine interest in fairness. This is year in amongst having a newborn, she continuing to serve the committee as our treasurer. Commitment



Neil Cameron assisted in the preparation and presentation of the Senate submission on the Administration and Transparency of Environmental Organizations (the register) and its effectiveness in Supporting Communities to take Practical Action to Improve the Environment, and the submission on the Landholders Right to Refuse (Gas and Coal) Bill. In his role as BSA Secretary he has always made himself available when needed to attend workshops and meetings for which I thank him.

I also wish to thank Peter Shannon for his assistance on legal matters associated with the mining and gas legislation and for the parliamentary submissions he prepared on Legislation such as the Water Reform and Other Legislation Act, The Mineral and Energy Resources (Common Provisions) Act 2014 and the list goes on. His input and experience in mining legislation, problem areas in this facet of the law which come to light as a result of his day to day dealings with landholders experiencing difficulties, and his knowledge of the current attitude of the Courts to mineral and energy law is invaluable and provides us with the ability to be as effective as we are. He will be missed on the committee but I'm sure we'll only be a phone call away. We also acknowledge the support Shine Lawyers has provided in supporting Peter in his service to BSA.

Last but not least I wish to thank the partners of BMO Accountants for the provision of secretarial services at such a reasonable charge. BSA would not be as effective as it is without this service. Also thank you to Megan James and Chelsea Wyatt of BMO who assist in the running of BSA meetings, preparation of media releases, submissions and the updating of the BSA website from time to time. I would also like to acknowledge the work Kate Boshammer from Kabosh Creative in keeping our website protected and up to date.



I wish the incoming committee all the best over the coming year, which is shaping up to be very busy, as they continue advocating on behalf of landholders.

Lynette Nicholson
Chair of Basin Sustainability Alliance
13 October 2015

SUBMISSIONS

Date	Title
July 2014	Mineral and Energy Resources (Common Provisions) Bill 2014
October 2014	Submission on the Water Reform and Other Legislation Amendment Bill 2014
November 2014	Senate Submission - Select Committee into Certain Aspects of Queensland Government Administration related to Commonwealth Government Affairs
May 2015	Submission to the inquiry on the administration and transparency of the Register of Environmental Organisations (the Register) and its effectiveness in supporting communities to take practical action to improve the environment.
July 2015	Submission to Landholders Right to Refuse (Gas and Coal) Bill.

MEDIA RELEASES

Date	Title
30/06/2015	CSG more pain than gain?
12/08/2014	QGC moves to strip away farmers' strategic cropping land status
10/09/2014	BSA dismayed by destruction of landholder rights in new law
18/09/2014	BSA echoes concerns about Cripps
18/09/2014	Cripps urged to rethink new mining law at Dalby meeting
26/11/2014	Gas blow out requires serious investigation
21/01/2015	Call for candidates to address critical issues



FINANCIAL REPORT

Income

Once again we have finished the financial year in credit thanks to donations in the 2014 financial year and from membership fees. Our income is derived solely from membership fees and donations. We currently have some 100 members, a similar figure to earlier years.

Expenditure

The main expense incurred by BSA is BMO Business Centre for secretariat, media, administration, book-keeping and accounting services. Megan and Chelsea do a fantastic job of ensuring that we are disseminating information clearly and concisely and meeting all of our financial requirements.

Kate Boshammer at Kabosh Creative also maintains our website domain and has upgraded our website in the past at a discounted rate.

Conclusion

I would like to encourage all existing members to maintain their membership over the coming year. BSA has a valuable role to play in representing the interests of farmers in the continued roll out of the resources industry across the Surat Basin. Landholders are the only party in this industry who have to live with and suffer the consequences of any negative impacts, so it's extremely important that we stay up to date with changes to industry practice and also continue to monitor underground water impacts.

Veronica Laffy
Treasurer