



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

SENATE

ECONOMICS LEGISLATION COMMITTEE

Estimates

(Public)

THURSDAY, 16 FEBRUARY 2023

CANBERRA

CONDITIONS OF DISTRIBUTION

This is an uncorrected proof of evidence taken before the committee.
It is made available under the condition that it is recognised as such.

BY AUTHORITY OF THE SENATE

[PROOF COPY]

ECONOMICS LEGISLATION COMMITTEE

Thursday, 16 February 2023

Members in attendance: Senators Allman-Payne, Bragg, Canavan, Cox, Davey, Duniam, Hughes, McDonald, McGrath, McKim, O'Neill, Barbara Pocock, David Pocock, Rennick, Roberts, Dean Smith, Stewart, Walsh and Whish-Wilson

TREASURY PORTFOLIO

In Attendance

Senator Gallagher, Minister for Finance, Minister for the Public Service, Minister for Women

Australian Securities and Investments Commission

Mr Joe Longo, Chair

Ms Sarah Court, Deputy Chair

Ms Karen Chester, Deputy Chair

Ms Danielle Press, Commissioner

Mr Warren Day, Chief Operating Officer

Mr Chris Savundra, General Counsel

Mr Greg Kirk, Executive Director, Strategy Group

Australian Reinsurance Pool Corporation

Dr Christopher Wallace, Chief Executive

Mr Jason Flanagan, Chief Claims and Customer Officer

Ms Samantha Lawrence, Chief Risk and Governance Officer

Mr Alexander Drake, Head of Public Affairs

Australian Small Business and Family Enterprise Ombudsman

The Hon. Bruce Billson

Dr Matt Steen, Executive Director, Policy and Advocacy

Dr Craig Latham, General Counsel

Ms Amelia Watman, Director, Media and Communications

National Housing Finance and Investments Corporation

Mr Nathan Dal Bon, Chief Executive Officer

Mr Stuart Neilson, Chief Financial Officer and Chief Operating Officer

Mr Rod Saville, General Counsel and Chief Risk Officer

Committee met at 09:00

CHAIR (Senator Walsh): Good morning, all. I declare open this hearing of the Senate Economics Legislation Committee into the 2022-23 supplementary budget estimates. I begin by acknowledging the traditional custodians of the land on which we meet today and pay my respects to their elders past and present. I extend that respect to Aboriginal and Torres Strait Islander peoples here today.

The committee has set 3 March 2023 as the date by which senators are to submit written questions on notice and 31 March 2023 as the date for the return of answers to questions taken on notice.

Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee. Such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence.

The Senate has endorsed the following test of relevance of questions at estimates hearings: any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings. I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise.

The Senate has resolved also that an officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. Witnesses are reminded of the Senate order

specifying the process by which a claim of public interest immunity should be raised. I incorporate the public immunity statement into the *Hansard*.

The extract read as follows—

Public interest immunity claims

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

(13 May 2009 J.1941)

(Extract, Senate Standing Orders)

CHAIR: I remind all senators that, as we continue our work implementing the *Set the standard* report, as chair I will ensure that proceedings are conducted in an orderly, respectful and courteous way.

Australian Securities and Investments Commission

[09:03]

CHAIR: I now welcome Senator the Hon. Katy Gallagher, Minister for Finance. The committee also welcomes the Australian Securities and Investments Commission and its representatives. Good morning, Chair Longo and representatives. Chair, I thank you for your written opening statement, which the committee will table. Would you like to make your opening statement?

Mr Longo: Yes, thank you. Good morning to the whole committee, and thanks for this opportunity. I will read the statement. It's brief and it's in accordance with my usual practice. I'm pleased to appear before the committee today. I'm joined today by deputy chairs Karen Chester and Sarah Court; Commissioner Danielle Press; her chief

operating officer, Warren Day; the executive director of strategy, Greg Kirk; and our general counsel, Chris Savundra. We value the opportunity, as always, to appear before this committee.

You will be aware that Sean Hughes has recently finished his term at ASIC, and I wanted to take a minute to acknowledge Sean's contribution. Sean has had a long career at ASIC and has served as commissioner at ASIC since 2018. Sean has contributed to ASIC's work on a range of issues, including responsible lending and BNPL regulation, climate related disclosure and sustainable finance, among others. We are grateful for the contribution Sean made to ASIC in his role as commissioner and wish him well in the next stage of his career.

I know you will have questions on a range of topics, which we welcome. I thought I would highlight a couple of important topics for this morning. As you would be aware, ASIC last week shared with staff the proposed top-level structure coming out of our organisational review. There will now be a consultation process on the proposal with senior executives and then with all levels of staff in March. We anticipate the agreed new structure will start to be implemented from 1 July 2023. We will, of course, advise everyone of our revised structure once it is finalised and we publish it on the ASIC website.

The focus of the new proposed structure is to support ASIC in achieving our strategic and operational ambitions. There were recurring themes during the review which included stakeholder feedback from past reviews, including the Financial Regulator Assessment Authority's report last year. Some key themes included timeliness and decision-making; collaboration and coordination; a better alignment of strategic priorities and resource allocation; and risk appetite and risk management. The proposed structure brings a strong focus to four regulatory areas—intelligence gathering, transformation and technology, regulation and supervision, enforcement and compliance, and, of course, markets. The structure allows our intelligence about individual matters to flow more quickly to enforcement teams, which will allow us to pick up this conduct earlier and address potential breaches where we see them.

We released our quarterly report yesterday. The report highlights actions taken during the last three months of 2022 and outlines the full list of enforcement priorities for the year ahead. The quarter saw ASIC commence a number of significant enforcement and regulatory actions to address misconduct and consumer harms in a range of sectors. This includes corporate governance and directors duties, product design and distribution and misleading statements involving sustainable finance practices. Importantly, this report includes ASIC's initial version of a regulatory developments timetable, which outlines proposed time frames for the regulatory work ASIC is initiating. It aims to assist stakeholders with forward planning of their own work. It's one of the initiatives that ASIC's regulatory efficiency unit identified through stakeholder feedback, and we are implementing it.

You will have seen in the media the continuing interest in ASIC's enforcement work in relation to directors' duties. There is, of course, a limit to what I can say about ASIC's investigations and court matters, but I will say that we take these cases very seriously and look closely at whether we have sufficient evidence to bring an actionable case.

I've spoken before about the challenge for regulators to make sound investigation and enforcement choices. In making these choices, we need to be strategic and we need to balance the evidence, facts and the public interest in order to maximise our regulatory outcomes.

Finally, I want to mention our Indigenous Financial Services Framework that will be published on Tuesday this week. I'm very proud of this work. It's the culmination of years of collaborative work and a First Nations led process that I believe is a first for ASIC. The framework outlines key learnings developed through extensive consultation about First Nations peoples' access to, and engagement with, the financial system. We are sharing the framework broadly so our stakeholders can consider and use the key learnings to support financial outcomes for First Nations people. We've appreciated being led by First Nations peoples in the development of the framework. We see it as an opportunity to continue including this engagement in developing ASIC's priorities that affect First Nations people. I encourage you to take a look.

We look forward to answering the committee's questions. I thank the chair for letting me read this statement. I think it's a good thing to do. Thank you.

CHAIR: Thank you very much, Mr Longo. We will now proceed to questions. Senator McGrath.

Senator McGRATH: Can you remind me what your budget is for this current financial year?

Mr Longo: I think it is around \$450 million. Mr Day, could you confirm the numbers?

Mr Day: If we don't include the enforcement special account, it's approximately \$420 million.

Senator McGRATH: And that comes from the government via taxpayers, or does part of that budget include some cost recovery?

Mr Day: We're funded from an appropriation from government. We have some cost recovery through our industry funding model. That's not the full amount of our appropriation. That's somewhere, I think, about \$250 million.

Senator McGRATH: Basically, you're funded by the taxpayers?

Mr Day: I refer to the answer I just gave.

Senator McGRATH: Are you aware of the 23 January article in the *Australian Financial Review* that was entitled 'Inefficiency and "gotcha" questions are wasting ASIC's time'? Are you aware of that article?

Mr Longo: Yes, I am.

Senator McGRATH: Is everybody at the table aware of that? I'm happy to table a copy.

Senator Gallagher: I must have missed it, Senator McGrath. I am an avid reader of the *Australian Financial Review*.

Senator McGRATH: I will table copies of it to assist the committee. I realise, Chair Longo, that you are a very busy and important person, and the last thing you want to do is waste time dealing with politicians and their questions. Do you agree with the outgoing commissioner, Sean Hughes, that oversight of ASIC is inefficient and resource intensive?

Mr Longo: I'm aware of the article. What I said in the article was that I welcome accountability. It's a very important aspect of the work we do. Indeed, we're no stranger to it. I won't repeat what I've said at previous hearings about the accountability framework and our engagement with it. As for the remarks attributed to Mr Hughes, they're his views. The views I have are the ones I've just expressed.

Senator McGRATH: Do you think it's appropriate for Mr Hughes, who is moving on to employment with a \$10½ trillion investment giant, to make these public comments while an ASIC commissioner?

Mr Longo: That is a matter for him.

Senator McGRATH: Were they approved by ASIC? Was there any formal process for the commissioner to make those views?

Mr Longo: They are his views.

Senator McGRATH: They are his views as a commissioner of ASIC?

Mr Longo: At the time he expressed those views, he was clearly a commissioner of ASIC, that's true.

Senator McGRATH: Was there a process for him to express those views? We've got a commissioner of ASIC who clearly doesn't like it that ASIC, which is funded by the taxpayers of Australia for hundreds of millions of dollars, is coming before the parliament of Australia and being held accountable. I'm just trying to get here that we've got a commissioner of ASIC who doesn't like being held accountable.

Mr Longo: We have a former commissioner of ASIC who doesn't like to be held accountable.

Senator McGRATH: He said those comments while he was a commissioner of ASIC. I am trying to ask questions as one of those painful politicians who will come here, with respect. I will raise issues on behalf of my constituents, which you don't seem to like.

Mr Longo: Senator, as I said in my opening, everyone here at the table, me included, wants to be helpful and answer the questions of the committee on the various topics that may be of concern. I acknowledge that the views held by former commissioner Hughes are his views. They are not the commission's views. I'm here today to be of help to the committee, as indeed are all the commissioners.

Senator McGRATH: But he gave those views while he was a commissioner. Did he seek approval to conduct the interview? Did he seek approval to have the interview?

Mr Longo: I was aware he was going to give an interview.

Senator McGRATH: Did he tell you what he was going to say in the interview?

Mr Longo: No.

Senator McGRATH: Isn't it embarrassing for ASIC? My view is that it does reflect upon ASIC. The comments of Commissioner Hughes—he said them as a commissioner—reflect upon your organisation and the good work that your organisation does.

Mr Longo: Yes.

Senator McGRATH: It reflects an attitude within ASIC that you don't like parliamentary oversight.

Mr Longo: They were commissioner Hughes's views. They do not reflect the views of the commission or ASIC. We have always been very cooperative and engaged constructively with all the committees of the parliament, not just this committee but the House of Representatives economics committee and the Parliamentary Joint Committee on Corporations and Financial Services. We also work closely, obviously, with the Financial Regulator Assessment Authority and their other mechanisms. So I really want to reassure you that I can understand why those remarks would not be deemed to be appropriate by you. They are not the views of ASIC or the commission. We've always constructively engaged with all the committees. We try to answer all the questions on notice in a timely and substantive manner. I'm not sure I can take it any further for this morning's purposes.

Senator McGRATH: The article refers to the significant imposts that the estimates process places on ASIC staff. I suppose, on notice, I would like to dig into that. How many hours do you, the commissioners and deputy commissioners spend at estimates? How many hours have been spent in preparation for estimates? The article goes on to state:

Mr Hughes recalled the whole ASIC commission, the board of the prudential regulator, senior executives from both agencies and senior executives from Treasury were kept loitering in a Senate ante-room for four hours as a committee hearing dragged over time.

Of course, we do apologise that estimates committees do sometimes run late. The minister knows that. Accountability and transparency don't run like clockwork sometimes. Could you particularise the costs of appearing before estimates, because it's clearly something that exercised your former commissioner? I think it would assist us in terms of how we can better assist you in the performance of your duties.

The final thing I would like to say is that I was particularly concerned when he talked about questions about some company in remote or rural Australia. Senator Williams would come here on a regular basis and ask such questions. I just hope that there is no thought process within ASIC that those in rural, regional and remote Australia are perceived to be treated differently from those who might live in urban Australia.

Mr Longo: Absolutely not.

Senator Gallagher: Senator McGrath, did you ask that, on notice, ASIC put resources and time into providing answers on how much resources and time they put into preparing for Senate estimates? I'm not sure that is a good use of ASIC's resources and time, to be honest.

Senator McGRATH: We've got an article here.

Senator Gallagher: I saw it. I do recall this, actually. I think we can all relate to some of the inefficient side of Senate estimates at times. But it is about a former commissioner in an exit interview, which the chair has said does not reflect the views of ASIC. I am trying to be reasonable. I'm sure ASIC is very happy to assist. Honestly, is that where we're going?

Senator McGRATH: It is where we're going, Minister. I often find that, when people are giving exit interviews, that is when they actually do tell the truth.

Senator Gallagher: It may be his truth, but the chair said it doesn't reflect the views of ASIC.

Senator McGRATH: But he gave the interview while he was a commissioner of ASIC.

Senator Gallagher: In an exit interview, it says here.

Senator McGRATH: Yes. But that concerns me as to what the attitude within the organisation may be. Chair Longo, I take your comments. I do want those questions answered. I think there's a legitimate question about how much oversight is really necessary and productive. Chair Longo, that is a comment from you.

Mr Longo: Yes.

Senator McGRATH: I'd like to find out, if it is such a burden attending at estimates, actually how much of a burden it is.

Mr Longo: On that last occasion, I think it was before this committee, I thought it was helpful that the committee—I think we had met for the first time—describe the accountability framework. I absolutely accept that we are accountable to parliament and to committees such as this. We take it very seriously. We are here and we go to a lot of trouble, as we should, to answer questions properly. Having said that, I think it's also reasonable for there to be a contextualisation of that process. There's this committee. As I've said, there is a House economics legislation committee and there is a committee, actually, that has been specialised just for us under the ASIC Act since 1991. It is the Parliamentary Joint Committee on Corporations and Financial Services, which is our primary oversight committee. That meets four times a year for a day. We also work very constructively, as I think the first report demonstrated, with the Financial Regulator Assessment Authority. There are other inquiries going on at the moment and other mechanisms for ASIC to be transparent and accountable. All I was getting at was that's quite a

comprehensive framework. We're also accountable through the industry funding model, which our chief operating officer alluded to. That's also quite an intensive process. Once a year, we invoice industry and are accountable. It's a very prescriptive regime. We are accountable for what we do and how we charge for it. So I think all I was saying was that, if you step back, that's quite a comprehensive framework of accountability. That's the only point I was making.

Senator McGRATH: You may wish to take this on notice to assist the smooth running of the committee. If you think there are better ways to improve the accountability of ASIC, I'm sure this committee or parliament would welcome the contributions from ASIC, realising the separation of powers and the role that we have to play in terms of holding the executive to account.

CHAIR: Thank you, Senator McGrath. Before I move to Senator Bragg, the committee will table the article that you were referring to. I advise senators that we'll move in 10-minute blocks.

Senator BRAGG: Good morning. I want to pick up on Senator McGrath's line of questioning. There was a statement in one of those *Financial Review* articles that said that the ASIC chairman gave an abject apology for an emotional outburst and that there was a Treasury inquiry into this matter. Is that accurate?

Mr Longo: I certainly gave an apology following a meeting of the enforcement committee in connection with two matters. As to the process that followed, it was a confidential process. I can ask Mr Day or Mr Savundra to speak to that process, if the committee would like to know more about it.

Senator BRAGG: Just for efficiency, is it true that there was a Treasury inquiry into it?

Mr Day: The matters that you are referring to were an assurance review performed by the Treasury.

Senator BRAGG: Under what act?

Mr Day: I might defer to Mr Savundra.

Senator Gallagher: It's probably a question you should have asked markets group yesterday.

Senator BRAGG: Let's see where it goes.

Mr Savundra: The matter was handled in accordance with ASIC's policies and procedures relating to staff grievances. Given the matter pertained to the head of the agency, we considered it appropriate to consult with Treasury on that process. To be clear, the process was conducted or run by ASIC but in consultation with Treasury and with Treasury's assurance or oversight.

Senator BRAGG: Was that conducted under the ASIC Act or under an ASIC policy?

Mr Savundra: It was conducted under an ASIC policy.

Senator BRAGG: So it wasn't conducted under the PGPA Act?

Mr Savundra: No.

Senator BRAGG: Have there been any investigations under the PGPA Act, Chair, into any of the commissioners?

Mr Longo: Not that I'm aware of.

Senator BRAGG: In the past two years?

Mr Longo: Not that I'm aware of.

Senator BRAGG: There have been no inquiries that you are aware of into any ASIC commissioner in the last two years under the PGPA Act?

Mr Longo: Not that I'm aware of.

Mr Savundra: I would prefer to take that question on notice just to check.

Senator BRAGG: You don't know?

Mr Savundra: Not specifically the PGPA Act. As you are aware, there was an independent process in relation to one of our former chairs. I think that might have been within the last two years, unless time has flown by. Just to make sure we respond accurately and precisely, I think it would be helpful to take that on notice just to check under the PGPA Act. I must say that, off the top of my head, I'm not aware, unless you can assist me, Senator, what mechanism there is under the PGPA Act for grievance matters to be dealt with in relation to statutory appointees.

Senator BRAGG: Just so I'm clear what your answer is, your answer is that you are taking on notice whether or not there have been any PGPA investigations or inquiries into ASIC commissioners in the past two years.

Mr Day: What is your question, Senator?

Senator BRAGG: Have any of the ASIC commissioners had any PGPA Act investigations conducted into their conduct in the past two years?

Mr Savundra: My request is that I would like to take that on notice. Could you point to the section of the PGPA Act you are referring to? I would need to look specifically—it's a big act—at what matters there might be. It's a large act. I want to make sure I answer correctly.

Senator BRAGG: I don't want to overtalk any witness. I want to be clear with you that you would know if there had been any such inquiry because the chair would have been notified about the outcome of any such inquiry. It's not something that you wouldn't know. You would know about it.

Senator Gallagher: Officials can take it on notice, Senator Bragg. I think accuracy of information is important. It's not unreasonable over a two-year period that you have asked for that officials would want to dot their i's and cross their t's. I think that's entirely reasonable.

Senator BRAGG: It seems like a strange answer to me. Chair, I will try with you, then. Have you received any letters from the secretary of the Treasury in relation to any investigations conducted into any of the ASIC commissioners in your tenure?

Mr Longo: I would like to take that on notice.

Senator BRAGG: You don't know?

Mr Longo: I get a lot of correspondence. Let me step back from this. As far as I am aware—I think Chris Savundra has confirmed this—I'm not aware of any provisions of the PGPA Act that provide for investigations or inquiries into the conduct of statutory appointees. I am happy to be corrected on that. I would just like to confirm that's the case before answering that question, which I think is what you are particularly interested in.

Senator BRAGG: Let's not overly complicate it. I guess the substance of the question is: have there been any investigations into any of the commissioners in your tenure, which is not all that long, where the secretary of the Treasury has had to write you a letter about the outcome of that inquiry?

Mr Longo: That is a matter I'd like to take on notice.

Senator BRAGG: What is the basis for you taking that on notice?

Mr Longo: Chris, could you help? I think I know what I'd like to say, but, Chris, could you help me with that.

Mr Savundra: Senator, I think we would like to take it on notice to obtain some advice and consider, really, any claim of confidentiality. I've mentioned one matter. Complaints are made about statutory appointees and ASIC staff all the time. They're dealt with by various people. They're dealt with in a confidential manner. The concern about answering it is that it could unfairly impact a range of people. I think we'd like to take that on notice and consider whether we wish to make any claim of confidentiality or public interest immunity.

Senator BRAGG: As the corporate regulator, it's not a very good look for you to be looking as if you are covering up an inquiry into one of your commissioners. You've just said that you are aware that there is something there.

Senator Gallagher: That was not the answer—

Senator BRAGG: It's just not a very good look.

Senator Gallagher: that was just given. I think it's reasonable for officials, and allowed under the standing orders in the way Senate estimates run, when questions are asked for officials to take that question on notice and come back to the committee, which is what the officials have undertaken to do.

Senator BRAGG: But they know the answer. They know that there is an answer.

Senator Gallagher: And they have explained that they would like to take some further advice. Again, I think that is not uncontroversial. It happens all the time.

CHAIR: In addition, Senator Bragg, do you have a final question, because you are at the end of time?

Senator BRAGG: Just so I'm clear on this particular point before I move on—so you are aware of letters received by the chair penned by the secretary of the Treasury?

Mr Savundra: I think we're taking that question on notice.

Senator BRAGG: On the basis that you don't know or you want to seek legal advice?

Mr Day: On the question you've just asked, there are letters that we receive all the time from the secretary of the Treasury.

Senator BRAGG: About investigations into commissioners?

Mr Day: That's not the question you asked. We are saying we don't know. We said we wanted to go away and look at it. As the chair has said, he has been in the role now for two years. He has received a number of pieces of correspondence. We want the opportunity to go and look at it.

Senator BRAGG: What is the basis upon—

Mr Day: To make sure we give you a complete answer and that we don't misspeak.

Senator BRAGG: So you think there are so many letters that the chair has received about inquiries into the commissioners that you are not sure whether you've received it or not?

Mr Day: No, that's not what I said at all.

Senator BRAGG: But that's what you are saying.

Mr Day: No. It's not what I am saying.

CHAIR: Senator Bragg, it's clear—

Senator Gallagher: Senator Bragg, the question has been taken on notice.

Senator BRAGG: What are they seeking advice on?

Senator Gallagher: The reasons are for accuracy and taking advice.

Senator McGRATH: Can someone give you that advice and you can come back with the answer?

CHAIR: You don't have the call, Senator McGrath. Questions have been taken on notice. Senator McKim

Senator McKIM: Good morning, folks. I want to ask a few questions about the Hindenburg report, which is a report by US short sellers into Adani. It found that Adani had engaged in brazen accounting, fraud, stock manipulation and money laundering. Has ASIC had a look at that report? Are you aware of that? Have you had a look at it?

Mr Longo: We're certainly aware of it. We have had a very preliminary look at it. I think Deputy Chair Court might be able to provide some assistance in answering that questioning.

Ms Court: Thanks for the question, Senator McKim. Yes, we are aware of that report from Hindenburg Research that was released in January this year. The report alleged, as you've indicated, that the Adani Group had engaged in, I think the quote was a brazen stock manipulation and accounting fraud scheme over the course of decades. So we have had a close look at that. Where we've got to so far is that only a small part of the allegations in the report related to the Adani Group's Australian operations. You may also be aware, Senator, that the group did publish an extensive response to those allegations later in January. We have not identified at this stage any harm to investors in Australia, which is what we would be primarily concerned about.

The other relevant factor that we've identified is that, to the extent that there is misconduct alleged to have occurred in Australia, it is now quite aged. So it would have occurred in the 2013 to 2015 period. Given the age of that, even were ASIC to commence an investigation, we would be well out of time now for civil penalty proceedings to be commenced. Our other challenge, were we were to look any further, is that given, again, the age of the conduct, we would have difficulty obtaining information and evidence in relation to the accounting treatment that has been alleged in that research report.

So at this stage we're aware of it. We've looked closely at it. We'll continue to monitor it, obviously, in the event that any more revelations are made in relation to conduct in Australia or conduct impacting Australian investors. But that's where it sits with us at the moment.

Senator McKIM: Thanks, Ms Court. The report did allege that Adani's Carmichael rail did acquire assets from the publicly listed Adani Enterprises without disclosure by the listed entity. Almost immediately, it wrote down the value of those assets significantly in the same financial year, which enabled the listed entity of Adani Enterprises to potentially avoid a significant loss. Are you suggesting that you have had a look at that and that you can identify no harm to investors from that behaviour?

Ms Court: No, what I am saying is that we looked at the report itself and the nature of the allegations, as you have quite correctly outlined them. In terms of the time frame for which that alleged misconduct—obviously, that's all it is at the moment—occurred, given the time frame that we have identified it occurred in we are not taking any active action immediately. We haven't opened a formal investigation, but we are going to continue to monitor it in the event that there are more indications that show that either there has been harm that we can articulate to Australian investors or there is more recent conduct by the Adani Group. Then, of course, we will look at it.

Senator McKIM: Would there be any tax implications from the behaviour alleged inside Australia in that report?

Ms Court: I'm afraid I'm not a tax expert.

Senator McKIM: Fair enough.

Ms Court: I would like to be, but I can't answer that. It might be a question best for Mr Jordan.

Senator McKIM: I've previously had some things to say about ASIC's guidance in relation to short sellers. I think it might have been the last time ASIC was in, or perhaps the time before—particularly your guidance that short sellers should not use emotive language. Would you agree that the Hindenburg report is actually an example of short sellers providing a public benefit?

Ms Court: I don't think I can answer that off the top of my head, I'm afraid, Senator McKim. I haven't looked at it through that prism.

Senator McKIM: Ms Court, this might be one for you. I will bowl it up and see who steps to the crease. This is about the investigation into ALS Coal, which was alleged to have altered nearly half of all the coal-quality certificates that it had issued over 13 years. On the face of it, that appears to have been a case of widespread and systemic fraud, yet the *AFR* has reported that ASIC has chosen not to prosecute ALS. Is that right? If so, what was the rationale for the decision not to prosecute in that case?

Ms Court: Yes, that is one for me, Senator McKim. We are obviously aware of the concerns that have been aired in relation to ALS Limited. We have confirmed publicly that we have had an investigation both into ALS and another company, TerraCom Limited. ASIC's jurisdiction in relation to these issues relates only to whether or not there has been corporate governance breaches by these firms. We don't have jurisdiction in relation to the correctness or otherwise of the coal certificates. We investigated—

Senator McKIM: I'm sorry to interrupt, Ms Court. I apologise. Can I be clear that the ALS's tampering of the coal-quality certificates is proven. Correct? Do you accept that has been proven? If that is the case, how could that not be an issue of governance concern?

Ms Court: As I understand it—I am speaking off the top of my head, so I will give it my best shot—ALS has acknowledged the issues publicly. I think, as you say, they have acknowledged that somewhere in the order of 50 per cent of those coal-quality certificates had been tampered with; I think that was your word. What we have to look at in relation to this investigation is whether there has been a breach of the directors' duties obligations under the Corporations Act. When we look at that, what we have to gather evidence in relation to is whether or not the directors and/or the officers of the company acted reasonably, whether they had knowledge of the practices that were going on and whether they endorsed them and the like. We did do a thorough investigation into ALS. I'm very sympathetic, I should say, with your line of questioning. I do understand the public perception on this matter. After that thorough investigation, we concluded that we were not able to gather sufficient evidence to pursue corporate governance breaches. The question often is—I will talk hypothetically rather than about this particular investigation—what is the evidence that we can ascertain, using our compulsory information gathering powers, interviews with witnesses, expert evidence—

Senator McKIM: Did you exercise those powers in this case?

Ms Court: Yes, we did.

Senator McKIM: And your view is that you can't get to a required level of satisfaction to prove that the directors did know about the tampering?

Ms Court: As I said, I don't want to be too definitive about this case. I will speak at a high level on this case, the ALS Limited investigation. We formed the view after a thorough investigation, including using our compulsory powers, that we were unable to put evidence before a court to make out directors duties contraventions. That's the reason we finalised that investigation. I will finally add, though, Senator, that we are continuing our investigation into TerraCom Limited. That investigation remains active. It's ALS Limited that we have closed.

Senator McKIM: Thanks, Ms Court. My last line of questioning is perhaps properly best directed at you, Mr Longo. The *AFR* has reported that you said that you think ASIC's enforcement staff are too cautious, risk averse and bureaucratic. Is that right?

Mr Longo: What I've said—I talked to the staff about this last week; in fact, it was in my opening remarks—is that ASIC has been—

Senator McKIM: You didn't say that in your opening remarks.

Mr Longo: I did. I know. I'm just saying that I am putting it back into my own words. ASIC's remit is very complex. It's very broad. Expectations of us have grown over the years. We keep getting a broader jurisdiction. How we enforce and how quickly we enforce is really difficult work. We have very good people at ASIC. The

point or the objective of the reorganisation was to talk to all the staff and say, 'How can we do better?' I think the culture that I'm working towards is a confident and ambitious regulator. ASIC's work in this area has been cautious and considered. What we need to think about is whether we are taking on enough risk. I think I kept using the word 'choices'. When you really start thinking about these issues deeply, the question is that we have all these matters we could run or could investigate. How do we go about choosing the ones we are going to run? I suppose what I'm trying to say—and, if all the staff were in this room, I'm sure they would say the same thing—is that we would like to be faster. We would like to be more decisive and be able to run matters more quickly. I think that's where I'm coming from.

CHAIR: Senator McKim, you've reached the end of your time.

Senator McKIM: This is the last question. The royal commission into the banking sector, in my view, excoriated regulators. This is before your time, Mr Longo. Post that royal commission, and again before your time, ASIC adopted the motto of 'why not litigate'. When you took the reins at ASIC, it seemed from the outside that mantra was actually dropped. I want to give you a chance to respond to that. If that's the case, isn't it true that the 'why not litigate' mantra or culture that existed before you got there, which was all about taking a chance and perhaps having a higher appetite for risk in prosecutions, is what you're actually talking about here and potentially being more open to taking risk in prosecutions? In fact, if that's the case, are you going to readopt the 'why not litigate' mantra?

Mr Longo: I will turn to Deputy Chair Sarah Court, because she chairs the enforcement committee.

Senator McKIM: Why not litigate more?

Mr Longo: I will have one go at that, if you don't mind. The work we do in enforcement is very sophisticated. There's a whole range of responses. The 'why not litigate' mantra simply came out of the royal commission. I think we're litigating as much as we ever have. As I like to remind people, we're in court somewhere in the country every day of the week, and in superior courts. We're a very active litigator. I will hand over to Sarah, because I know she too has given this a lot of thought.

Ms Court: I know we've discussed this at the committee on previous occasions. I guess I just want to assure you and the committee that the move away from what I would describe as a catchphrase, 'why not litigate', does not signal any lessening of a strong enforcement response from ASIC. I know the committee chair would like to move on. I thought about this because I thought this issue might come up. As the chair referred to in his opening remarks, we did release a quarterly report earlier this week about the enforcement work that we've done just in the last quarter of 2022. I want to reassure you that, in that quarter, in relation to the big banks, ANZ was penalised \$25 million for misleading customers, and Commsec and AUSIEX were ordered to pay over \$27 million for systemic compliance failures. The court found that the NAB engaged in unconscionable conduct in relation to account-keeping fees. In relation to the new design and distribution obligations, we filed the first matters in the Federal Court against Amex and against Firstmac. One of those is an issuer of products and one is a distributor. In the difficult crypto area that we have made a priority, we filed separate proceedings against BPS Financial for its coin token, and against Block Earner and against Finder Wallet. In the greenwashing area, we took the first enforcement actions on four different occasions, issuing a series of infringement notices. We are continuing our efforts on greenwashing this year. In the insurance area—

CHAIR: Ms Court—

Ms Court: I can go on and on. I guess my point, Senator—

CHAIR: We might table it. We've asked for a copy of the quarterly report and we'll table it.

Ms Court: Indeed. I guess my point, Senator—again, I do feel reasonably passionately about this—is that ASIC has not stepped away from enforcement in any way. Indeed, I would argue to the contrary.

Mr Longo: That's right.

Ms Court: We are prioritising trying to move on matters through the organisation more quickly. We're on a campaign to increase penalties against significant financial institutions. I hope this committee gives an opportunity to talk about some of that work.

CHAIR: Thank you, Ms Court.

Senator DEAN SMITH: Welcome to officials from ASIC this morning. I want to go back to your comment about active litigation. I hope to get an update with regard to the matter of the Aboriginal Community Benefit Fund, which I understand has been in the Federal Court since October 2020.

Ms Court: Good morning, Senator. I can give you an update on the current Federal Court proceedings. In essence, we have two separate proceedings on foot at the moment. The first matter we commenced back in

October 2020. We are alleging various misleading and deceptive statements made by the Youpla Group and its subsidiary, ACBF Funeral Plans, in relating to offering, promoting and selling a funeral expenses facility. That matter—

Senator DEAN SMITH: That it was marketing itself as an Aboriginal business?

Ms Court: Indeed. As you have quite rightly observed, the allegations are that the ACBF plans were making misleading representations that the plans were owned or managed by Aboriginal persons that had Aboriginal community approval and that the plan would be more beneficial to Aboriginal persons than other comparable products. The entities against which those proceedings have been filed have since gone into liquidation. ASIC sought leave of the court to nevertheless continue with our proceedings because we think it is very important to ensure that we get a finding that there has been a contravention of the law, despite the fact that these companies are in liquidation. We had the hearing on liability and penalty in November 2022. That judgement is reserved. We are awaiting the court's findings. We have a second limb of our work, where we are looking at the conduct of former directors of the ACBF Group. We are continuing that investigation.

We have also, in the course of that proceeding, commenced injunctive proceedings in the Federal Court to preserve property that is part owned by one of those former directors that is subject to our investigation. We did obtain from the court interim orders preserving those assets in December. The purpose of that second action was to protect the interests of people who may be aggrieved by the conduct of those Youpla Group entities and to preserve the asset for their benefit. So that's the current status of the second. We have a continuing investigation, as I say, in relation to directors of those entities.

Senator DEAN SMITH: With regard to the October 2020 Federal Court matter, when do you expect to have that finding, that decision?

Ms Court: Without wanting to be too informal, I'm afraid that your guess is as good as mine, in that it is sitting with the Federal Court at the moment. It was heard three months ago. In my experience, the Federal Court will usually take between six and 12 months to hand down a matter of this kind. I'm not aware that this matter is going to be expedited in any particular way. It may be that by the next time we appear at the committee we'll have that Federal Court decision.

Senator DEAN SMITH: Is there any pressure that ASIC can put on the Federal Court, given that it announced last week its Indigenous Financial Services Framework initiative? The answer might just be a simple no, but I thought I would ask.

Ms Court: It would not be appropriate for ASIC to pressure the Federal Court, to use your terminology. Certainly, if a matter has been with the Federal Court for a period of time, we do have a practice to communicate with the court to inquire as to when judgement may be delivered. In a case like this one, where there is a significant public interest in the outcome, we may well do that earlier than we otherwise would.

Senator DEAN SMITH: That is correct. Communicating with the court is much better terminology than pressuring the court. Communicating with the court is an option that is available to ASIC.

Ms Court: Yes, it is.

Senator DEAN SMITH: You may utilise that option or opportunity in this matter but have not done so yet?

Ms Court: No. We have not. As I say, Senator, it has only been three months since the hearing, with, of course, the Christmas and January break in the meantime.

Senator DEAN SMITH: Of course. When would be an appropriate lapse of time to communicate with the court? Would it be four months, six months, 12 months?

Ms Court: Our general practice is that after six months we will communicate with the court. As I say, I haven't discussed this with my colleagues. We may form a view that it would be appropriate to inquire with the court as to the likely timing earlier than that time, given the public interest in this issue.

Senator DEAN SMITH: Given the interests of the Senate economics committee in this matter, would that help?

Ms Court: Maybe it would. I would have to take advice on that.

Senator DEAN SMITH: Thanks very much. I will turn to the second matter, which is the investigation into the directors. That investigation has started and is ongoing. Are you able to give us a sense of the elements or components of that investigation? How long do you expect it to take? That is the first question. The second question is: given ASIC's commitment to, and announcement of, its Indigenous Financial Services Framework, am I correct to suggest there might be some additional resources put to this particular matter?

Ms Court: Yes. Let me deal with the latter part of your question first. We have very much directed and focused resources in relation to the ACBF Youpla Group investigations for some considerable time now. We have a team working intensively on that. It is well-resourced. The director conduct current investigation commenced in April 2022. We are investigating potential contraventions of the directors duties provisions in the period from July 2015 to March 2022. There are a number of potential persons of interest that have been directors of the various Youpla groups across that period. I do need, though, Senator, to make the point that the investigation does present us with a number of challenges due both to the age of some of the conduct and, in particular, jurisdictional challenges. Some of the former directors are no longer living in the Australian jurisdiction. We are nevertheless persevering with that investigation despite those challenges. We are in the process of reviewing significant volumes of information. In terms of timing, it is hard to be prescriptive as to that. Again, I hope that we have some kind of indication of where that investigation will end up probably within the next three to four months. I'm guessing there a little, but given that by April we will have been looking at that for 12 months, I think that would be reasonable.

Senator DEAN SMITH: When we think of the impact of this, when we think about who has been impacted, what is the geographical composition of the impacted community? Are you able to quantify how many people have been adversely impacted? Are you able to quantify the geographic distribution of that?

Ms Court: I think we do have that information here, Senator Smith.

Mr Longo: We are talking about the number of, and geographic dispersion of, First Australians affected by the ACBF Youpla collapse. I think it is around 15,000 to 20,000. Could you speak to that?

Ms Chester: Yes, I can. Unfortunately, ACBF were not very good at keeping the data on their policyholders. We've got some estimates ranging from around 12,000 through to 18,000. Our ASIC Indigenous outreach program team that did all the heavy lifting on the framework that we've just released actually did a lot of data analysis that we managed to receive from the liquidator to do a geographic mapping for consumer groups and First Nations consumer groups to help reach out and get communications plans out in light of the collapse of ACBF. We would be happy to share that geographic dispersion with the committee. I don't have that data or that geographic representation with me. We have been working very closely with the Save Sorry Business Coalition and the representative groups and stakeholders throughout remote and regional Australia. I think it's fair to say that there's not any state or territory in Australia that has been left untouched by the harm of this entity and its misconduct and its collapse. We continue to work with government, Treasury with the governance resolution and NSW Fair Trading, given that they are also a co-regulator of these entities and are working with us on the liquidation process in a timely way. Most importantly, we are working with the First Nations consumer representative groups and the other consumer representative groups that are really rolling up their sleeves and getting out to community and to people impacted to make sure that they have a full understanding of what has occurred.

CHAIR: Thank you, Ms Chester. Senator Smith, we are at time. Do you have just a final question and then I'll share the call?

Senator DEAN SMITH: It is an important issue. Perhaps two more questions?

CHAIR: If it is on the same topic, yes.

Senator DEAN SMITH: Great. Thank you very much. What is the interrelationship between ASIC and the Youpla Group Funeral Benefits Program run by Treasury?

Ms Chester: Sorry, Senator. I didn't quite catch the question.

Senator DEAN SMITH: The Youpla Group Funeral Benefits Program, which is the Treasury program that has been established to support people who have been caught up in this affair. I am curious to know the interaction between ASIC and that benefits program.

Ms Chester: We have been working closely behind the scenes with our colleagues in Treasury leading up to the collapse and as the collapse occurred, chiefly to make sure that the government could consider some important transitional arrangements. Once the policies fell away with the collapse of the entity, the government moved very quickly to consider what could be put in place. There has been put in place, as you aware, a program to make sure that, at least for the first 18 months—I don't have the exact wording in front of me—if a policyholder at the time were to experience the loss of a relative and had eligibility under the insurance program, the Youpla policy, they would be entitled to have that paid. So the government has that in place. In terms of our role there, because we've been involved historically in the supervision and enforcement actions that Deputy Chair Court referred to, we had a lot of insight, information and data through the liquidation process to help Treasury get together the information

to inform that policy in a very timely way so it could be announced by government and up and running as quickly as possible.

Senator DEAN SMITH: How important has the Save Sorry Business Coalition been to the work of ASIC?

Ms Chester: Out of all the meetings I had last year, it was probably one of the most important ones that I had. I met with the Save Sorry Business Coalition members here in Canberra. They were here when the new parliament had been formed to speak to members of parliament about the issues as they've seen them.

Senator DEAN SMITH: This is my final question. I am curious to know, Minister, whether Minister Stephen Jones has met with the Save Sorry Business Coalition thus far.

Senator Gallagher: I will check. I know he has been very involved in this from the earliest opportunity. I think one of the first things we considered was how to ensure that people could have their loved ones buried. Some urgent action needed to be taken there. It was then what further steps needed to be taken to deal with this terrible set of circumstances, frankly. The minister has been involved from the get-go. I can tell you because I have had a number of meetings.

Senator DEAN SMITH: Thank you very much. Thank you to officials. I saw some media comment that he had not responded to. I was just checking that. I wouldn't have expected anything other than that, given the seriousness of the matter. Thank you very much for that.

CHAIR: I note that we've just gone past 10 o'clock when we're scheduled to release ASIC and invite our next witness. Senators do have a few more questions. I will proceed now in five-minute blocks.

Senator STEWART: I will try to keep my questions brief. Firstly, I want to say thank you for your work on the Indigenous financial services framework and the work that you've done to increase the visibility and voice of First Nations people in your work. What are some of the challenges or observations you made that led to the development of the framework? What was the factor behind it that led to its development?

Mr Longo: I think Commissioner Danielle Press was the most engaged in that process. I will invite her to comment on it.

Ms Press: Thank you, Senator Stewart, for the question. We've worked very closely with First Nations people and tried to ensure that a primacy of that voice has come through in the work we've done. I think the challenges are many, actually, that First Nations people face in our financial services sector. They are often quite different depending on what part of the sector they're facing into. Superannuation is one that is a favourite of mine. It is around identification and working with industry on how they enable different forms of it and different ways of engagement. Within insurance, the challenges are great. Within banking, there's a lot of predatory lending and activity occurring. We are looking very closely at that. To give you a full briefing, I would be delighted to get our people who actually did the work on this and our Indigenous outreach program, who have been working extensively on ensuring that we are hearing the right voices and we are hearing and prioritising the challenges that have been faced. I must admit that I would prefer to take a really more detailed briefing with that group so that you can hear exactly from them the stories they were hearing. The stories are extraordinarily powerful.

Senator STEWART: I might even ask you to put some of those stories on notice, if that's okay—

Ms Press: Certainly.

Senator STEWART: for the benefit of this committee. I want to go to the financial services framework. Can you talk through some of the things that are in the financial services framework and how they respond to some of the challenges and observations that you've heard?

Ms Press: Certainly. As I said, it is a new framework that we've been putting through. Certainly the main things are around hearing the learnings, involving the people, and ensuring that we are getting to community when we're looking at the issues that we're seeing. I think framing the harm differently is important as well and ensuring that we are, in fact, seeing the harm. So it is very much about looking at this collectively and holistically.

Senator STEWART: What does that mean when you say 'framing the harm differently'?

Ms Press: 'Framing the harm differently' is probably clumsy—ensuring that we are seeing the harm. It is ensuring that we are looking at, for example, how you can't get to a computer in any of the remote communities. If it's online, it's a problem. We talked a bit earlier about identification. It's a problem. It's a different way of thinking about the harm that is not in mainstream financial services. In mainstream, it sort of works. When you are thinking about the Indigenous interaction, it's more difficult, and First Nations interaction is more difficult. That probably doesn't actually answer the question. It probably doesn't do the—

Senator STEWART: I interrupted you. You were telling us about the framework, and I interrupted.

Ms Press: It doesn't give the framework the credit that it deserves. I think it will do a lot of heavy lifting. Again, it is the way we're thinking about prioritising the harms. I also think it feeds well into our RAP, and the RAP that we've just released for ASIC itself about trying to measure outcomes rather than just activity. It is trying to make sure we're thinking about whether we are improving the outcomes and whether we are improving the interaction with the financial services sector rather than just the activity that we do, which is relatively easy to measure. How we make sure we measure the outcomes is, again, something we're thinking very hard about. Each action will have a different outcome.

Senator STEWART: So you haven't done the measurement of outcomes before in this type of way?

Ms Press: It's very difficult to measure the outcomes. I think we've focused more on activity. We are now thinking about making sure that the outcome is right. It is, again, a shift in the way we are measuring our responsiveness and our effectiveness by thinking about the harder things to measure rather than the stuff that is relatively easy to measure, which is how many engagements you have had and how many times you've gone. What is the outcome? The outcomes are hard to measure sometimes because it's not just our influence; it can be all sorts of things. Again, framing what the outcome is that we need at the beginning and making sure that we are actually achieving that outcome, I think, is part of the framework.

Senator STEWART: I have one final question. What difference did it make to your work having First Nations people at the table?

Ms Press: It makes a huge difference to have First Nations people at the table. I think it ensures that we are, again, hearing the actual lived experience of people. I think it makes a difference in the way we think about communicating the changes as well. We do have to frame our communications to ensure that we are talking to the people we need to talk to about the things they need to be spoken to about rather than talking to ourselves about ourselves, which financial services have a really good habit of doing. The example that Deputy Chair Chester gave earlier around the Save Sorry Business and our interaction there is just highlighting what we need to do more of. We need to make sure that we are actually hearing those voices and that we can really articulate the problem.

Senator STEWART: You would say that having First Nations people at the table will lead to better outcomes for First Nations people?

Ms Press: I firmly believe that's true, yes.

Senator O'NEILL: What sort of payment regimes are in place for people who have the cultural knowledge to speak into those communities? It's great that there's consultation and action. What is happening in terms of the pricing, valuing and practical response in terms of a dollar allocation for the cultural knowledge that people are bringing to this equation and then delivering?

Ms Press: I would need to take on notice, Senator O'Neill, the actual payment process and programs. Our Indigenous outreach program is predominantly staffed by First Nations people. We seek to engage with First Nations people across our institution. We do have employment targets across the institution to ensure that we are getting the knowledge in house. Where we're hiring in, I would need to take away how much and what costing of that would be done, because I think matter by matter it differs.

Senator O'NEILL: I guess it's where leadership is required that somebody is not just a target at a lower level, that they actually get—

Ms Press: Correct.

CHAIR: Mr Longo, do you have a comment on this?

Mr Longo: I would like to go back to an earlier series of questions raised by Senator Bragg.

CHAIR: Senator Bragg was about to get the call.

Mr Longo: I can briefly deal with it, with your leave. I've made inquiries. I did get a letter from the Treasury secretary but not in connection with any inquiry or investigation under the PGPA Act. That matter was in connection with Deputy Chair Karen Chester. I will now hand over to Deputy Chair Chester to deal with the matter today.

Ms Chester: Indeed, you could tell we were having a few discussions behind the scenes here. I take the role of this committee and our transparency and accountability very highly. Given the nature of Senator Bragg's questions, albeit not directed to me, I thought it was important I did share with the committee today that I am aware that in early 2021 some allegations had been made about me. Those allegations were referred to the Treasury. Treasury undertook and oversaw a very comprehensive investigation. There were no adverse findings.

Senator BRAGG: Who am I asking questions about the investigation to—the chair or deputy chair?

Mr Longo: I think for today's purposes, again, I will be guided by the chair. That investigation was conducted by Treasury. It was not an ASIC matter. I suggest it is a matter for Treasury. We are running out of time. It is a matter for the chair how we want to go this morning.

CHAIR: Mr Longo, your general counsel had sought to take these questions on notice to consider what information could be provided to the committee and what information may be confidential. You've both chosen to provide some more information to the committee. It is now appropriate for Senator Bragg to ask questions about that. If it is your assessment, and if it is the general counsel's advice, that further matters should be taken on notice, that is in your court to make that call. I note that you've just made some statements that I'm sure Senator Bragg wants to interrogate now.

Senator BRAGG: I appreciate that. I think it is good that you have tidied that up. It is important that ASIC is presenting itself as a transparent organisation. I don't think that taking things on notice when you know some of the information is a good approach. I appreciate your gesture there, Chair. There was a letter from the Treasury secretary to you. Is that right?

Mr Longo: Yes, I got a letter.

Senator BRAGG: What did the letter say?

Mr Longo: It was a very short letter. I would have to go back to it. I haven't got it in front of me. I hadn't anticipated this would be raised today. I hope the senator and the committee can appreciate that it is a sensitive matter. I really don't want to try to summarise a letter that I got quite a while ago on the run. I can confirm I got a letter. It was a very short letter. It aligns with what Deputy Chair Chester has said to this committee. I would have to take on notice anything more about that letter.

Senator BRAGG: I understand it is a sensitive matter. Obviously, you are the corporate regulator, so it's important that you set a high standard. If there is nothing to hide, there is nothing to hide. Will you take it on notice to supply that letter, please?

Mr Longo: Yes. I will take that question on notice.

Senator BRAGG: Thank you. Was there a report that was the basis of this letter from the secretary?

Mr Longo: Treasury got a report.

Senator BRAGG: They had a report done by who?

Senator Gallagher: It is a matter for Treasury markets group.

Senator BRAGG: You don't know who did the report and whether it was an internal report or whether it was external legal?

Senator Gallagher: It sounds like it was a Treasury process.

Senator BRAGG: Do you know, Deputy Chair?

Ms Chester: It's a Treasury process.

Senator BRAGG: So no-one knows whether it was an internal review or an external review?

CHAIR: That does sound like a Treasury question, Senator Bragg. We had them yesterday.

Mr Savundra: Senator, this is Treasury's information. We really need to consult with Treasury before responding. They may have objections they wish to raise. We had the opportunity briefly to consult during the course of this hearing, hence we're in a position to respond as we have. We haven't had the opportunity to consult with Treasury. Really, it was a Treasury process. We think it's best answered by Treasury.

Senator BRAGG: That's fine. I don't want to take any more of your time on this issue. I think it's important to summarise the position. So there is a letter you have received. You will take it on notice to supply that to the committee. There is separately a report that is somewhere in Treasury?

Senator Gallagher: Based on Ms Chester's evidence, there was a review done and no adverse findings were made. So I think you've got a lot of the information there that should satisfy the committee. Further questions would have to go to markets group, which appeared today, or the Treasury secretary.

Senator BRAGG: I understand that, Minister. I am confirming with the chair that the letter will be supplied on notice.

Senator Gallagher: He has taken that on notice.

Mr Longo: I have just been reminded by my general counsel to be very clear. We are taking on notice the senator's request for a copy of the letter to be provided to the committee. Whether or not we provide it, we're going to take some advice and consider the position.

Senator BRAGG: Well, I know that ASIC likes to file public interest immunity claims, but I just caution you that in relation to governance and probity matters of the regulator itself, I urge you to consider your position carefully.

Senator Gallagher: Again, I'm sure ASIC will abide by the processes of this committee, which are well established.

Senator BRAGG: We look forward to seeing that. Thank you. I have one final question, which relates to the LinkedIn message from former commissioner Hughes, where he said:

I would have loved to send a final message of gratitude to my colleagues and stakeholders at ASIC today—
But he wasn't able to. Was he asked not to do that?

Mr Longo: I think the key points there are this: when he announced he was leaving ASIC, he was essentially on garden leave. I'm sure Senator Bragg appreciates the significance of that. It is good practice. We went through that in a measured way because obviously there was some work he did with remaining commissioners to hand over matters. He was essentially on garden leave. I say 'essentially'. As the situation unfolded, of course, his access to systems was restricted significantly. I think the final point I want to make is that the commissioners hosted a morning tea for Commissioner Hughes on the day before he left ASIC. I gave a speech on his behalf, where I elaborated on the sentiments that I briefly shared with this committee at the beginning of my opening statement. I went to some length to record and acknowledge his contributions at ASIC. He had the fullest opportunity to give his own remarks, and he did. He took that opportunity and spoke very well about his career at ASIC and his appreciation for the staff and their contributions. It was well received. The whole of ASIC was there. Those of us in Melbourne were there in person. The rest of us were there virtually. So he had, with all due respect to former commissioner Hughes, the fullest opportunity to speak to the staff. It was consequently inappropriate for an email to go out on the last day. I know he felt the way he did, but I think, to speak plainly, if I may, that's what happened.

CHAIR: Thank you, Mr Longo. I understand that there is one follow-up question.

Senator McGRATH: Wasn't the former commissioner on garden leave when he gave the now infamous interview to the *Australian Financial Review*? You can take that on notice.

Mr Longo: That is why I said essentially on garden leave. When I say garden leave, I mean access to confidential information of the regulator and his access to and engagement with regulated entities. So the garden leave I'm talking about is how he stopped going to meetings with regulated entities.

Senator McGRATH: But he could speak on behalf of ASIC to the country's premier financial newspaper?

CHAIR: I think there was just a timing question that was being asked. If it needs to be taken on notice—

Senator McGRATH: Take it on notice.

Mr Longo: I really do appreciate what you are saying. Can I say again that they were his views. He chose to express those views. I hope that our appearance today really demonstrates our full cooperation and engagement with this committee. I do appreciate the concerns you raised earlier. The commission and ASIC are very committed to working with this committee and, of course, other parliamentary committees.

Senator McGRATH: I appreciate that, Chair, and all the work that you do.

CHAIR: Thank you, Mr Longo. I note that Ms Chester has a further answer to provide.

Ms Chester: No. I want to thank the committee and to let the committee know that it was at my behest that we shared that additional information with the committee today. I do think the regulator does need to be very transparent. A very comprehensive and robust process was gone through. I did want to emphasise—I hope that Senator Bragg will appreciate—that there were no adverse findings.

CHAIR: Thank you very much. I thank the representatives of ASIC. Thank you, Mr Longo. We appreciate you answering our questions today. We release you with our thanks.

Australian Reinsurance Pool Corporation

[10:22]

CHAIR: The committee will resume with the Australian Reinsurance Pool Corporation. We welcome you, Dr Wallace. Do you wish to make an opening statement?

Dr Wallace: Thank you, Chair. Just for the expedience of time, I will table my opening statement.

CHAIR: We appreciate that. Thank you very much. Has it been provided to the secretariat? It has. We'll table it shortly when we receive it. Thank you, Dr Wallace. We'll proceed straight to questions.

Senator McGRATH: I suggest that you read your opening statement.

CHAIR: I will accept Senator McGrath's chairing advice and suggest it would be useful to the committee while we locate the senator who has questions for you. Dr Wallace, if you could deliver your opening statement, that would be appreciated.

Dr Wallace: Thank you, Chair and committee members, for the invitation to appear today. I wish to make brief remarks since my last appearance on 9 November. As you know, ARPC administers the terrorism Reinsurance Pool and the new cyclone reinsurance pool. I'm pleased to inform the committee that Allianz Australia insurance has joined the cyclone reinsurance pool for their home insurance portfolio. Sure underwriting agency have joined for their home insurance and strata insurance portfolio. Both of those insurers commenced from 1 January 2023. ARPC now has 19 per cent of home insurance sums insured in Northern Australia covered by the cyclone pool, covering 468,000 policies in Queensland, the Northern Territory and Western Australia. Consumers can now access the cyclone reinsurance pool through those participating insurers. We are in discussions with other insurers to transition to the cyclone pool and expect—and I'm very hopeful—that we'll have two major insurers commencing cover from 1 July 2023. That's not yet confirmed, but I'm very hopeful that we will achieve that. The remaining six must join the reinsurance pool by 31 December 2023.

ARPC is ready to commence paying cyclone related claims. We continue to work with insurers to make the pool an automated, efficient and effective scheme. I'm pleased to take committee members' questions.

Senator McDONALD: Good morning, Dr Wallace. I'm really pleased to hear from you today. You've answered some of my questions with your opening statement. The two brands that have joined the pool are Allianz and Sure. I take it from your comments that, given they haven't committed to joining, you don't want to name the other two major insurers just yet?

Dr Wallace: We haven't yet finalised agreements with them. I am actually very hopeful that we'll have two major insurers joining from 30 June or 1 July. We're in advanced discussions on that.

Senator McDONALD: It is still mandatory for general insurers to transfer their cyclone insurance to the reinsurance pool by 31 December 2024?

Dr Wallace: It is 2023 for large insurers, and then small insurers have a further year until 31 December 2024. A number of small insurers are already starting their processes to consider transitioning to the pool as well.

Mr Drake: The distinction between a larger insurer and a smaller insurer is based on the GWP that they write. So the cut-off point is \$300 million. At or above that figure, they are considered to be a large insurer. Below that figure, they are a smaller insurer and they have an extra year to transition.

Senator McDONALD: Could you just spell out GWP, please?

Mr Drake: Gross written premium.

Senator O'NEILL: What was the trigger number?

Ms Press: It is \$300 million.

Senator McDONALD: Last year, you presented to the Joint Select Committee on Northern Australia on the inquiry for the cyclone reinsurance pool. Are there any other updates that you would want to make on the activities of the pool or staffing numbers?

Dr Wallace: I'm happy to provide just a general update. We currently have 55 employees. We've grown the organisation from 25 employees. We're currently recruiting an additional 11 employees. It is a complex undertaking. We're adding additional skills for claims and actuarial in particular. Our systems are well advanced, and we're still refining them. We are still in the process of fully implementing all of our policies and procedures, but we are well advanced on all of them. At this point in time, we are able to receive policies and pay claims. We're working with insurers to do that very thing. We have had a very small number of potential claims coming out of tropical Cyclone Gabrielle. It's very small. Our internal modelling of that exposure is perhaps less than \$271,000 in claims. At this stage, insurers have only notified us of a handful.

Senator McDONALD: What a nice small-scale start to the operation of the pool.

Dr Wallace: I was glad that no-one was hurt in Norfolk Island.

Senator McDONALD: Yes, of course.

Dr Wallace: I'm very sorry for the losses in New Zealand, which have been devastating, as a consequence of that cyclone continuing further south.

Senator McDONALD: What is it that we can expect differently from the way the pool operates to previously when a claimant would have gone through their fund?

Dr Wallace: There should be no difference from a consumer perspective in the way the policy is sold to them or the way the claim is paid for them. Insurance companies will continue to sell policies and pay claims. We will be reimbursing insurance companies for their claims handling expenses, so there should be no impact upon the consumer experience. What the consumer should expect, though, is that our goal is to stabilise premiums and to reduce them. The legislation requires us to make sure that we're not charging a profit and to set premiums to cover costs in the long term. I would hope that our costs will be more stable than what we're seeing in the international reinsurance markets at the moment. Senators presumably should be aware that the global reinsurance market is very heavily distorted at the moment by the invasion of Ukraine, global inflation, the Australian floods last year and international disasters that are unfolding. So it's very disrupted, and there are very significant cost increases coming through to the insurance industry. Our part of the insurance industry we hope to be stable. It's really focused on cyclone and cyclone related flooding.

Senator McDONALD: So the claims that you have had—the \$271,000—are from Cyclone Gabrielle. What about Cyclone Ellie? Have you received any claims from that cyclone?

Dr Wallace: I will clarify. Our internal catastrophe modelling estimates were a maximum of \$271,000. It is an estimate. We haven't yet received claims, but we've been notified that there are a very small number we may receive soon.

Senator McDONALD: Thank you for clarifying.

Dr Wallace: The numbers are actually very small, thankfully, for everyone. The other two cyclones that we have declared—Ellie and Darian—happened before Allianz joined the scheme, so there was no exposure in the pool for those losses at that time. Darian went off into the Indian Ocean, and Ellie created some flooding losses when it became a low and when it came across the land as a low system.

Senator McDONALD: So this will be a case in point of the 48 hours post named event, flooding related—the time frame that you're able to make claims related to the cyclone. This will be a good test of that, do you think? You said that, because Allianz hadn't joined the fund at that point, you won't have exposure?

Dr Wallace: Allianz and Sure hadn't joined the scheme at that point, so there wouldn't have been any claims. Ellie was actually a short cyclone. It lasted only 15 hours. We would have provided cover for the 15 hours of the cyclone plus a further two days.

Senator McDONALD: Yes. But the flooding from the tropical low has extended quite a long way through the interior.

Dr Wallace: Yes. The scheme is designed to maximise savings to medium- and high-risk areas exposed to cyclone.

Senator McDONALD: Thank you. We did go through that the other day. Are you saying that Allianz is the only insurer in that part of the world?

Dr Wallace: No. I'm not saying that. At the moment, we have two insurers participating in the scheme. Allianz have other brands. They have the Territory Insurance Office, which is TIO. As a consequence of that brand, they have a very large share of the Northern Territory market. They also have brands for Westpac general insurance. That is covered in our scheme now. Sure Insurance underwriting agencies have quite a presence in Northern Australia as well and have been growing over the last two years.

Senator O'NEILL: Thank you very much. I'm sure all Australians looking across the ditch to see what is happening with Cyclone Gabrielle in New Zealand are very distressed by the images there. I saw the speech by the new PM, Mr Hipkins. This is a problem that has to be dealt with. Critical to getting the right solution is going to be the modelling. My first question really is: what does the most recent modelling reveal about the cyclone reinsurance pool capacity to deliver premium reductions for northern Australians?

Dr Wallace: We have released our most recent modelling. That was published, I believe, on 31 October. That modelling shows that consumers in Northern Australia zones will receive on average a 13 per cent reduction in their premiums. Consumers that are—I'm talking here about home insurance—in high-risk areas, and that is a small group of consumers, and those in very high-risk areas will receive a 32 per cent average saving on their home insurance policies.

Senator O'NEILL: Just to be clear, that is a 13 per cent reduction in home insurance for what group?

Dr Wallace: Home insurance in Northern Australia.

Senator O'NEILL: Across the entire north?

Dr Wallace: Yes, Northern Australia zones. That's right.

Senator O'NEILL: And the 32 per cent?

Dr Wallace: Is for consumers in high-risk areas. That is a smaller area in that area.

Senator O'NEILL: Thank you for the specificity of that. That sounds a little different from some of the claims that I recall were trumpeted by the former government. The number that comes to mind was more like in the 50 per cent range. How does the modelling that you have undertaken and that you said was released on 1 October work?

Dr Wallace: We've released two rounds of modelling. We released our original prices and the modelling to support that on 30 June. We then undertook further consultation with the insurance industry with support from our minister, who wrote to insurers seeking them to provide additional data. We published revised premium rates and the updated modelling. I will ask my colleague for the date of that.

Mr Flanagan: It was 30 September.

Dr Wallace: So 30 September was the date that we published that second report.

Senator O'NEILL: This is important because people actually know the facts. They don't need marketing. They don't need hype. They actually need the facts to deal with the challenge. Northern Australia is a great place. If people haven't been there, they should definitely visit. There are some risks there as well. How does the modelling that you have done, based on evidence and in consultation, released, consulted and then released as an accurate representation, compare with the previous government's claim that the pool would deliver premium savings of up to 58 per cent? How on earth could they have that number?

Dr Wallace: ARPC wasn't part of that original process. I refer you to the Treasury for those comments. ARPC is responsible for administering the pool. When the legislation was enacted in March last year, we commenced the process of pricing and modelling. We had to recreate or actually create our own modelling base. We did that by purchasing international catastrophe models and taking a very large data set from insurers. We've gone through a very careful process to determine the premium rates. We've strived to make that all publicly available. The reports are all on our website. We do hope to update that again over the next year. We have an obligation in the act to publish a financial outlook report, which will talk to the financial sustainability of the scheme. Through that process, it will help us identify opportunities to further refine the premium rates.

We still don't have much data. It's at early stages for the scheme. The data that we've used to price was based on sample data from the insurers. Even though it's quite large, it's not the full data set. As insurers join the scheme, they have an obligation to provide us policy level data and claims level data for all of their exposures. As we receive that data, we will have much more accurate information and we will continue to refine the premium rates. As I say, my goal is to achieve the policy objective, which is to reduce premium rates in Northern Australia, particularly in medium and high-risk areas. I'm very confident that we can achieve that. At a minimum, we should be able to stabilise pricing.

With regard to the global reinsurance market, if you do any searching on the Internet around what is happening with international disasters, you will find that there's a very large number of extraordinary disasters unfolding in insurance and reinsurance markets around the world. There are very large cost pressures flowing through at the moment. We're very confident that we can deliver our part of that scheme. Most of the exposure in Northern Australia is cyclone. There are exposures to flood and bushfire, but most of the exposure is to cyclone. We're picking up all the cyclone and a large part of the flood following the cyclone in the period of the cyclone and two days after.

Senator O'NEILL: The people who live in the north of Australia strike me as a pretty robust group. They have to deal in facts. The cyclonic risk is absolutely a reality for them. I am sure it will be a considerable comfort to them to find that the government is now on a path to a high level of transparency that you've indicated will be a signature of your work so that they can get on and actually read what is going on and not just be subject to a spinning narrative without a factual basis. I'm sure some of them are a little concerned and perhaps have lost trust in what the government is saying. There seems to be a very vast difference between the predicted premium savings that they were sold and the reality of what is actually able to be delivered at this juncture. How did that happen?

Dr Wallace: For consumers in Townsville, the average cyclone reinsurance premium that they will be paying—this is the average, and I know that averages simplify things—will be \$624. In Cairns, it will be \$427. In Darwin, it will be \$457. I would say these are really good, solid prices.

Senator McDONALD: Massive reductions.

Dr Wallace: This is for home insurance. I'm giving you numbers for home insurance here. We've actually published all of these in our reports. What we hope to be able to do over the next two years and longer is start publishing what the average premiums are for the cyclone for the part we are charging. Our part of the premium is quite a sizable part of the premium. It will have an impact. In the high risk areas—I know it's a smaller part of the Northern Australia area—the scheme is designed to maximise savings to them. Anecdotally, we've already had some very isolated examples of consumers saying to us what savings they've achieved. I think we should just wait a bit longer to see what the actual lived experience of consumers is. As I said, the average premiums for the cyclone part of what we're charging to those consumers, I think, is a really quite important number. As I said, it is \$624 for Townsville.

Senator O'NEILL: In your opening statement, you indicated Allianz is already on board but others are ready to come into the fray?

Dr Wallace: Yes.

Senator O'NEILL: The insurance pool works effectively to balance out risk. Could you give me a sense of whether any Australians will see their premiums increase because of the pool? If that is the case, by how much?

Dr Wallace: What the pool does is it introduces an element of community rating into the pricing of natural disasters. The challenge for insurance affordability has been the increasing sophistication of risk rating in the community. The impact of risk ratings ultimately means that each individual consumer is paying exactly for their exposure. What community rating does is balances that out a bit. It means that there is a subsidisation from low-risk to high-risk areas. That means that, from a community perspective, there is easier access to insurance. As a consequence, the legislation requires us to set premiums that are comparable to private market premiums for low-risk areas. Low-risk areas would include, for example, Brisbane and Perth and northern New South Wales. We will be charging equivalent commercial rates of reinsurance for those areas. In our modelling, we did actually publish some numbers on our estimates of consumers who might have an increase. There are small percentages. These happen because the price might be wrong. The insurance company may have just incorrectly charged the wrong price, or they might have had a view of risk in terms of flood or wind that is different to the reinsurance pool's view of exposure. We're using models that might be different to the insurance company. There is some small percentage. I won't quote them today, but I can certainly provide them.

Senator O'NEILL: Maybe provide them on notice.

Dr Wallace: We have published those numbers before, so we have been transparent on those increases.

CHAIR: With a view to time, this is the last question.

Senator O'NEILL: Thank you very much, Chair. There is so much more to ask because the people of the north who are constantly experiencing this exposure really deserve the truth and the benefit of good government policy and enactment. I would like to know what the impact of risk mitigation and climate resilience measures will have on reducing the insurance premiums also in high-risk areas. I guess that goes to the speech that we heard from Mr Hipkins last night about confronting the reality and not pretending any more that climate change is not real. We're there. What is the situation with risk mitigation and climate resilience in your world?

Dr Wallace: There are two parts to our answer to that. The first is that the legislation requires us to provide financial incentives for risk mitigation. We've done that in home insurance. We've got some element of that in the strata insurance pricing. For small business prices, we're developing that over the next 12 months. There will be financial incentives. As people do risk mitigation, we hope to see that in a lower reinsurance pool price to those consumers. That is the first part of the question. The substantial answer, though, is that there have to be mitigations implemented to improve the safety of the whole society. The legislation enables us to share data with other government agencies to be able to target risk mitigation. I'm looking forward, once we receive the data from insurers, to making that available through appropriate data sharing agreements with other government agencies such as, for example, National Emergency Management Australia to help target where there might be further spending on risk mitigation. We don't have anything in our legislation that enables us to fund risk mitigation beyond providing financial incentives. But there is a strong focus on data sharing.

Senator O'NEILL: As a New South Welshwoman—I think they called me the Mexican on the Northern Australia committee!—it was great to get across the north. I'm sure that they'll be very pleased to see their particular challenges being handled in a professional and careful way. Thank you.

CHAIR: Thank you, Senator O'Neill. We are running fairly significantly behind schedule at this point. We're hopeful to call our next witness at 11.00 am.

Senator McDONALD: A little after 11.00 am. I think we agreed 15 minutes, Chair.

CHAIR: It was 15 minutes, indeed.

Senator McDONALD: I will perhaps have a couple more questions following Senator O'Neill's questions. I have two documents that I've requested be tabled. One I tabled last night is the *Townsville Bulletin* article on the ACCC premiums report. The second is a letter to me from Racing Queensland with regard to asset values above \$5 million. Perhaps we could start with Racing Queensland first. Is this alright to table, Chair?

CHAIR: Yes. The lot owners article was tabled last night. The Racing Queensland letter is new. Is that right?

Senator McDONALD: That is correct. The signatures will be redacted on anything that goes online. For the purposes of today—

CHAIR: Yes. On a quick look, there are no objections to tabling the Racing Queensland letter with redactions as described, thank you.

Senator McDONALD: Whilst we're not retabling the *Townsville Bulletin* article, hopefully you'll have a copy so that you will be able to take that away with you. With regard to Racing Queensland, their operations in North Queensland are a very important part of the economic and social lifeblood of Townsville and Cairns. They've outlined how they contribute almost \$100 million to those economies. Their concern relates to the small business cap provisions and industrial special risk insurance. They've had a significant cost increase of 150 per cent in 2021 for race clubs north of Rockhampton. Is it possible for businesses with an asset value above \$5 million to be able to insure up to the \$5 million within the pool?

Dr Wallace: The legislation and regulations don't allow for that. It is a matter for the government to consider. I refer that to Treasury in terms of policy.

Senator McDONALD: Have other businesses and organisations contacted you with the same question?

Dr Wallace: In the business community, no. I will refer to my colleague Alexander Drake.

Mr Drake: To my knowledge, we have not had any requests for consideration for the \$5 million figure to be changed directly. I'm happy to take that on notice in case other colleagues at ARPC have. But it's more likely than not that it would have come to me. I don't immediately recall anyone making that request.

Senator McDONALD: Thank you.

Dr Wallace: I will clarify that, again, it's in the legislation and regulations, so it's not a matter that ARPC can provide advice on.

Senator McDONALD: Minister, it is a community organisation. Is this something that I could request that you take back to the Treasurer or the assistant minister—I think the Assistant Treasurer handles this legislation—with a view to seeing if we could find a way for race clubs—

Senator Gallagher: I will certainly do that if they haven't brought it to his attention already. I will definitely do that.

Senator McDONALD: Terrific. I thank you for that. The second matter I want to draw your attention to is the North Queensland lot owners association in Townsville. The ACCC has provided their interim report on premiums. They have gone to 15 insurers and received data. When I asked questions of the ACCC last night, they didn't have a verification program that they were able to provide. The lot owners are asserting that the numbers that have been reported by the ACCC are not reflective of what is happening on the ground. The ACCC is trying to say that there are some individual premium increases, but that is not the lived experience north of Rockhampton. The lot owners have asked that the Assistant Treasurer reject the ACCC report and that it be redone. Have you received any feedback in response to the report?

Dr Wallace: Have I received any feedback in response to the report?

Senator McDONALD: The ACCC's report.

Dr Wallace: I've certainly had an opportunity to review the report. Andrew Turnour, who is quoted here, has kindly sent me a copy of his document. I am certainly aware of the feedback. The actual processes are not part of the pool itself. They are not actually referenced in the Terrorism and Cyclone Insurance Act. They've got separate appropriation and separate powers to do that. On that, I might just ask my colleague Alexander Drake to provide further comments.

Mr Drake: We're aware of the comments made by the lot owners group, and we read their submission to the Northern Australia inquiry last year more generally on the topic of the cyclone pool. We're aware of their concerns about the ACCC report. What I think we will see going forward with further report, as we have more, and more insurers participate in the pool is a very clear understanding about where premiums are at and the difference that the pool makes to where premiums land for the customers of insurance companies. I think in the

first instance a bit of caution on that would be encouraged. But the numbers that the ACCC used on their report were not shared with us in any way. They are numbers that the ACCC arrived at. We at ARPC are very mindful of the concerns that various stakeholders have about the issues associated with the pool. We understand that it is a major financial issue for people living in Far North Queensland and across Northern Australia. I know that at our end at the ARPC we are working very hard to ensure that the pool will be as successful an operation as we can make it to ensure that there is that downward pressure on premiums.

Senator McDONALD: We've already had questions from other senators this morning about whether or not the premium reductions as estimated previously for the reinsurance pool will translate into reality. We had evidence at the select committee last year that we were still on track to achieve premium reductions in line with what was quoted. I'm not sure where you got your question from, Senator O'Neill, but it's not in date because we have had updated data that reflects that these premium reductions are coming.

Senator O'NEILL: Since the new government started dealing with the data poverty that you left—

CHAIR: Senator O'Neill, is there a question? Thank you, Senator McDonald.

Senator McDONALD: If the new government is so interested in transparency and clarity of data, they would be all over the ACCC report. That is exactly the sort of thing that undermines Northern Australia's confidence in the government and the ARPC's delivery of the premium reductions that they require. It's part of the very important cost-of-living issue, particularly given that it's so much higher in Northern Australia than in the rest of the country. I would ask you to acquaint yourself with the work of the ACCC with regard to these premiums, because it is undermining the confidence of the north in the process. It is not reflective of the individual premium results that Northern Australians are reporting to me in their community groups and, hopefully, to the ACCC. I appreciate that it's not in your legislation. How will you take that on board, if it's a reputational risk for the ARPC?

Dr Wallace: There are two things that we can do. The first is that we can publish our part of the scheme performance. We hope to make available the cyclone reinsurance premium component of policies and publish that over time so that people can see what is happening with that part of the premium. We can't control the other part of the premium. It is the role of the ACCC to monitor what is happening to the other part of the premium. They've got powers to be able to collect information from insurers to be able to show what is happening with that. We will be working collaboratively with the ACCC to support their processes where we can. We will do our part also by publishing and making the information available to the community.

Senator McDONALD: What information do you have on programs and strategies being used to encourage policyholders to mitigate cyclone and related flooding risks in Northern Australia?

Dr Wallace: In the premium formula, there are direct questions as part of the formula that provide discounts where consumers have undertaken specific risk mitigations. That is already in the premium. We have started that journey. We're looking to consult with experts in this area to further improve that over time. As a reinsurance entity owned by the Commonwealth, we are very keen to do our part in supporting risk mitigation. Although we can't directly fund it, we can provide all the incentives to support it.

Senator McDONALD: Are you provided information from other departments regarding what programs they have in place so that you have an understanding of outreach on disaster mitigation projects?

Dr Wallace: We're in the early stages on that. I'm conscious that there is an opportunity for us to engage across government agencies. I think that will become very powerful once we get the data from insurers to be able to share with those agencies. That will come over the next six months.

Senator McDONALD: I'm just thinking it would probably be the disaster response agency.

Dr Wallace: The National Emergency Management Agency.

Senator McDONALD: Terrific. So do you work closely with them? Do you have any engagement with them?

Dr Wallace: We will have engagement with them through data sharing, I expect. That will come as we start receiving data from insurers. We're still at the very early stages of this scheme.

Senator McDONALD: So the two insurers that you have signed up are providing you with a data stream now?

Dr Wallace: Yes. We've got initial data from them. It will become much more substantial once we get through this first quarter. Once we get more insurers on, we'll start publishing information to the community. It will probably be in the later part of this year when we start making all that data available in a summarised way.

Senator McDONALD: When you say you will make that data available in a summarised way, what will that look like? On your website?

Dr Wallace: I'm hoping to publish on our website some summary reports on exposure and losses in each of the areas around Australia.

Senator McDONALD: So you will go right around Australia, not just Northern Australia where the reinsurance pool is operating?

Dr Wallace: It will cover low, medium and high-risk areas. That includes Northern Australia and it includes northern New South Wales, for example, and south-east Queensland.

CHAIR: Senator McDonald, I note the time and our arrangement. Do you have a final question or two?

Senator McDONALD: I have a final question, thank you. It's about reporting. How frequently will you provide updates on that data information from the insurers?

Dr Wallace: I will answer first of all by saying that we have an obligation to publish each year a financial outlook report. The first of that is required under legislation next year as part of our annual reporting process. That will be tabled in parliament. It will include, I expect, some information such as what you are asking. There will be at least an annual process. Our corporate plan outlines a strategic objective, which is to collate data and make it available. I hope pragmatically that we would be able to do some quarterly reporting. We are looking at, for example, what APRA does. APRA publishes really good quarterly reporting to the insurance sector on insurance policies and claims. We would be looking at the way they do that and see if we can do a similar thing for the cyclone reinsurance premium component.

CHAIR: Thank you, Senator McDonald. This is your final question.

Senator McDONALD: I will leave it and look forward to seeing you at the next estimates. Thank you.

CHAIR: Thank you very much, Senator McDonald. Thank you very much to representatives of the Australian Reinsurance Pool Corporation. We release you now. You go with our thanks. Thank you.

Dr Wallace: Thank you, Chair.

Australian Small Business and Family Enterprise Ombudsman

[11:02]

CHAIR: The committee welcomes the Australian Small Business and Family Enterprise Ombudsman. We welcome you, Mr Billson. Welcome back to estimates. In the interests of time, I wonder if it would be agreeable to you if we just table your opening statement. You may wish to make a few opening remarks.

Mr Billson: Thank you. If I could make a couple, that would be much appreciated.

CHAIR: Indeed. Thank you.

Mr Billson: It is interesting times for small and family businesses. It's pleasing at least this Christmas and this summer trading period that there were no COVID lockdowns and the like. That brought an air of optimism. There is still an enormous economic contribution being made by the small and family business community. We want to honour that. The small business community still seems to be quite optimistic and reporting a growth mindset even with some headwinds. They include the labour market challenges and filling rosters. There are still some supply chain challenges. Energy costs are a concern. Cybersecurity fears remain front of mind. Even adjusting to an environment where inflation is higher than many are familiar with is presenting some new challenges. They are still making that enormous contribution, though. Two out of every five private sector jobs and one-third of our GDP comes through their endeavour and enterprise. Something that is perhaps not well known is that 43 per cent of all apprentices and trainees in training are hosted by small and family businesses. That's nearly double the number hosted by big businesses. That is a very important contribution.

Some of those key facts are on a new data portal we've released, which gives some really good insights into what is happening in the small business community. Interestingly, nearly half—47 per cent—of small business owners are aged over 50, so we should maybe turn our mind to that demography and what it might mean for the future. Only eight per cent of those business owners are under 30. There is something happening there. We need to replenish that generation of entrepreneurs.

Flexibility around self-employment still seems to be a really important priority for many. Twenty-two per cent of non-employing owner managers aged over 60 are self-employed. Compared to that age cohort, only nine per cent of that age cohort are employees. Particularly for women, self-employment is a really important option for balancing work and other responsibilities. The statistics are quite compelling in that space as well. It is good to see female business ownership continues to be really strong. We are seeing the proportion of business owners

increasing in terms of women's leadership of them. Something else I would encourage the committee to turn their mind to is that the total personal income from all sources for 61 per cent of small business owners was less than \$78,000 in 2021. These are not wealthy Australians. That is a number quite notably under the full-time average total earnings across all industries.

I might skate through some of the other information. I emphasise that we are seeing some trends up in insolvency numbers. They are coming nearer to pre-COVID levels. That is not unsurprising, although there is quite a spike in the construction industry. We've been very active, contributing to the corporate insolvency system review that the parliaments are bringing forward. That is part of our advocacy work that has seen us respond to eight regulatory impact statements, 102 submissions to various inquiries and Treasury pieces of work.

We're working closely with other agencies, though. You would be aware we're very involved with other federal regulator agencies and the Cyber Security Centre and others. We still continue to get over 6,000 requests for assistance from small and family businesses and 175,000-odd or more visits to our website, where there are important resources and tools. You might be aware that we have had a fair bit to say about payment times and the performance of larger businesses paying their smaller businesses. Forty per cent of our disputes still involve payment related matters. We are working closely with Dr Craig Emerson in the review process on that. I heard remarks about insurance earlier. That is still a very big focus for us. We can maybe take some questions on that. There is a gripping opening statement in full. I commend people to it. It is not Gettysburg, but there are some interesting facts in there that may be of use to the Senate and the parliament.

CHAIR: Thank you very much, Mr Billson. We will table your opening statement.

Senator McGRATH: Welcome, Ombudsman. CreditorWatch have released a report that ranks the hospitality sector the highest by a considerable margin in terms of the probability of default. They note:

The RBA's tightening of monetary policy is beginning to bite, on top of other challenges like labour shortages and supply chain disruptions.

Are you aware of this report?

Mr Billson: Yes. I think it was released this morning. In fact, it's a phenomenon that has been with us for a little while. The hospitality sector is also experiencing quite a challenging time with commercial rents in some cases being asked to recover adjustments made during the COVID period on top of CPI related rent increases and financing costs. So there's quite a lot going on there, including labour supply challenges. The hospitality sector is really feeling many headwinds at the moment.

Senator McGRATH: Do you know how many small businesses will go off a fixed interest rate this year and risk defaulting?

Mr Billson: No, sir. There are probably two parts to that question, Senator. Half of all small business loans are actually secured by personal assets, in most cases housing. So there is that correlation. But how that finance is structured can see a business loan with housing or a general loan funded by housing applied to the business. That is where it gets a bit confusing. The small business working capital financing, where housing is not a connection, having a fixed interest rate, is unfamiliar. Those rates are also going up to about 6¼ per cent just for small business loans generally. But I don't have a line of sight on how many of those business owners who also have housing loans will be caught by that shift from fixed to variable.

Senator McGRATH: Are you aware of anything about the risk of default of small businesses under this increased interest rate regime?

Mr Billson: It has been, I suppose, encouraging to observe that major financiers have been really quite proactive in working with small business lenders to, in some cases, restructure the original loan so that risk of default is down. For the major banks, where there is that risk, they are leaning quite quickly on hardship provisions and the like. We haven't seen any great increase in that formal area of finance. The CreditorWatch report you were referring to earlier does refer to trade receivables becoming more challenging. So there's something going on this. We haven't seen any direct data about what the risk of default is for small business loans.

Senator McGRATH: The report said that credit inquiries are up 129 per cent year on year. What have you observed in relation to that particular aspect?

Mr Billson: That trend has been there for some time. The appetite for credit has continued to be quite high. I could only offer a hypothesis. I note that CreditorWatch didn't offer one themselves. In some cases—we look at the Reserve Bank figures where business owners are tapping into their own finances to provide the liquidity they need for their business—I suspect it's partly that. There is quite a number that aren't trading profitably at the moment. They are needing access to working capital. We can make some inquiries through CreditorWatch, if that is of assistance to you and the committee, to get greater granularity on the nature of that credit inquiry. But we

think it's about cash flow. In some cases, it's also about retooling. I mentioned earlier there's some data suggesting small businesses have quite a strong growth mindset at the moment. There was another finance report that pointed to a growth ambition also sitting behind an increase in credit inquiries.

Senator McGRATH: If you can, come back in relation to that. What support do you provide to those at risk of defaulting?

Mr Billson: There are a few things we do. If there is a dispute at the heart of the matter, we will get involved in trying to equip the small business with tools to engage effectively with the other party. We give early encouragement for them to speak to their financiers. If there are obligations owed to the tax office, we help navigate those avenues that are available. In some cases, our team may refer them to the Small Business Debt Helpline or other resources like that. Sadly, an increasing number also need emotional wellbeing support, so we'll come in at that level. We have had some examples of non-AFCA members being quite aggressive; they sit outside the AFCA framework of a commitment to arbitration. Those fringe financier disputes come to us. We get involved where there is equipment recovery and things like that. That is the spread of activity we provide along with helpful resources that are more generally available for the small business community.

Senator McGRATH: My understanding is that about \$8 million of funding was partially redirected from you. Is that correct?

Mr Billson: Yes. It got quite a discussion at the last Senate estimates. I think the Treasury people explained the nature of that. In not the last budget but the one prior, there was a one-off allocation of funding for a program called My Business Future. The incoming government looked at those initiatives to identify whether a redirection, continuation or distinction was appropriate. The decision was made to redirect \$8 million into I think a little over \$15 million that went towards extending the NewAccess for Small Business Owners mental health coaching program offered by the Richmond Fellowship and Beyond Blue and to continue the Small Business Debt Helpline service, which had expiring funds. That \$8 million was redirected and the program that was announced didn't proceed.

Senator McGRATH: Has this redirection resulted in a reduction of staffing levels across your agency?

Mr Billson: No. It didn't. This was a one-off allocation really geared at increasing support for let's say financially informed decision-making. For those businesses that had come through COVID in quite a different shape, it was about ensuring they could make good decisions about what to do next, how to restructure and, dare I use the word, 'pivot' or, in some cases, a dignified dismount. A range of service providers had communicated to us through our small business natural disaster preparedness and resilience inquiry that they were very busy, that there were many people wishing for the type of support they gave after the disaster event, wishing it was available before the event. It was through that lens that a one-off allocation was provided. That was the \$8 million.

Senator McGRATH: So it hasn't impacted your ability to carry out any of your programs?

Mr Billson: No. Our operational funding has been maintained. We have had no impact on that type of activity. This was a new additional initiative, a one-off, that wasn't proceeded with.

Senator McGRATH: How many times has the Treasurer met with you?

Mr Billson: I don't think I've met with the Treasurer. We are in regular and fulsome contact with senior Treasury officials and ministers. Our primary ministerial contacts are the Minister for Small Business. We also work closely with the assistant minister. We've been engaged with the minister responsible for disaster preparedness and the minister to my left. Interest in government procurement for SMEs has seen us involved as well. But I haven't met personally with the Treasurer.

Senator McGRATH: So you haven't met with the Treasurer?

Mr Billson: No.

Senator McGRATH: But you've met with the Minister for Small Business?

Mr Billson: Yes a number of times.

Senator McGRATH: On notice, can you list how many times you have met with the Minister for Small Business?

Mr Billson: I can check that. That is meeting. There is regular email communications as well.

Senator McGRATH: With the office of the Minister for Small Business?

Mr Billson: Yes.

Senator McGRATH: But not between you and the minister directly?

Mr Billson: Occasionally. If I see things. I'll give you one example. The work we do with the state small business commissioners involves the Small Business Friendly Councils program. I know there is a keen interest in accelerating development approvals for new housing. I would say, 'Minister, this might be interesting. This looks like a good idea of streamlining development approval processes. Here are our thoughts.' There is that sort of exchange as well.

Senator McGRATH: Which is good from your end. Did the minister seek your advice on the example of Labor's industrial relations law changes that they put through parliament last year?

Mr Billson: It might come as a surprise to you. I didn't wait for an invitation.

Senator Gallagher: So unlike you, Bruce!

Mr Billson: I thought you might think that, Minister. We thought it was an important set of policy measures. In keeping with what is in the Fair Work Act that says the specific circumstances of small business will be taken into account, on that basis we provided some input. That included sharing our input, I think, to the parliamentary inquiry that was conducted. I think it was our channel where we made that available. We were proactive in that regard.

Senator McGRATH: The minister was asked in parliament if they could name a small business that supported the passing of those laws—

Mr Billson: I did observe that question, yes.

Senator McGRATH: Are you able to name a small business that supported the changing of those laws?

Mr Billson: This might come as a surprise. Because we are an assistance service provider, a policy advocate and a provider of data that explains the nature of the small business community, the voluntary contact with our office is usually by people who are usually aggrieved about something, not delighted about something. We didn't have contact of the kind you are describing.

Senator McGRATH: Did the Minister for Small Business consult with you before the announcement about the end of the instant asset write-off and the loss carry-back function?

Mr Billson: No, sir.

Senator McGRATH: Has the government commissioned any reviews or inquiries from you?

Mr Billson: Not at this stage. I'm optimistic. There is some under our legislation where we can initiate our own inquiries. There is some interest in that as well. We're keen to work collaboratively with the government federal portfolios and regulators so that our work is at least landing on receptive ears. I would hate to use scarce taxpayer resources for a frolic on a topic where there's little appetite. So we have those conversations. At this stage, the last referral we received was from the former government around natural disaster preparedness and resilience.

CHAIR: Senator McGrath, in the interests of managing time, do you have a final question or two?

Senator McGRATH: I do, unless Senator O'Neill wants to ask a question while I check something here. That is to be fair. I'm not driving from the back seat or anything. I'm just trying to be a team player.

CHAIR: I think you have the call, Senator McGrath.

Senator Gallagher: You are a bit of a back seat driver, I sense.

Mr Billson: I sense this is a time where there is no contribution I should make.

CHAIR: Senator McGrath is ready to go with the call.

Senator McGRATH: Yes, I do.

Senator O'NEILL: A question came through. I don't want my response to be taken as a question.

Senator McGRATH: I'm also good at filibustering too.

Senator Gallagher: We're all well supported by teams.

Senator McGRATH: I have a very good team. Thank you, everybody who is watching. Many small business groups have said that the IR laws will hurt small businesses. As a support service, do you anticipate an uptick in businesses seeking advice, particularly to comply with the new arrangements around multiemployer bargaining?

Mr Billson: We would ordinarily guide inquiries of that kind to the Fair Work Ombudsman. One of the things that is in our statute is not to duplicate the activities of other agencies. At this stage, our focus is on working closely with the Fair Work Ombudsman to make sure there's actionable information for small and family businesses. These small workplaces don't want some turgid IR speak when they really want a clear answer about what is needed and what is required. That has been our focus—working to make sure that those resources are

available. Inquiries that we've had have really been of the nature of where the policy debate landed. You might recall there was quite a discussion around the size of a small business that might be exempt from certain provisions. Another tier relates to a positive onus on proving that a business should be engaged in multiemployer bargaining. That left a lot of smaller businesses a little confused about where it landed, so we've been providing that information and then amplifying the resources that the Fair Work Ombudsman office produces.

Senator McGRATH: This is my final question. In relation to your assistance function, what is the number one issue that is being raised by small businesses at the moment?

Mr Billson: Payment times. Forty per cent of them is payment times.

Senator McGRATH: What is the second?

Mr Billson: I think it is franchising. I might throw to my colleague Dr Latham.

Dr Latham: Probably second to payment times is the actual payment of contracts. It will be things like the mis-supply of goods or inappropriate goods or services. Franchising is up there as well. That would be probably third.

Mr Billson: I will unpack that a bit. Those contractual disputes might be a key input has been held up in a supply chain. What am I supposed to do? Both parties will advocate their position. We try to find a resolution in a collaborative way. They tend to run into payment times. We have had a couple where people have ordered things that haven't arrived in a timely way. There has been a bit of an arm wrestle over whether they should get a refund or a credit note. That kind of thing is in the mix as well.

CHAIR: Thank you very much, Mr Billson. Thank you, Senator McGrath. I think that concludes your questions, Senator McGrath, thank you.

Senator McGRATH: There will be ones coming on notice, of course.

Senator O'NEILL: Two on notice.

CHAIR: You can put some questions on notice.

Senator O'NEILL: We've run out of time to keep everything on schedule. Of course, the franchising sector continues to be of considerable interest. There are many challenges there. Some questions on franchising are coming. I'm sure we will be interested in what happens with the Mercedes Benz case. Finally, I draw your attention to a report that will land, I think, on 3 March from the work and care committee. I think it is very interesting how that might interact with your statement about women becoming small business owners, particularly as you have indicated that they end up with a lower income than the employed. We have some stats that are concerning about women in Australia being in part-time work more than women in any other OECD country. I think there is an intersection there that might be worth exploring at our next opportunity.

Mr Billson: Particularly women business owners. It's a greater proportion.

Senator O'NEILL: Could you have a look at that?

CHAIR: Senator O'Neill has indicated that those questions will come on notice.

Mr Billson: Sure. That will be good.

CHAIR: Thank you very much, Senator O'Neill. Thank you very much, Mr Billson. Thank you to representatives of the Australian Small Business and Family Enterprise Ombudsman. Thanks for answering our questions. You go with our thanks.

National Housing Finance and Investment Corporation

[11:25]

CHAIR: We welcome the National Housing Finance and Investments Corporation. We welcome you back to estimates, Mr Dal Bon. Do you have any opening remarks that you wish to make?

Mr Dal Bon: No. I'm happy to go straight to questions.

CHAIR: That is music to our ears as we're running behind. Thank you very much, Mr Dal Bon. I understand that there may be some questions from senators on notice at a later date. Mr Dal Bon, it appears that there are no questions in this hearing for you. I'm sure questions will be put on notice at a later date. That was a very brief appearance. We thank you very much for your attendance at the committee. The committee will now break until 11.45.

Proceedings suspended from 11:26 to 11:48

INDUSTRY, SCIENCE AND RESOURCES PORTFOLIO**In Attendance**

Senator Ayres, Assistant Minister for Manufacturing, Assistant Minister for Trade

Department of Industry, Science and Resources**Executive**

Ms Meghan Quinn PSM, Secretary

Ms Jane Urquhart PSM, Deputy Secretary

Mr Duncan McIntyre, Deputy Secretary

Ms Julia Pickworth, Deputy Secretary

Mr Neal Mason, Deputy Secretary

Analysis and Insights

Ms Kayelle Drinkwater, Acting Head of Division

Mr Wayne Calder, General Manager, Economic and Industry Analysis

Mr Jeewantha Karunarathna, General Manager, Resources and Energy Insights

Mr Tim Beard, Acting General Manager, Data and Evaluation

Anti-Dumping Commission

Ms Isolde Lueckenhausen, Acting Commissioner

Ms Jessica Casben, Deputy Commissioner, Strategy and Legal

Mr Mayuran Jeyarajah, Acting Deputy Commissioner, Investigations

AusIndustry

Ms Rebecca Lannen, General Manager, Entrepreneurs' Program

Ms Sarah Howard, General Manager, Business Outreach and Engagement

Australian Building Codes Board

Mr Gary Rake, Chief Executive Officer

Australian Radioactive Waste Agency

Mr Sam Usher, Chief Executive Officer

Ms Jodie Lindsay, Chief Operating Officer

Australian Space Agency

Mr Enrico Palermo, Head of Agency

Ms Dara Williams, Head of Division

Mr Chris Hewett, General Manager, Space Strategy

Mr Chris De Luis, General Manager, Office of the Space Regulator

Chief Finance Officer

Mr Gavin McCosker

Chief Information Officer

Ms Rebecca Lee

Chief Operating Officer

Ms Leanne Yannopoulos

Commercialisation

Mr Nick Purtell, Head of Division

Ms Tara Oliver, General Manager, Research and Development Tax Incentive

Grants Delivery and Business Services

Ms Sam Chard, Head of Division

Industry Growth

Ms Deborah Anton, Head of Division

Ms Judith Blake, General Manager, Future Transport and Infrastructure Policy

Mr Mark Weaver, General Manager, Industrial Competitiveness and Strategy

Mr Kris Browne, General Manager, Sector Development

International, Trade and National Security

Ms Carolyn Patteson, Head of Division

Ms Alison Drury, General Manager, Trade and International

Mr James Pitman, Acting General Manager, International Science and Resources

Manufacturing and National Reconstruction Fund

Ms Narelle Luchetti, Head of Division

Ms Rebecca Manen, General Manager, National Reconstruction Fund Strategy

Mr Tim Wyndham, General Manager, Enabling Investment and Growth

Mr William Tan, Acting General Manager, National Reconstruction Fund Priorities

Minerals and Resources

Ms Anthea Long, Head of Division

Mr Andrew Hutchinson, General Manager, Critical Minerals Office

Mr Matthew Crawshaw, General Manager, Mining

National Measurement Institute

Dr Bruce Warrington, Chief Executive Officer and Chief Metrologist

Office of the Chief Scientist

Dr Cathy Foley, Chief Scientist

Oil and Gas

Mr David Lawrence, Acting Head of Division

Mr Shane McWhinney, General Manager, Northern Endeavour

Ms Norelle Laucher, Acting General Manager, Offshore Resources

Ms Catherine Kesteven, Acting General Manager, Offshore Resources

Mr Graeme Waters, General Manager, National Offshore Petroleum Titles Administrator

Mr Daniel Glover, Acting General Manager, Gas

Ms Shevaun Fitzmyers, Acting General Manager, Gas

Questacon

Ms Jo White, Director

Dr Bobby Cerini, General Manager, Science and Learning

Mr Steve Stirling, General Manager, Operations

Science

Ms Janean Richards, Head of Division

Mr Anthony McGregor, General Manager, Research and Collaboration

Ms Michele Graham, General Manager, Science Policy and Governance

Ms Hayley Arbaut-Zaalen, General Manager, Science Strategy and Priorities Taskforce

Ms Paula Perrett, General Manager, Office of the Chief Scientist

Ms Jacqueline Cooke, Acting General Manager, Astronomy

Ms Siobhan Campbell, Acting General Manager, Science Policy and Governance

Sovereign Capability and Supply Chains

Ms Donna Looney, Head of Division

Mr John Krbaleski, General Manager, Australian Industry Participation and Major Projects Facilitation Agency

Mr Tim Wong, General Manager, Office of Supply Chain Resilience

Strategic Policy

Ms Vivianne Johnson, Head of Division

Ms Rebecca Kirkwood, General Manager, Ministerial and Executive Enabling

Ms Naomi Perdomo, General Manager, Strategic and Budget Policy

Technology and Digital

Mr Anthony Murfett, Head of Division

Mr Daniel Quinn, General Manager, Emerging Technologies

Mr Lucas Rutherford, General Manager, Digital Economy

Ms Louise Talbot, General Manager, Critical Technologies Hub

Australian Nuclear Science and Technology Organisation

Mr Shaun Jenkinson, Chief Executive Officer

Mr John Edge, Chief Operating Officer

Dr Miles Apperley, Group Executive, Nuclear Safety Security and Stewardship

Commonwealth Scientific and Industrial Research Organisation

Dr Larry Marshall, Chief Executive

Mr Tom Munyard, Chief Operating Officer

Dr Peter Mayfield, Executive Director, Environment, Energy and Resources

Professor Elanor Huntington, Executive Director, Digital, National Facilities and Collections

Dr Jack Steele, Director, Science Impact and Policy

Dr Damian Barrett, Research Director, Energy

Mr Paul Graham, Principal Research Scientist, Energy Economics

IP Australia

Mr Michael Schwager, Director General

Ms Paula Adamson, Deputy Director General, Customer Services Division

Ms Margaret Tregurtha, Deputy Director General, Policy and Corporate Division

Ms Jodie McAlister, General Manager, Policy and Stakeholders Group

Mr Doug Pereira, Chief Financial Officer, Finance and People Services Group

Ms Justine Hall, General Manager, Customer Experience Group

National Offshore Petroleum Safety and Environment Management Authority

Mr Stuart Smith, Chief Executive Officer

Mr Cameron Grebe, Head of Division, Environment, Renewables and Decommissioning

Mr Derrick O'Keeffe, Head of Division, Safety and Integrity

CHAIR: The committee's proceedings today will resume with the Department of Industry, Science and Resources portfolio, beginning with the corporate division. The hearing will then follow the order as set out in the circulated program. The committee has set 3 March 2023 as the date by which senators are to submit written questions on notice and 31 March 2023 as the date for the return of answers to questions taken on notice.

Department of Industry, Science and Resources

[11:49]

CHAIR: I now welcome Senator the Hon. Tim Ayres, representing the Minister for Industry and Science and the Minister for Resources. I also welcome the secretary for the Department of Industry, Science and Resources, Ms Quinn; and officers from the department. I see, Ms Quinn, that you have an opening statement in relation to department updates that we will table. It looks like you may also like to speak to that?

Ms Quinn: I'm happy to table it. It just provides an update on the restructure that this department has undergone since the last committee, and I thought it would be helpful just to set it out. It's very short. I'm sure committee members can read it, as they need, through the proceedings.

CHAIR: Thank you, Ms Quinn. The committee will table your statement with those updates. We'll proceed straight to questioning. Senator McDonald.

Senator McDONALD: Good morning, Ms Quinn and Minister. I have questions for corporate, starting with you, Ms Quinn. Minister King and Minister Husic were both heavily involved in the government's gas intervention last year. Can you at a high level explain how the department sees supply-side issues are impacting gas prices in Australia and how this has informed the advice given to both ministers over the last nine months?

Ms Quinn: I'm happy to give you a high level. It really is for our resources and strategy group, led by Jane Urquhart, which is scheduled next. From a high level, we were heavily involved with the government processes around all the different components of the gas question. We were part of the secretary's discussion and part of the interdepartmental committee discussions. Our ministers were part of the cabinet process. Our responsibilities are covered, as you mentioned, on the resources side, which are Minister King's responsibilities, in relation to resource extraction. That goes to what the supply of gas is and the export processes—the Australian domestic gas security mechanism—and the heads of agreement that Minister King has struck with the east coast gas exporters. The other line of briefing and analysis was around the impact of energy prices, not just gas but also coal and electricity prices more generally, on the industrial sectors and those that use those energy inputs as feedstock, not just as energy costs.

In terms of the overall impact of the government's package, it's very much focused on the temporary price cap through the \$12 reasonable price declaration under the Treasury portfolio. That is a temporary measure to stabilise the market. And then there is an ongoing process code, which is the responsibility of the Department of Climate Change, Energy, the Environment and Water, which is working through with industry now what the ongoing relationships are between producers and users in terms of how they interact with each other to strike contracts.

In terms of the impact on supply, the latest data we have shows a very strong pipeline of supply coming through the energy sector in general in Australia. That data was released in December, so we'll wait to see an update coming through. But it does suggest a very strong pipeline. It had picked up. That partly is responding to the high demand for energy, particularly internationally, in terms of the high prices of gas and coal. That is a very strong driver for supply going forward. We wait to see how that goes forward.

Senator McDONALD: Do you have details on the physical projects of bringing supply forward? We've seen a number of announcements of projects that have been delayed or cancelled that would bring forward supply. What about projects that have initiated or are increasing supply? Can you point to any of them?

Ms Quinn: We do track that through the major projects reporting process. As I mentioned, the latest data that the department has released was in December. It goes through, as you say, the different stages of processes for industry investment decisions. You mentioned that there are some companies that have paused and are looking at the regulatory regime now. I'm not aware of any that have cancelled. There is a pause as people look at the regulation at the moment and work through that with the Treasury, DCCEE and ACCC. I'm not aware of any cancellations. The next time the department update that, they will go through all the technical detail and go through all the different projects and update where they are at.

Senator McDONALD: When do you expect the next update to be?

Ms Quinn: I understand that it is annual. I will check with my colleague. It is annual, in December.

Senator McDONALD: Do you think there might be any chance of an interim report this year, given the amount of activity that there has been in the gas market?

Ms Quinn: I'm happy to take that on notice and talk with the minister about it. There are updates. The minister does provide updates in the course of her parliamentary duties et cetera. It may be that we were able to collect interim data. I would need to check on it. The most important thing here is comparability through time so that you can get a sense of how things are happening. Often intra-year isn't particularly helpful, but I understand that there's a great deal of interest in what is happening on energy projects, so I'm happy to take it on notice.

Senator McDONALD: It is great to be talking to you. I have talked to a number of other departments about the supply of gas over the last few days and had interesting answers, which I think perhaps reflects that this is the right department to be speaking to. One suggested that the new field releases in Western Australia that the minister has made will affect domestic supply. They weren't aware of a pause on the two import terminals that had been proposed that are now no longer proceeding. That is a demonstration of their lack of understanding of how you move gas, I guess. I would be keen to hear how the department manages the competing policy priorities between the ministers and differentiates their respective groups within the department.

Ms Quinn: As a department, we very much work across all our areas of expertise. It's rare that any of our policy issues work in silos. We find that the best advice to provide government is when we look across the different elements. In terms of the energy example, there's a lot of synergies between the objectives of the

individual ministers that fit within the government's overall objective, which is for a strong and resilient economy and responding to international circumstances. We haven't found any particular issues in terms of managing different perspectives. We provide holistic advice to both ministers, taking into account the views across the spectrum. Sometimes there are particular nuances. The minister for industry, for example, has a broader remit looking at the consequences of feedstock and processes and that feeds into the industrial policy framework. Minister King is focused on resources and critical minerals and the need for energy. In developing critical minerals, for example, there is a strong synergy in terms of their approaches on those issues.

Senator McDONALD: How does the department maintain consistency of advice on issues that cut across the department?

Ms Quinn: We have internal processes to make sure that our different divisions are working together. I have my leadership team. We work very closely together to ensure that we're balancing our advice and making sure that we're pulling it together as a whole package. So we have both a focus on it from a leadership perspective and mechanisms in terms of the clearance of information and sorting through any silos, which can happen when people are busy and looking at issues. We also have a strategic policy group which helps us coordinate issues when they are cutting across the whole of the department. Examples are issues to do with our engagement with First Nations people, climate change policies and those sorts of things or the jobs summit we talked about last time. Those things are really cutting across all parts of the department. We have a strategic policy area that helps us coordinate. Mostly it comes down to a very clear leadership direction to have holistic advice for ministers and the government.

Senator McDONALD: Were there any instances over the last nine months where advice or briefings from officials provided to the industry and resources ministers may have differed or had different emphases?

Ms Quinn: Sometimes ministers ask for particular information about particular sectors that might be a focus to them. Sometimes there is a slightly different cutting of data. There is certainly sometimes a different emphasis on things. In general, the advice is very consistent across ministers.

Senator Ayres: Of course, Senator, you will know, in asking the question, that advice provided by the department to ministers for them to consider how they approach their work in the context of cabinet deliberations is not something that can be revealed today.

Senator McDONALD: Have I asked anything of the department to—

Senator Ayres: I'm just pointing out for anybody who might have been listening and might have apprehended that Senator McDonald was about to wander into that territory that she had no intention of doing it.

Senator McDONALD: Minister, I'm very grateful to you explaining the process of government to me!

CHAIR: Thank you, everyone.

Senator McDONALD: Who would have thought I wouldn't have understood that.

CHAIR: Thank you, Senator McDonald. I might take the opportunity of that intervention to seek some advice from Ms Quinn about whether these questions are properly dealt with in corporate or program 1.3.

Senator McDONALD: I think ministerial arrangements are generally dealt with in corporate, which is why I'm directing them at this point.

CHAIR: You are happy for them to be dealt with in corporate?

Ms Quinn: Yes, they are a corporate component. The gas issues are actually resources or industry. I'm okay.

CHAIR: Just be aware that we're trying to stick to corporate and then release corporate and then move to program 1.3.

Senator McDONALD: Secretary, when feeding the department's view into the government's broader response last year, how did this advice balance the need for affordable gas with one minister and the need to maintain an increased development to ensure adequate supply over the forward years?

Ms Quinn: I don't see that there's a binding clash there between those two objectives. It's clearly important that Australia has energy security going forward and that we have affordable energy for our industrial processes in other parts of the resources sector. That is a clear priority. It is also clear that we need to have profitable firms to be able to explore, invest and extract the resources that will provide the energy. As always, there is a balance between near-term versus longer term challenges on occasions. The situation the government found itself in was a significant spike in energy prices as a result of things outside their control in terms of the Ukraine war and the demand for energy. There was a set of issues put on the table for them to consider. I don't see that there's a clash between those two things. The process we go through for providing advice is always grounded in facts. What are

the facts of the matter? What is the shape of the problem? How do we define the problem? We then go to insights we draw from that process. We then move to what it means in terms of policy options and the tools that the government has before it. It can be the case that sometimes the tools you might want to use have different trade-offs in terms of the length of time it takes for them to impact on the problem, the complexity and how they engage. So we have to work through all of those issues.

I think there's a lot of benefit in having resources and industry together on this issue because you do get to see all the different perspectives. For us, we get to talk to the different stakeholders and really test some of those facts, some of those insights and then what to do about it. In that sense, I think there are trade-offs occasionally. On this occasion, it felt like there were a lot of synergies. It is important that industries have stable regulatory environments that they can then plan off. In response to an extraordinary shock like the Ukraine war, it's important that regulation is clarified for all parties so they can move forward and make business decisions on that basis.

Senator McDONALD: Just on that, I asked questions of Treasury yesterday around their sensitivity analysis of regulatory changes on investment decisions. Is this something that your department is having input into—that Treasury analysis?

Ms Quinn: We do talk to Treasury regularly, as with our colleagues in the department of energy and the ACCC. There are processes to make sure that we are feeding in information that we are receiving. We are part of their discussions with parties that are our key stakeholders as well. In terms of the specific question, I'm happy to take it on notice. One of the issues to think through is that there's still some uncertainty about the regulatory regime because the government is working through a process of clarifying the code and how the code will work. The Treasury, DCCEEW, the ACCC and we are working through that with industry. The reasonable price component, as you know, is out for consultation and discussion now. As part of thinking about how our regulatory regime might consider a reasonable price, it's really important that we think about the implications for decision-making for business and what impacts that might have on their investment decisions going forward. I didn't listen to the ACCC's evidence, but I have been informed that Ms Cass-Gottlieb highlighted the importance of supply conditions in their discussions. That is something that we have certainly talked to them about.

Senator McDONALD: Just in summary, did I hear you say that you are having input into the Treasury's sensitivity analysis of the impact of regulation on investment decisions, or is that something you are taking on notice?

Ms Quinn: That specific question I would have to take on notice.

Senator McDONALD: Specifically, has the department provided in their advice or briefings to Minister Husic or his office anything in relation to gas supply and/or pricing?

Ms Quinn: Yes. We provide quite a lot of briefing to both ministers on various aspects of the gas industry.

Senator McDONALD: So pricing is, I guess, what he would be interested in, I assume. If so, when and on how many occasions?

Ms Quinn: I'm happy to take that on notice. As you can imagine in a very fast-moving policy environment, we moved to a situation update and a situation awareness and update system. At one stage, we were providing briefing intra day and then daily and then we wound back a bit to a more steady path over Christmas et cetera. We provide information on intelligence and what is happening in the market and what is happening in the environment. Just to be clear, it's very important for industry that there be a supply of gas because obviously supply affects the price. It is important that they can have access to quantities of gas they need at a reasonable price. Industry cares about both price and quantity. Clearly, the companies care about their ability to extract and what costs they incur, so there is not much difference in the focus for both the user side and the producer side.

Senator McDONALD: So those briefings would be drawing on the resources group through the industry group through you, I assume, through to the minister?

Ms Quinn: We provided integrated advice across the different areas to both ministers. We provided that information into the system as well for other ministers.

Senator McDONALD: As the senior minister, would the Minister for Resources or her office be copied in on any advice that relates to gas supply?

Ms Quinn: In terms of responsibilities and things like that, gas supply questions clearly are the responsibility of the Minister for Resources. I would have to check if the minister for industry were interested in that issue. Mostly it has been integrated advice. I would have to double-check whether there is an occasion where it went

one way or the other. Sometimes that is the case because it is just a fact based question and it's not a significant policy issue.

Senator McDONALD: Would you take that on notice for me, then, please and let me know how often that has happened? Thank you. Are you aware of Minister Husic's comments in relation to gas supply where he stated: This is not a shortage of supply problem; this is a glut of greed problem that has to be basically short circuited and common sense prevail.

Ms Quinn: I have read his media discussions on this topic, yes.

Senator McDONALD: Is it the department's position that rising gas prices are not a result of shortage in supply but rather a glut of greed problem?

Ms Quinn: The rising gas price primarily is a result of global supply issues, the international price being very high and the connection between the international market and the Australian market. There is a significant amount of supply available in the Australian market. The question is at what price and what the influence is between the domestic supply and demand and international supply and demand. The Russian withdrawal of their supply into the international market was the significant event last year on the gas prices.

Senator McDONALD: Does the language from Minister Husic make it harder for the resources group and Minister King to engage with gas producers?

Senator Ayres: I understand. It is an old thing, isn't it? Ministers make political comments in the exercise of their ministerial duties. Senators ask questions of officials about the opinions. That is not something that officials are in a position to answer. Opinions as to policy matters are not something that officials are really in a position to answer for you. I understand why you would ask. If you direct the question to be about something that the official is doing, it is in order. Questions about opinions are not in order, in my view.

Senator McGRATH: You are the chair?

Senator McDONALD: Please don't interrupt the minister from explaining the processes of government to me. I'm not sure I could go on without him!

Senator Ayres: I'm not going to allow—

Senator McGRATH: Senator Ayres, patronising as always.

CHAIR: I get up from my chair for one second and see what happens.

Senator Ayres: Senator McGrath, I'm not the chair. She is the chair.

Senator McDONALD: Can we keep going? We're going to run out of time.

CHAIR: The minister is answering a question, I believe.

Senator McDONALD: I think the minister was taking a point of order and answering it himself. Chair, we missed you.

CHAIR: You have the call, Senator McDonald.

Senator McDONALD: Minister King seems to have contradicted the minister for industry on this issue. In a media release dated 29 September 2022, the minister states:

The Australian Government has signed a new Heads of Agreement with East Coast LNG exporters to prevent a gas supply shortfall and secure competitively priced gas from the domestic market.

Minister King appears to be saying that securing more supply will ensure competitively priced gas. I'm trying to understand. Is Minister Husic right that this is not a supply side issue? Is Mr King correct that this is a supply side issue?

Senator Ayres: I'm very happy to answer that question. There is a contrast, isn't there, between two kinds of governments? I know that you are used to the old show, where—

Senator McDONALD: Minister, I don't get much time today. The chair will pull me up shortly.

Senator Ayres: You've asked a question and I intend to answer it.

Senator McDONALD: You're going to answer a different question—

Senator Ayres: No.

Senator McDONALD: which is not the purpose of today.

Senator Ayres: No.

Senator McDONALD: The purpose of today is for the opposition to hold the government and the departments to account on taxpayers' money.

Senator Ayres: I'm going to answer your question.

CHAIR: Order!

Senator Ayres: What your question went to is a supposed difference between what ministers are saying. The truth is that the Prime Minister is running a proper cabinet style government, where ministers exercise their functions and duties and get an opportunity to do that in a proper Westminster cabinet style way. These issues that you are going to have some complexity, of course. But complexity defeated the last government. The reason complexity defeated the last government is that power was entirely centralised in the hands of the Prime Minister's office. That is why he thought it was okay to secretly swear himself into a series of portfolios—

Senator McDONALD: Come on!

Senator Ayres: and why energy policy was entirely dysfunctional and we had 22 failed energy policies.

Senator McDONALD: The chair will pull me up on time. I can't ask reasonable questions of the department because you are grandstanding on political points.

Senator Ayres: You've asked a question about the two ministers. I've answered it.

Senator McDONALD: No.

CHAIR: I think the minister has concluded his answer. I'm going to take the opportunity again to consult live with colleagues as to whether we are effectively in program 1.3 in general here or whether you think we're still in corporate. I could release corporate. I could bring up program 1.3 and corporate could wait, Ms Quinn, just to see if there are further answers for corporate.

Ms Quinn: I'm not sure I have a preference. I have my corporate colleagues here. If there are questions for corporate, given the program, it would be useful for us to be able to conclude them. Then we could move on to 1.3, because I have other staff coming in.

CHAIR: It sounds, Senator McDonald, like your questions are going to get answered either way. They do seem to be effectively program 1.3.

Senator McDONALD: I was trying to understand the ministerial interactions and process from the secretary's point of view around ministerial arrangements and advice.

CHAIR: May I genuinely ask that you keep the last couple of questions on that narrow focus and then we can release corporate and go to 1.3 more broadly.

Senator McDONALD: Absolutely, Chair. I'm happy to be guided by you.

Senator DUNIAM: I have a couple of brief questions. Is that alright, Chair?

CHAIR: Absolutely.

Senator DUNIAM: Does the department have any major capital works projects underway within the portfolio?

Ms Quinn: In terms of the portfolio, there is a diversity of activities. Some of our agencies do require quite a lot of capital works. For example, we look after Questacon and we look after the building and all the elements to it. We have the National Measurement Institute, which has laboratories and very complicated machines et cetera. They do require a fair bit of capital investment. We do have projects in both those spaces going to the capital improvements of the infrastructure that they work on at the moment. They don't necessarily make the major capital works.

Senator DUNIAM: I understand.

Ms Quinn: There are some areas where we need to make capital works, but some of that is in our portfolio agencies rather than the department per se.

Senator DUNIAM: Understood. More broadly—and perhaps it is something that needs to be taken on notice—in the interaction with the Department of Finance, there is this emerging, as it turns out, property and projects division, which I wasn't aware of until the last couple of days. Does the department or its agencies have any standing relationship with this branch within the Department of Finance? How does that work?

Ms Quinn: I will have a shot at a high level and get my colleagues if you would like more information. The Department of Finance provides advice to the government on all sorts of aspects. They particularly focus on capital elements. They are thinking about how they do major projects because they are complicated and they are multiyear projects and require a lot of expertise. We do work closely, and the portfolio agencies in particular work closely, with Finance when they've got major capital works. They draw on their expertise and make sure that it is a whole-of-government approach. For example, this is a question that could go to CSIRO later. They've got a

project of moving some of their staff. That is a big capital project movement. They work closely with Finance to make sure that works.

Senator DUNIAM: Did that particular branch that I referenced earlier?

Ms Quinn: I don't have off the top of my head all the different names and components. There is a part of Finance that very much looks at property and looks at capital projects. I don't know what their exact divisional name is.

Senator DUNIAM: That is fine. I suppose I will put questions on notice. I'm just trying to understand what this ethereal and mysterious unit within the Department of Finance does and what the standing relationship is between government agencies, large ones particularly. In the past, at least, agencies such as CSIRO or ANSTO had a lot of in-house experience with the specific nature of the work they do and the capital works required. That was opposed to, say, someone with other expertise in the Department of Finance, who might be good at signing contracts et cetera. I will put questions on notice around that rather than test you about something that is probably very detailed and well outside the scope of what is on your desk.

CHAIR: Senator McDonald, do you have questions for corporate?

Senator McDONALD: Could the department table a sample of the paper that the minister is using? I've read about it in the media. I'm quite excited to see what it looks like.

Ms Quinn: I'm not sure I understand which paper you are talking about.

Senator McDONALD: I understand that the paper is \$100 a ream.

Senator McGRATH: This very fancy paper.

Ms Quinn: It is a standard paper sourced through whole-of-government processes. The department has been sourcing it for ministers in our portfolio since 2015, as I understand it. It's standard paper that has been used. I'm very happy to take it on notice and see whether the minister would like to provide a version. It was used by the previous government.

Senator Ayres: This is an Abbott era issue.

Senator McGRATH: Minister Ayres, do you use this paper?

Senator Ayres: I haven't seen it. I don't know what the paper would look like or what special qualities it might have. I've noticed that the deputy leader of the Liberal Party has spent time on this question. On the \$15 billion program to rebuild Australian manufacturing, there is silence and nothing from the conservative side of politics.

CHAIR: Can I have discrete answers and discrete questions, please.

Senator Ayres: On sheets of paper, we're hearing all about it. If you want to spend more time on this, be our guest.

Senator McGRATH: We will. It is the hypocrisy of Labor.

Senator Ayres: But the judgement—

Senator McGRATH: You talk about supporting Australian manufacturing, yet the minister concerned uses imported paper. This is where we are coming from. Labor talk about doing one thing but, when it comes to delivery, do the exact opposite. That is what we are asking this government about—their actions and their words.

Senator Ayres: It's the kind of inane political sloganeering that characterised your period in government.

Senator McGRATH: No. This is about hypocrisy in government.

Senator Ayres: If you want to ask questions that are relevant—

Senator McGRATH: Do you want to save money by—

CHAIR: Senator McGrath, this forum is for questions that are appropriate to the estimates program. I really appreciate discrete questions being asked and answers being given. Another question that is appropriate can then be asked. I am looking to see who is seeking the call for an identifiable question of the minister.

Senator McDONALD: I still have more questions, thank you. I refer to the appointments announced by the minister on 13 December 2022 with regard to the National Robotics Strategy Advisory Committee. How many expressions of interest or applications did the department receive?

Ms Quinn: This is a question that I will refer to my team that does science and technology that is looking after the robotics strategy. Appointments to that body were dealt with through those staff, who are program 1.1, who will be here this evening. I'm happy to take it on notice and get them to answer it this evening, if that assists the committee.

Senator McDONALD: We will come back to them.

CHAIR: Would this be an opportune time to move from corporate?

Senator McDONALD: No. I still have pages of questions.

Senator DUNIAM: You are the eternal optimist, Chair.

Senator McDONALD: I know. It's lovely, isn't it, not losing hope. The Minister for Industry and Science recently travelled to the US. Is that correct? Is this the right place to ask questions about that?

Ms Quinn: He did travel to the US; that's correct.

Senator McDONALD: Terrific. What were the dates of that travel, including any personal stopovers that the minister took?

Ms Quinn: I would have to take that on notice. I will pass to my colleague Jane Urquhart, who looks after the international area.

Ms Urquhart: Minister Husic visited the US between 25 January and 2 February.

Senator McDONALD: Just say that again, please. It was quite quick. I didn't get it down.

Ms Urquhart: Between 25 January and 2 February.

Senator McDONALD: Did the minister fly business class?

Ms Urquhart: My assumption is yes, although I would want to check that because there were different flights in the program. I would want to check. There may be exceptions to that, depending on route availability.

Senator McDONALD: So you will take that on notice, please. Did those attending alongside the minister's personal staff or department officials fly business class?

Ms Urquhart: Again, I would assume so, but I would want to check.

Senator McDONALD: Thank you. Take that on notice. Could you please provide a detailed itinerary for the trip, including official meetings or events, and who attended and including any personal appointments, meetings or events the minister attended?

Ms Urquhart: I would need to take the details on notice. At a high level, I can tell you that the trip took in San Francisco, Los Angeles, Washington DC and Boston.

Senator McDONALD: Thank you.

Ms Urquhart: It may be helpful, obviously, to state that the aim of the trip was about promoting commercial and economic integration with the US, the US being a priority partner for Australia and the portfolio.

Senator McDONALD: That is terrific. Thank you. I want to move to the Boosting Women in STEM program.

Ms Quinn: This is not in our corporate area.

Senator McDONALD: It's not in corporate?

Ms Quinn: That is in our science and technology area, 1.1.

CHAIR: Which is on at six o'clock tonight.

Senator McDONALD: I think I am going to be directed to other sections of the portfolio throughout the day. I can hand back to another senator or you can let corporate go.

CHAIR: On that basis, we will release corporate with our thanks. Thank you very much.

[12:26]

CHAIR: The committee will welcome representatives for program 1.3, supporting a strong resources sector. Ms Quinn, do we need to bring someone to the table?

Ms Quinn: The deputy secretary is responsible.

CHAIR: We're now in program 1.3.

Senator McDONALD: I will try again. Secretary, the ACCC has twice now forecast a gas shortfall across the east coast in 2023 and in 2027 and beyond. The government has legislated a price cap on gas and is planning on introducing a mandatory code of conduct with the reasonable pricing provision attached. Industry and energy analysts have consistently warned that the impact of these measures will result in less supply, resulting from a lack of investor confidence in the market. What is the government doing to bring on new gas supply in light of the ACCC advice that predicts gas shortfalls for the foreseeable future?

Ms Quinn: There is a near-term and then a longer term framing to this answer. In the very near term, in response to the ACCC's initial forecast of a shortfall in the near term, the government reviewed the Australian domestic gas security mechanism. It reviewed the operation of that and decided to change some of the arrangements of the regulatory regime to be able to make it more nimble, enforceable and actionable. That is designed to address the near-term shortfall in terms of the mechanism as a back stop the government would have. As part of that consideration, the government also negotiated with the LNG exporters heads of agreement about their willingness to provide supply in the near term to plug that shortfall gap. They have signed that agreement with Minister King. That agreement was to ensure that there was quite a large amount of petajoules above the shortfall that would be available for Australian customers. So in the very near term there is the heads of agreement and then there is the ADGSM that provides for enough supply into the system. In the longer term, there is a bit of uncertainty at the moment as people work through the regulatory regime on the reasonable price. As I mentioned, the ACCC and the department of energy have been really clear that the reasonable price is about ensuring that appropriate supply comes into the market under that regime. It is working through those details to achieve that objective. Of course, it goes to technical things such as acreage releases, the provision of information on exploration data and the geoscience information, which the government is supporting through the Geoscience Australia. There is working with others about the regulatory regime around the environmental act reviews and things like that to make sure that there is clarity on the regulatory regime that the agencies regulate and that the industry experiences. I will pause and check whether my colleagues would like to add anything on what the government is doing on supply.

Ms Urquhart: The secretary has just covered off some of the mechanisms or levers that the government used to take action around shortfall last year for this year and the reform work that we are doing around the Australian domestic gas security mechanism in terms of providing a framework to address shortfall and make it more effective. We can certainly talk more to those reforms should that be of interest to you. Just to be really clear on supply outlook, notwithstanding these current short-term challenges, the ACCC's gas inquiry interim report released in January forecast for the medium term that production from 2P reserves would be sufficient to meet projected domestic and LNG export demand. Beyond 2027, it did raise the question of forecasts potentially being insufficient without additional gas being supplied. It also identified in its report 25 gas projects that were planned to come online by the end of 2027 sitting against that prediction. Note, of course—I think the secretary went a bit to this—there are all sorts of dependencies in this space that we obviously monitor closely, be they geological, commercial, environmental and other approvals; land access agreements; infrastructure requirements; or joint venture related constraints. There is a whole host of things there. There is there is onshore exploration data from the ABS that shows onshore exploration increasing year on year by 8½ per cent. It has done for a number of years now.

Senator McDONALD: What date was that last report on the 8½ per cent increase? What was that most recent date?

Mr Lawrence: The report Ms Urquhart is referring to is an ABS one. My understanding is that it was released in December. That is prior to December. The December figures will be captured in the next set of data, which is published on 27 February. On 27 February, there will be an update on that information.

Senator McDONALD: We're still in February.

Mr Lawrence: That's right.

Senator McDONALD: Terrific. I interrupted you, Ms Urquhart, if you weren't finished.

Ms Urquhart: I'm just thinking about what is further useful. Take into consideration that the Australian Energy Market Operator, through its gas statement of opportunities, has forecast a continuing need for gas as we transition to net zero. I suppose it mirrored that picture about needing to pay attention to gas supply. It's important, obviously, that we keep a close eye on the pipeline. The government does support the responsible exploration and development of oil and gas resources. We follow that data very closely, as well as talking regularly, both informally and formally, to the various players in the sector. I should note that state and territory governments do have primary responsibility for regulating onshore oil and gas leases with respect to exploration and development.

There is obviously a need for governments to work together very closely in that space. Factors impacting exploration include, obviously, settings at Commonwealth, state and territory levels and commodity prices, market conditions and community engagement, including with traditional owners. I mentioned before land access, as well as taxation and royalties. The government funds several programs that support exploration. There is the Gas Industry Social and Environmental Research Alliance, which brings together CSIRO, the Commonwealth, states and territories and industry to provide high-quality, independent scientific research and information to

communities in the regions on topics related to exploration. Equally, Geoscience Australia collects and publishes pre-competitive data that assists in de-risking investment and exploration by industry. Programs include Exploring for the Future, the Trusted Environmental and Geological Information program and the Data Driven Discoveries initiative. I should mention that those programs do support multiple industries beyond resources. They support agriculture, hydrogen applications and carbon capture utilisation and storage.

Senator McDONALD: Thank you. Earlier—I can't remember if it was you, Ms Urquhart, or the secretary—you mentioned the offshore acreage releases. Which releases were you referring to?

Ms Urquhart: We've had pretty much annual acreage releases up until and including last year. So the 2022 offshore petroleum exploration acreage release was announced on 24 August. Bids will close on 2 March this year. Ten areas were released for bidding—offshore Northern Territory, Western Australia, the territory of the Ashmore and Cartier Islands and Victoria—all in what are known as established petroleum provinces close to existing infrastructure. That comes on top of the 2021 release announced on 15 June 2021 comprising 21 areas and covering approximately 80,000 square kilometres across the Bonaparte and Browse, Northern Carnarvon, Otway, Sorrell and Gippsland basins. Bidding for that closed on 3 March last year and resulted in 10 bids across nine areas. The National Offshore Petroleum Titles Administrator, which is embedded in the department, has assessed those bids. We anticipate joint authority decisions soon.

Senator McDONALD: That was March last year that expressions closed?

Ms Urquhart: On 3 March 2022.

Senator McDONALD: And 12 months later we should have a decision. Has anybody withdrawn from that process?

Mr Lawrence: I think we would need to take that on notice.

CHAIR: Senator McDonald, I know you will have a couple more questions. I'm also advised that Senator Pocock has some questions of ARWA, which is in this program and would be here somewhere. We might start to bring them forward while you continue your line of questions.

Senator McDONALD: Thank you. I am interested in those acreage releases. What was the close date for the acreage release for 2022, which went out on 24 August?

Ms Urquhart: It was 2 March 2023.

Senator McDONALD: I see. I think the acreage releases have been raised as a possible solution to supply shortfalls. How would you propose that gas enter the eastern domestic market?

Ms Urquhart: Well, the extent of the area is covered. The acreage releases do extend into areas that could supply to the eastern market. Notwithstanding that, it's obviously coverage that we are alert to. What I didn't do was point to the future. Nominations for the next offshore exploration acreage release closed on 1 September. We're into another process of public consultation and bidding dates. I think what is important to mention again is that acreage releases are obviously critical to advancing exploration and then investment in new projects. Notwithstanding that, there are lots of other considerations that come into projects advancing successfully through that pipeline, as I mentioned before.

Senator McDONALD: Can we come back to that in a moment? Could you take on notice the number of acreage applications? I'm not seeking any commercial in confidence; I would just like to know the number for the 2021 release.

Ms Urquhart: I can tell you now.

Senator McDONALD: I want to do it comparatively with 2021 and 2022. You are about to do another acreage release. When will it go out?

Ms Urquhart: For 2021, it was 10 bids over nine areas. For 2022, bids will close on 2 March, so we don't have a figure yet that we can give you.

Senator McDONALD: So 10 bids for 2021, and 2022 will close on 2 March. What date is the close date for questions on notice?

CHAIR: It is 3 March.

Senator McDONALD: I could ask you on notice how many applications you get for 2022. I will follow up on 2023 at the next lot of estimates.

Ms Urquhart: Sure.

Senator McDONALD: Which acreage releases would provide gas to the east coast market? You said that some would be able to.

Mr Lawrence: The areas released for exploration around the Otway and Gippsland basins would definitely provide gas to the east coast market.

Senator McDONALD: Do you have an idea of the prospectivity of that?

Mr Lawrence: I don't have that. Given both basins are producing basins and are close to existing infrastructure, I would say they are highly prospective.

Senator McDONALD: How many releases were in the Otway?

Ms Urquhart: I think we would have to take that on notice. We know that there were 21 areas across the group. Specifically broken down per basin, we would need to come back to you on that.

Senator McDONALD: Thank you. Take on notice the number of releases across the 21 areas.

Ms Quinn: I just note that you've asked about the continuum over years, which is really important given the length of time it takes from the acreage through to approvals through to how companies are organising their finance to supply. Clearly, acreage releases going back in time would also be important because they nest with each other through time. There would have been acreage releases back earlier than 2022 that would then have subsequent ability to feed into the east coast. That is just a perspective. It's not one year that matters; it is the consequent sequence over time building up the stock of available area for companies to then make their commercial decisions on.

Ms Urquhart: With your indulgence, just on the question you asked us to take on notice, we would like a bit more clarification of what you would like to know.

Senator McDONALD: Which question?

Ms Urquhart: When I answered about bids, you asked a question. I wanted to catch your terminology again. The relevant general manager is with us and is just asking for clarity on that.

Senator McDONALD: I was interested in the annual acreage releases. To Ms Quinn's point, I think we were starting at 2022. Perhaps if we start at 2021.

Ms Quinn: Or even 2020, to be honest, because 42 areas were released in 2020. That is building up a stock. We can go back to 2020 and provide the sweep of acreage releases—where they were and the number of bids. We could provide that on notice.

Senator McDONALD: And the areas. I would like to know if any bids were withdrawn or any acreage was not continued with post offer.

Ms Kesteven: Suggested clarified bids for the acreage or ones that had been released? So nominations of acreage areas, or bids for acreage once it had been released? There are different numbers for those.

Senator McDONALD: Perhaps you could explain to me, then, the difference between nomination areas and bids for acreage.

Ms Kesteven: Sure. At the very beginning of the process, we invite industry to nominate areas to be considered for release. The government does a comprehensive internal consultation process to eliminate areas where there are conflicts with other activities or particularly sensitive environmental areas. It then goes to public consultation. We take all public comments into consideration then. The minister will then make a decision on the final acreage areas put out for release. That is the launch of the acreage release itself for that year, and bidding opens. It is then open for a number of months. That is the one that Ms Urquhart referred to for the 2022 round. The bids would then be put in for the acreage, and awards will be offered and granted.

Senator McDONALD: Thank you for clarifying that. I'm interested in the acreage bids, not the nominations. That's interesting. I'm happy to get information on that. It was really the bids on acreage. I have one last question on this.

CHAIR: And then I will go to Senator Pocock.

Senator McDONALD: Terrific. Thank you. Secretary, is the stalling and uncertainty surrounding the two east coast LNG terminals a potential risk to LNG being imported into the east coast market from these other acreages?

Ms Quinn: There is clearly in the near term, through the heads of agreement, enough supply on the east coast. In terms of the commercial decisions around importation, that is always going to be a matter for industry on their business model versus the availability of supply on the east coast. I might throw to my colleague to add anything.

Ms Urquhart: I stand to be corrected by my colleagues. My understanding is that the import terminals relate to the processing of LNG for export. They don't relate to bringing gas onshore to the domestic market in Australia.

Senator McDONALD: Could you explain to me, then, how the gas would come onshore otherwise?

Mr Lawrence: I don't like to correct Ms Urquhart, but in this case I will. The regasification terminals are about bringing gas onshore into those markets. Your question is around the timing of those projects. You are saying that they are stalled. It is probably best directed to our colleagues at the Department of Climate Change, Energy, the Environment and Water because they look after gas infrastructure and they look after the approvals of those projects. My understanding is that the Viva Energy project in Corio in Victoria is not expected to be operational until 2024. With regard to the Port Kembla energy terminal, as I think it is referred to, my understanding is that construction is not due for completion until the end of 2023. I think when the price caps were introduced, there were positive statements made by Squadron Energy that the terminal would still be feasible. My understanding is that the proposed import terminal in South Australia proposed by Venice Energy is not targeting commissioning until the first half of 2024.

CHAIR: I will insist on sharing the call. We have more time with you and this program. I will go to Senator Pocock.

Senator BARBARA POCOCK: Thank you, Chair, and thank you, officers, for being here. My questions relate to the nuclear waste dump at Kimba. Minister, on 13 January this year, the Minister for Resources, Madeleine King, visited Kimba to meet with local community members and view the planned site for the National Radioactive Waste Management Facility. I understand—in fact, I know, because I've talked with the farmers since—that she met with local farmers at length and the traditional owners, the Barnjarla people. Last night, my office was part of an online meeting with the Barnjarla people, where one of the traditional owners, elder Dawn Taylor, who was born in Kimba very near the proposed site, said, in response to talk of millions of dollars that Minister King has offered to the Kimba community, and I quote, 'It's not about the money for us. Madeleine King doesn't care about our country, even though it's part of the Seven Sisters dreaming.' What is Minister King's understanding of the Barnjarla sentiment towards the facility?

Senator Ayres: As you would know, the backdrop to this is that the previous government introduced a bill to legislate the facility. The bill would have stripped traditional owners of their right to appeal the decision via judicial review. Because of the approach that the Labor Party took to that legislation, we were able to negotiate a positive outcome for traditional owners that has secured their rights to judicial review. That is important backdrop, which gives an indication of not only the minister's but also the government's view about the rights of traditional owners in this context. Minister King has visited. It's our approach not just to meet with people who agree with us but people who disagree with those projects. I think she would have listened carefully to the views expressed to her at the time.

Senator BARBARA POCOCK: Minister, how do you reconcile the unanimous, the persistent opposition and certainly the expenditure, which I'll get to, of an enormous amount of resources from the community to protest and defend their country? How do you reconcile that with the Voice, a voice for local people, for people for whom this has long been their country? They are the custodians for the country. They are speaking with a single voice asking for this not to occur on their country. This is a very special issue in South Australia, with its long history of nuclear weapons testing and the damage and long intergenerational ramifications from that history. It's so important. How do you reconcile this going against the voice of Barnjarla people so clearly expressed and your support for a Voice?

Senator Ayres: As you know, the government, in an uncomplicated and straightforward way without any contradiction, within our own caucus supports the Voice to Parliament. While it's not the business of this committee, we will bring forward legislation. There will be a referendum later this year, which will give Australians the opportunity to have their say over that important piece of constitutional reform that I think we agree is more than necessary. Of course, with regard to the project proposed here, there is a proper legal framework that surrounds the establishment of these kinds of projects. One of the reasons that there has been a failure to land over many decades the final location and the development of a site to safely store radioactive waste is that these are controversial issues in communities. I understand that. I understand the argument you are making about the backdrop to these issues, in particular in South Australia but in other parts of the country too, where these issues are strongly felt by communities.

But South Australians use X-rays. They use nuclear medicine. They use it for cancer treatments. They use it for all sorts of medical purposes. We have a responsibility as a government to deal safely with the issue of the safe storage of nuclear waste that is largely produced from the nuclear medicine sector. There is some low-level and intermediate level radioactive waste. It is safely managed at the moment in temporary storage facilities. This is a 40-year problem, though, that cannot be resolved with the ongoing usage of temporary storage facilities. As a government, we believe that we've got the balance right here.

Senator BARBARA POCOCK: Your language of proper legal framework will be of no comfort to elder Dawn Taylor and her community, who are unsatisfied and disturbed. Indeed, it's a really significant challenge to them as a community. They've stood so strong. This is disappointing answers and a real contradiction between support for the Voice, which I share, and for treaty and for truth telling. We tell the truth about nuclear waste in South Australia. We ask for no further harm. That is what Dawn Taylor is asking for.

I want to move on. We've just had one-third of the nation on high alert over a caesium radiation source, despite being managed and subject to regulations, that had literally fallen off the back of a truck in Western Australia. Fortunately, it was subsequently found. Can you see how community concerns about the transport of ANSTO's nuclear waste from Western Sydney through to South Australia are both elevated at present and legitimate? It's unclear how that transport is going to unfold. There has been no consultation with South Australians about it being by land or by sea. What is your response to that very high level of concern about the transport of this waste?

Senator Ayres: I might see if there are any officials from the department who are able to answer questions about what arrangements have been made. At this very early stage, in terms of transport of waste, of course—is it caesium?

Senator BARBARA POCOCK: Sorry, I said it wrongly.

Senator Ayres: I didn't want to correct you, because I wasn't confident.

Senator BARBARA POCOCK: You can correct me any time.

Senator Ayres: I wasn't confident myself. It is my high school chemistry. It is caesium. The responsibility for the transport of this caesium, of course, was not the responsibility of the Commonwealth government. Of course, it was action led by the Commonwealth government and the government of Western Australia that resolved this issue far more quickly than people might have apprehended it could be resolved. We are talking about quite different operations here. This is the safe transport and safe storage. There is a very strong governance regime that I'm very happy for the department to go through in some detail. Of course, there will be many more opportunities for consultation and discussion and explanation of the framework and of the practical. How is waste currently stored in drums in a storage facility going to be transported safely to a secure storage facility? I'm happy for questions. Do I know the answers to questions of detail? Of course not. There will be officials here who may be in a position to do that. If not, we're very happy to do that on notice. I just point out that there are going to be many more opportunities. Australia has safely transported waste of this kind for 60 years.

Senator BARBARA POCOCK: Minister, I've sat here and been in many meetings where I have been reassured over and over about the fact that there is never an accident on this, that it's completely safe, and yet we have had this experience so recently, with a \$1,000 fine for the transgression. Clearly, it's a completely inadequate response to such a serious thing. It is not the only kind of transport issue in recent memory. These accidents do happen. South Australians are very concerned. We've got site works underway without any plan. There is no discussion in South Australia. There is no transport risk assessment. There is no transport route determined. There is no reassurance. When can South Australians and others on possible transport routes, especially First Nations people who are going to be living very close to where this transport occurs, expect to see real detail and reassurance? I find it very hard to think that you can give us reassurance in view of the recent accident.

CHAIR: Minister, before you answer that, I will do a bit of housekeeping and timekeeping. That will need to be your last question before the lunch break. We're about to break for lunch.

Senator Ayres: There is a proper framework for managing this kind of transport and this kind of storage. There are more than a thousand movements every month of nuclear medicine related radioactive waste. We have a 60-year history as a country of managing this kind of waste. The kinds of issues that you are referring to that go to this caesium capsule—I don't know whether 'capsule' is the right terminology—and the fines regime I don't think are a matter at this stage for the Commonwealth government. I share your concern about the—

Senator BARBARA POCOCK: Appalling inadequacy.

Senator Ayres: consequences for that mismanagement. Of course, like every Australian and every Western Australian, I am delighted that the issue was resolved so quickly.

CHAIR: Thank you, Minister. Thank you, Senator Pocock. The committee will now break for lunch.

Proceedings suspended from 12:59 to 14:03

CHAIR: Welcome back, everyone. The committee now resumes with the Department of Industry, Science and Resources outcome 1 and program 1.3. I will proceed in 10-minute blocks because I understand a number of senators have questions.

Senator McDONALD: I'm sorry, but I don't recall whether it was Ms Urquhart or Ms Quinn who identified the import terminals that we were talking about before.

Ms Urquhart: Misidentified the import terminals.

Senator McDONALD: Excellent. Would you be able to list them for me? I'm happy to take that on notice. I would like the name of the terminal, the location, the proponent and, if you know—I appreciate that this may be a department of climate change question—approvals that have been granted and whether work has commenced.

Ms Urquhart: The status generally.

Mr Lawrence: As I mentioned earlier, there's the Viva Energy project for the import terminal in Corio in Victoria. It is down near Geelong. My understanding is that it is planned to be operational by 2024. Issues relating to project approvals you should discuss with the Department of Climate Change, Energy, the Environment and Water.

Senator McDONALD: And the proponent, please?

Mr Lawrence: The proponent is Viva Energy. There's one at Port Kembla. I think it is the Port Kembla energy terminal. The proponent is AIE, which includes Squadron Energy. My understanding is that construction is due for completion at the end of 2023. Again, any matters relating to approvals should be referred to the Department of Climate Change, Energy, the Environment and Water. There is one terminal proposed in South Australia by Venice Energy. I don't recall the exact location of that terminal. My understanding is that project is targeting commissioning by the first half of 2024.

Senator McDONALD: EPIK is not on your list? It is in Newcastle.

Mr Lawrence: I'm aware of the project at Newcastle, but I don't have any details with me. I would have to take anything on that on notice.

Senator McDONALD: Thank you very much. On 17 August 2020, Premier McGowan released a media statement claiming that the state government will not agree to exports of local gas to the eastern states or overseas. Is it your understanding that Western Australia can prevent the trade of gas from Western Australia to the east coast, Secretary?

Ms Quinn: They have a lot of control over the licensing arrangements for their onshore facilities. I'm not entirely sure how far that extends in terms of their licensing conditions and things like that in terms of onshore. I will pass to colleagues who might have more familiarity from that time, because it was a few years ago now.

Mr Lawrence: My understanding is that Western Australia has a policy that says onshore gas developed in Western Australia has to be used within Western Australia. It cannot be exported to the east coast, or exported at least.

Senator McDONALD: That is a policy as opposed to a legislative instrument, I understand.

Mr Lawrence: I would have to take the specifics on notice.

Senator McDONALD: I'm only interested insofar as how it will affect the domestic supply on the east coast if those projects are coming to market.

Mr Lawrence: My understanding is that LNG exporters such as Woodside that are looking to partner with the likes of Viva have indicated that would be a spot for LNG cargoes that would be brought to the east coast.

Senator McDONALD: I have some questions about section 92 of the Constitution. Unless you have a resources legal expert here, we might have to leave that. Do you have a legal expert from resources here?

Ms Quinn: Matters around constitutional law are tied works with the Government Solicitor. We rely on the Office of Constitutional Law. We would refer our legal questions to them.

Senator McDONALD: We will park that matter of Western Australia's policy around the restriction of gas to the east coast for domestic supply. Does that mean, Minister, that government supports other large producing states like Queensland implementing their own export ban for New South Wales and Victoria to provide supply?

Senator Ayres: Sorry?

Senator McDONALD: We're trying to address the domestic supply on the east coast. We've just had a brief discussion about Western Australia's policy not to allow onshore gas to be supplied to the east coast. Does that mean that we're going to have to look at states like Queensland implementing their own policies to secure more gas for New South Wales and Victoria and to export less of it? While Victoria is changing their regulatory environment, they have not been producing CSG or fracked gas, unconventional gas?

Senator Ayres: I will just add to what the secretary says. If you want a discussion about the constitutional arrangements, I'm not even a bush lawyer let alone a real one. Perhaps that is better directed somewhere else. It is the case that a significant amount of investment has occurred in gas production in Queensland. But the arrangements that the states make are a matter for them.

Senator McDONALD: I understand, Minister, that Minister Scott Stewart from Queensland is here in the building at the moment seeking to meet with Labor government ministers to express his concern about the gas mechanisms, the intervention into the market and gas supply. Are you aware of that?

Senator Ayres: No.

Senator McDONALD: Are you aware, Secretary, that Minister Stewart is here?

Ms Quinn: The department is, yes.

Senator McDONALD: In October, Senator Birmingham asked Prime Minister and Cabinet whether it is the government's position that it wishes to see an increase in the supply of gas production both onshore and offshore. In response, Mr Chisholm from PM&C replied, 'The answer is yes.' Is that the position of the department, Secretary?

Ms Quinn: This is a government position, which is that if gas projects meet all the required environmental and government approvals, the government welcomes investment in gas production. That's the government's position. We support the implementation of government policy.

Senator McDONALD: Minister, would you confirm that is the position of the government still?

Senator Ayres: Yes.

Senator McDONALD: Thank you. What measures is the government taking to develop increased gas production and supply, both onshore and offshore? Perhaps you would take that, Secretary?

Ms Quinn: Sure. We did run through these earlier. Starting at the very first step, which is about exploration, information and providing facts on the geological make-up of Australia, the government supports that through Geoscience Australia and other scientific endeavours. Then you go through the acreage releases, which we touched on. Of course, there is the environmental approval process, which is administered by another department and minister. Of course, overall, there's clarity around the regulatory framework so that investment decisions can be taken. Writ large, there is monitoring the situation in terms of overall demand and supply. I note that a lot of regulations that impact on gas production and the government's commitment to net zero and the regulation around the energy sector and the transition it needs to go through also provides clarity for those who want to invest in the industry. So there has been quite a lot of change as a result of the change of government and government policies. Those regulatory regimes are becoming clearer. Industry will respond.

Senator McDONALD: So the department is involved with the consultation on the mandatory code of conduct. Is that correct?

Ms Quinn: We have been involved. It is being led by DCCEEW. They have the lead policy process because Minister Bowen is the minister responsible for energy. He has responsibility. ACCC is obviously providing quite a lot of support, as are we and others across government.

Senator McDONALD: We had some discussion with the ACCC about the updates that they were providing to industry, interim guidelines and then further updates. Is your feedback from industry that they are now satisfied and they understand the working of the price intervention, or do you expect that there will be further updates coming from the ACCC on how that works?

Ms Quinn: We have certainly been part of the discussions about clarifying things. As you know, there were guidelines issued in January, I believe. In December, it was government policy and then discussions. We have been joining up industry and clarifying things ourselves. In terms of whether there are specific issues to be resolved, I'm not aware of any at this stage. People might not like the guidance or clarification they get, but there has been a fairly comprehensive discussion. I will pass to my colleagues in case they are aware of more details.

Ms Urquhart: I think the discussion with industry is continuing. I spoke to Simon Duggan earlier in the week. He reminded me that the consultations were continuing and into early March. There is some way to go yet before finalising the mandatory code of conduct arrangements. They are looking at the opportunity for implementation after April.

Ms Quinn: There are two bits. There is the mandatory code of conduct consultation and then there is the discussion around how the temporary price mechanism is working. Quite a lot of that has been worked through as people have started very much progressing what it means for contracts and discussions. On both sides there has been a need for clarity, both on the industrial and retailer users side and on the producers side.

Senator McDONALD: At the same time that you are consulting on the mandatory code of conduct, are you consulting on the ADGSM changes?

Ms Quinn: Yes. The guidelines for that regulatory change are out for consultation at the moment. We are receiving submissions. That process is on foot as well.

Senator McDONALD: How will the mandatory code of conduct interact with the heads of agreement?

Ms Quinn: The heads of agreement is around getting certainty about the supply of gas from the exporters into the Australian market in the near term. The minister is engaging with the parties to that agreement to resolve any questions around the regulatory changes at the end of last year. That stands alone. In terms of the mandatory code of conduct, it is working through a set of possible obligations on both parties to a negotiation. Some of that information is drawing on the discussions around the heads of agreement in terms of transparency of information, how information is provided and the requirements to engage in good faith and those sorts of things. There will need to be a discussion about the heads of agreement subsequent to the code to make sure things are lined up. The sequence is that the heads of agreement is in play now. It is something that is negotiated over time and has a time limit. The mandatory code of conduct would come in. Then you would look at the needs and the operation of the heads of agreement post the code coming into play. I will just check with my colleagues that I have all that sequence correct.

CHAIR: Just while you are doing that, Secretary, and preparing to answer that, let me say that we have gone a fair bit beyond 10 minutes. I understand that you are on a tranche of questions. Would you like to finish that?

Senator McDONALD: I have one more, thank you.

Mr Lawrence: As the secretary said, there is a process. We have been working very closely with our colleagues at the Department of Climate Change, Energy, the Environment and Water to make sure that everything is sequenced. The code of conduct for the consultation closed on 7 February. We've made sure that the consultation on the ADGSM guidelines started after that. It closes next week. Our understanding is that our colleagues at DCCEEW will be consulting on the mandatory code at the end of the month or early into the next. We have been sequencing things along the way. We haven't just been consulting through the formal processes. Minister King, on the ADGSM, wrote to LNG producers putting a proposal to them at the end of December. We took comments back on that throughout January. That informed the guidelines. That wasn't just to LNG producers. It was also sent to international trading partners. So we have been engaging with everybody every step of the way.

Senator McDONALD: The heads of agreement initially brought 157 petajoules to market. I think it was subsequently changed to 146 petajoules to market. It certainly met the ACCC's shortfall requirements. Have any of the parties to the heads of agreement subsequently indicated that they can't agree to it any more following the intervention late last year? It was a voluntary heads of agreement. Is there a new draft being prepared?

Mr Lawrence: The final clause of the heads of agreement says that if there is a material change in the market, such as the price cap or the mandatory code, the parties will reconvene. We are in the process of reconvening with the parties. None of them have walked away at this stage.

Senator McDONALD: You would see that process not commencing again until after you've done the mandatory code of conduct and then the ADGSM, because otherwise it could be null and void again for a significant change in the market. Would that be the sequence?

Mr Lawrence: We are currently working with the minister's office on an updated draft heads of agreement to send out to the companies. As with any negotiation, people will have their positions and how they would like to proceed. One of those options is that they will wait until the mandatory code is in place. Obviously on the pricing mechanisms within the heads of agreement at the moment, they are overtaken, if you want, by the price cap mechanism.

Senator BARBARA POCOCK: I will continue with a couple of questions on the Kimba facility. This is for the minister. It relates to correspondence from Madeleine King when she responded on 9 January to correspondence from the Australian Conservation Foundation about the planned facility at Kimba. In reply, the minister stated, and I quote:

The long-term management of Australia's intermediate level waste at ANSTO is not sustainable.

Yet at the previous estimates, and again in response to my latest question on notice, ANSTO have explicitly stated there are, and I quote:

...no regulatory or legal constraints to continuing interim storage of intermediate level of waste at the Lucas Heights facility and that ANSTO:

could apply for new or expanded storage facilities subject to regulatory processes.

Previously, the CEO of ARPANSA stated that the intermediate level storage at ANSTO is both consistent with international best practice and could safely be stored 'for decades to come'. Minister, do you accept ANSTO's position that there are no regulatory or legal constraints to continuing interim storage of intermediate level waste at the Lucas Heights facility?

Senator Ayres: I just want to make sure that what I said to you prior to the lunch break in relation to the Western Australian matter is correct. The regulatory framework has caused a \$1,000 fine to be issued. There is also ARPANSA's framework. As I understand it, ARPANSA is examining the circumstances that happened in Western Australia. I didn't want you, from what I said, to take it that there was only the state's regulation there. There are other matters that ARPANSA will have to attend to there. I will come back to your question. I would prefer to answer it, unless Mr Usher is in a position to take you through those issues now. I think we have ANSTO this evening, where we can take you to their position. There's a headline proposition. This issue has gone on for four decades. It can't continue forever. I might invite Mr Usher or Ms Urquhart to supplement.

Ms Urquhart: Thank you for your question. I've also seen the response to you to the question on notice. Indeed, ANSTO did state that there were no barriers to the legal storage of waste and the other angle that you mentioned. They answered the question about operating limits defined in safety analysis reports. They also pointed out that their capacity is finite. Their answer really did give a sense that there would be a need inevitably for other viable solutions to store waste. I suggest that, when ANSTO attends later, this would be something to explore further with them just to understand precisely the capacity limits of Lucas Heights.

Senator BARBARA POCKOCK: Most things are finite. As I remember, there was a suggestion of storage capacity for decades ahead. That is plenty of time to find a solution which doesn't trample on First Nations rights and attends to the wishes and views of South Australians, which have not yet been canvassed. Isn't that the case?

Ms Urquhart: ANSTO has certainly made clear that they have done work around the types of waste streams that would need additional storage capacity and when it would be needed subject to the facility coming online at a particular point in time. Again, I think if you are looking for clarity about that capacity and storage need, ANSTO should be able to provide that.

Senator BARBARA POCKOCK: I am happy to go there and ask that. Do you accept ANSTO's position that there is no regulatory or legal constraint to continuing interim storage at Lucas Heights?

Ms Urquhart: My assessment of their answer is that they were referring to their current storage and that continuing to have the waste that they currently store at ANSTO under those criteria in that regard places no barrier as described.

Senator BARBARA POCKOCK: Thank you for that. I will move to legal costs. In the most recent response to a question on notice about legal costs, the government indicated it spent more than \$1.6 million on external lawyers. That is in addition to internal legal costs, I assume, with further time spent on internals. That is a cost against the Bungala people on the judicial review court case. Most of this spend—more than \$1.5 million—has been under your Labor government. In contrast, the Bungala people have spent around \$500,000, which is still a great deal for a small community. Do you think it is an appropriate use of taxpayers' money for a Labor government to outspend the traditional owners by at least three to one to fight them in court for a project that does not have the support of the community, doesn't have the support of local farmers, has never been tested across our state beyond a small local government area and does not even provide a permanent solution for intermediate level nuclear waste?

Senator Ayres: If there is anybody in the department who can indicate whether there is any variance to the costs—I will put that issue aside for the moment—I'm happy for people to supplement. The short answer is yes. The Commonwealth has a responsibility. Again, I am dangerously out of my depth here in that I am a bush lawyer, not a real lawyer. As a model litigant, the Commonwealth has a responsibility to discharge its obligations fully. That means getting advice and seeking representation that goes to all of the Commonwealth's obligations. That means that significant amounts get expended on matters like this. That is the nature of these kinds of legal matters. There may be somebody in the department who can add more in terms of the specifics. As a matter of principle, the short answer is yes.

Senator BARBARA POCKOCK: I must say that I think many South Australians would be horrified at this level of expenditure for a project which has not yet achieved a success through the courts, is opposed by local First Nations people and has no plan for the transport of nuclear waste. Nothing has been signed off in terms of detail by local South Australians. It is a big expense for something which may come to absolutely nothing. Let me

move on. Can you tell me the status of the Australian Radioactive Waste Agency enabling legislation and when it is expected to be introduced to parliament?

Senator Ayres: I can't tell you anything about that today, but on notice I can provide you with whatever information we have. I'm very happy for anybody in the department to supplement.

Mr Usher: The previous government tabled the Australian Radioactive Waste Agency establishment bill in February 2022. It was tabled but not debated. The process lapsed with the caretaker and the federal election. The progressing of that bill is now a matter for government.

Senator BARBARA POCOCK: Is there a time line, then, for ARWA to become a non-corporate Commonwealth entity?

Mr Usher: As I said, it's a matter for government.

Senator BARBARA POCOCK: It's embedded in that legislation. I have a final question. You mentioned, Minister, that there may be ARPANSA action in relation to the missing capsule now found. Are you able to cast any light on what that action is likely to be?

Senator Ayres: Not any more than I just indicated. I understand that they are considering the matter.

Senator O'NEILL: It is nice to be able to ask you some questions about something that matters so much to Australian businesses, the international economy, climate change and Australian jobs. I'm referring to the matter of gas, which I know that Senator McDonald has been prosecuting. There may be a bit of overlap in some of the questions that I'm about to embark on as I was unable to be here for the whole of her questioning. I am keen to get on the record in a very clear way exactly what the situation is that the government found on arrival and what is practically being undertaken to address the very significant challenges that met us on our arrival here. My first question is: what are the main reforms that are being planned for the Australian domestic gas security mechanism?

Ms Quinn: I am happy to pass that to my colleagues. It is the case that the government reviewed the arrangements for the Australian domestic gas security mechanism in response to the energy situation in the east coast of Australia and in light of subsequent actions resulting from Russia's invasion of Ukraine. There was a review and look at the mechanism. At a high level, the reforms are aimed at making it operationally more effective, a quicker response to the circumstances and making sure that it is enforceable and will deliver gas if it is needed to be called on. In terms of the subsequent technical detail, I will pass to my colleague.

Ms Urquhart: Thank you for the question. The reforms being implemented to the ADGSM, as announced by the government, were changes to the activation process, with activation to be considered quarterly. That is really to bring the mechanism into more frequent consideration. There is protection for long-term foundation contracts. Obviously that is with an eye to our relationships with important trading partners and their reliance on us. LNG exporters in a short form market are to be given responsibility for supplying additional gas to the domestic market. Exporters are to be able to trade their export permits.

Senator O'NEILL: So it's multipronged?

Ms Urquhart: It is.

Senator O'NEILL: I'm sure that it's a reasonably complex piece of work to undertake and critical to the economy and the nation. Can I assume that there was a fair degree of careful analysis before the department embarked on the strategy that now is underway? Could you give me a sense of what analysis the department did to inform the areas of reform and the action of reform in each of those four categories you've just outlined?

Ms Urquhart: The analysis has been going on for some time. In the second half of last year, as the secretary mentioned earlier, we undertook a review of the mechanism. I might hand to my colleague for a bit more of the flavour of the work involved in that review.

Mr Lawrence: On 5 July, the government announced a review of the ADGSM. Between 5 July and 19 July, there was a submission period to look at the ADGSM extension. The result of that was announced on 19 August, with the ADGSM being extended to 1 January 2030. Between 1 August and 22 August, we undertook a submission process for the ADGSM review. That fed into a whole-of-government process, a cabinet process, with the reforms being announced on 25 October.

Ms Urquhart: It might be helpful to outline the seven principles that guided the review. One was to ensure the supply of gas to the domestic market to support manufacturing and energy security. Another was to put downward pressure on domestic—

Senator O'NEILL: Just before you reel them all off, seven principles is a very significant set. We just heard from Mr Lawrence about the complex interaction of a range of ministers and cabinet processes and the like.

Clearly, principles are important in deriving this. Could you just restate that first one, because it seems critical to me. I'm pleased to hear it, but I want to understand a bit more.

Ms Urquhart: It was to ensure the sufficient supply of gas to the domestic market to support manufacturing and energy security.

Senator O'NEILL: That's a pretty important principle to be driving. That remains the first principle in your ongoing work. Is that correct?

Ms Urquhart: Certainly they were the principles that underpin the review. That review has segued, obviously, into the work that we've done around the reforms.

Senator O'NEILL: The principles haven't changed, though, that continue to inform your work, have they?

Ms Urquhart: Indeed.

Senator O'NEILL: What is the second one?

Ms Urquhart: Put downward pressure on domestic gas prices.

Senator O'NEILL: Can I just ask the obvious question: why is that so important?

Ms Urquhart: I'm not an economist. I know the secretary will shudder when I say this. Obviously, preserving supply for the domestic market is considered to put downward pressure on prices.

Senator O'NEILL: And the third principle?

Ms Urquhart: Maintain Australia's position as a leading contributor to global energy security.

Senator O'NEILL: A good international citizen. Number four?

Ms Urquhart: And actually more pointy than that. There are key partners, such as Japan and Korea, that are reliant on Australian LNG and who regard us as a trusted supplier. It's very important for us to have an eye to their needs as well as the trajectories they are on, as it's a global endeavour, obviously, to move towards net zero.

Senator O'NEILL: Of course it's important that we continue to engage where we've committed previously. Sometimes I feel that there's a little doubt put on the emphasis of that. That is only point 3. We've got more to go.

Ms Urquhart: We do indeed.

Senator O'NEILL: Point 4?

Ms Urquhart: Point 4 was respect the trust that trading partners and international investors have shown in Australia's resources and energy sectors. International partners have invested in the resources and energy sector and in the exploitation of those resources and obviously expect a yield from those investments.

Senator O'NEILL: That continues to be part of your focus as you continue your work?

Ms Urquhart: Yes.

Senator O'NEILL: Thank you. What is the fifth one?

Ms Urquhart: Support the energy transition in line with Australia's emissions reduction targets.

Senator O'NEILL: The complexity of the task is just becoming more and more apparent to me as you get down the list. There are many competing needs there. It is a complex task underway in transition. Your sixth point?

Ms Urquhart: Enhance transparency and processes that support competitive pricing outcomes for gas consumers.

Senator O'NEILL: Why is that so important?

Ms Urquhart: It's about fairness of the system.

Senator O'NEILL: Of course it matters to you and it matters to me. We want to make sure that maintains the ADGSM. What about the seventh principle?

Ms Urquhart: Minimise implementation cost and complexity for government and industry.

Senator O'NEILL: I think we're pretty clear that there is a set of principles driving the action to make sure that it progresses in a coherent, ethical and sustained way. Is that a fair summary?

Ms Urquhart: Absolutely.

Senator O'NEILL: You mentioned earlier that there was a shift to quarterly considerations. What drove that decision? What is the rationale for it? How is that operating?

Mr Lawrence: Previously under the ADGSM, a decision to declare a shortfall year was annually. It was based on information provided by AEMO, the Australian Energy Market Operator, in March of any given year

and the ACCC's gas inquiry report. There was one released in January and one released in July. Under the ADGSM process, the minister determining if he or she would declare a shortfall would have a period between July and October to do that. You are relying on some fairly—I don't want to say dated—

Ms Urquhart: Rigid.

Mr Lawrence: not in real-time data, I suppose, for a minister to make those decisions. Under the new system, with AEMO now doing a summer preparedness plan, a winter preparedness plan and its gas statement of opportunities, there's more real-time data. The ACCC is also gathering data on a quarterly basis. Minister King, under the heads of agreement, meets with the three LNG east coast gas producers on a quarterly basis as well. So we've got more real-time information coming in on the forecast information that the energy market bodies rely on.

Senator O'NEILL: This is about data driven policymaking and adjustments in the national interest occurring in a timely way, in line with what I think would already be community expectations. I think people would have been shocked to find out that every year we'll get some numbers and then we'll have to make a decision in a very short time. This is especially so given people's interactions with gas; you use it more in the winter. Clearly, there's a shift in the market over seasonal household use, let alone use by manufacturing industries. How is this changing the practice and changing the quality of interaction between the government, on behalf of the Australian people, and the sector?

Ms Urquhart: It's probably important to note that quarterly process is in play now. It's not waiting on the reforms coming into being on 1 April. Through the heads of agreement, LNG exporters committed to reporting on how they've met their commitments and meeting with the minister to discuss where they are at. They also committed to publishing information about their engagement with the market on their websites and to supplying information to the ACCC to demonstrate that they are in compliance with the agreement that they created together with us. I think it's fair to say that, as Mr Lawrence said, this responds to a real-world situation where changes can occur more frequently. It enables the government and industry to consider responses more often—four times a year, in fact. That way, you're engaging with industry on domestic energy security on what you might call a meaningful time horizon.

Senator O'NEILL: Prior to this quarterly engagement—

Ms Urquhart: It was an annual process.

Senator O'NEILL: What was the problem with that established process, which I am assuming was the practice of the previous government?

Ms Urquhart: Mr Lawrence has been around longer than me.

Mr Lawrence: It just meant the government wasn't able to respond to real-world threats to domestic energy security in a timely manner.

Senator O'NEILL: Given the principles that underpin what you are doing and that you articulated so clearly, I'm surprised that it wasn't operating, as you said, in such a real-world way, because the practical implications of failing to do so are actually against the national interest and put at risk our international reputation. I think I'm going to get the wind-up here any moment.

CHAIR: You are.

Senator O'NEILL: Critically, Australians will want to know about their own supply. Our reputation internationally matters to us, but clearly our fellow citizens expect their government to be making sure that attention is paid to the needs here domestically. How does the new ADGSM ensure that the domestic market is well supplied not just for households but, critically, for industry and particularly manufacturing?

Mr Lawrence: I think it's fair to say that the heads of agreement and the ADGSM work together. The ADGSM is always a measure of last resort. The heads of agreement is an agreement Minister King made with the three east coast LNG exporters to ensure that their uncontracted gas is offered to the domestic market before it is offered internationally, and that it is offered at competitive prices. This year, they will be offered under the price cap mechanism. The ADGSM works so that, if there is a forecast shortfall, it looks forward to ensure that shortfall doesn't occur. As I said, it is a measure of last resort. Part of the process that the minister would go through before activating or triggering it, as they like to say, is that she would sit down with the market bodies—ACCC and AEMO—to understand the information they have about the market. She would also sit down with the producers to see, if there is a forecast shortfall, that it could be addressed without having to limit exports.

Senator O'NEILL: With your indulgence, Chair—there was one statement there about putting the ADGSM and the heads of agreement in context in relation to one another. Can you clarify for me when the heads of agreement expired?

Mr Lawrence: Let me check, because there have been a number of them over time. The first heads of agreement was originally signed back in 2017. There was a subsequent agreement signed in September 2018. The third agreement was signed on 5 January 2021. It was due to expire on 1 January this year, but the minister finalised the current agreement on 29 September last year.

Ms Urquhart: It will expire on 1 January 2026. Of course, that doesn't preclude opportunity to change it again should there be a need. There are discussions underway to take account of the government's energy price package and the different elements and how they might interact with the heads of agreement.

Senator O'NEILL: So those negotiations are critical. It's unfortunate that the previous government didn't start negotiations on that heads of agreement before it expired in 2022. Considering how much hot air we hear about how good they are with the gas sector, that is a pretty significant failure. If they were doing it quarterly, maybe they wouldn't have missed the date.

Senator McDONALD: Is it not the case that the final clause of the heads of agreement, as it currently stands and which you pointed to before, states that if there is a significant market intervention, the parties are not bound by it? Isn't that what we had a discussion about just a few minutes ago?

Mr Lawrence: I did not say that they would not be bound by it. I said that there is an opportunity for the parties to reconvene and to determine if any changes are needed.

Senator McDONALD: It's my understanding that the parties were waiting for that to be reconvened. I think it would be bold to say that the parties feel that the heads of agreement as it stands currently is negotiating in good faith given that significant market intervention post their signature.

Mr Lawrence: Minister King met with the three LNG producers, from memory, on 15 December last year. At that meeting, there was a discussion on revisiting the heads of agreement. It was agreed that it would commence in the new year once the parties had a chance to consider the effects of the price cap and the mandatory code.

Senator McDONALD: Do you think the implication of that is that the parties didn't believe that the heads of agreement stood, following the intervention in December?

Senator O'NEILL: That is asking for an opinion and somebody's perspective of what is going on in somebody's head, Senator McDonald.

Senator McDONALD: Is that a point of order, Senator O'Neill?

CHAIR: I'm happy for—

Senator O'NEILL: Yes, I guess it is.

CHAIR: I'm happy for the department official to answer the question as best they can.

Mr Lawrence: I think that the parties to the agreement all agreed that the interventions were significant and it was important to allow some time to understand those interventions and to come back to determine if the agreement needed changing.

Senator McDONALD: Ms Urquhart, you outlined seven principles, including the importance of respecting the trust of trading partners and international investors. Our trading partners and international investors have publicly expressed concern on elements of the draft ADGSM guidelines since they were released last week. I could quote Mitsui & Co's reported comments in the *Australian Financial Review* on 13 February. How are those principles—very aspirational and worthy; I got very warm hearing them—working in reality if our investors and trading partners are saying things as they did in the *AFR* just this week?

Ms Urquhart: We have been undertaking extensive consultation. We have considered both the review and now reform guidelines and associated regulations in a process of communication. It has been constant since at least July last year. It seems to me to be all about respecting the trust of important trading partners.

Senator McDONALD: I attended the Japanese embassy's event this week. I can tell you that a large number of investors, not just in gas and resources but in agriculture and other sectors, were shocked, hurt and puzzled. They didn't understand what they had done for us to treat them in this way, given the speed of the change. I appreciate that you believe that you are informing and consulting, but my direct feedback from trade partners is that is not what they believe.

Ms Urquhart: We'll certainly continue our consultations, because you really underline the importance of that engagement. I think it's important that they understand how built into the process is protection for longstanding contracts and those sorts of considerations. So we will certainly intensify our efforts.

Senator McDONALD: Do you believe that the ADGSM and its quite frequent—four times a year—review of gas supply in Australia and the requirement that LNG exports take gas from overseas contracts supports that idea of the importance of overseas contracts?

Ms Urquhart: There would only be a requirement to take from overseas contracts. There is no requirement actually to take from longstanding overseas contracts of the type we are discussing. The process played out very well last year in the way that Minister King engaged with the east coast gas producers working together with the producers with the shortfall identified. Gas was identified to address that. I'm not sure that I accept that this would necessarily mean any kind of compromise to those important contracts or, indeed, necessarily a triggering of the ADGSM. The process is designed to work together with industry ahead of that potential need.

Senator McDONALD: If the heads of agreement worked so well and the minister had agreement from gas suppliers to bring additional gas to the domestic market, why did you need to intervene first with the price intervention and, I guess more importantly, now with the mandatory code and then the subsequently ADGSM changes?

Ms Urquhart: That process is, Senator, obviously all about supply. I will defer to the secretary.

Ms Quinn: There are a few different issues happening in the gas market. We need to think about what policy tool is being used to address the different concerns. In the code of conduct that is being proposed, there was a voluntary code of conduct that was separate from the heads of agreement. The government's decision to move to a mandatory code of conduct addresses behaviour and competitive dynamics in the industry. Similar to other codes that apply to other parts of the economy, it is a policy tool that comes under the Competition and Consumer Act to address imbalances of power and lack of transparency in negotiating dynamics. That is a very different policy issue than ensuring that there is adequate supply into the east coast gas market.

There is a separate issue about price in terms of the near-term concerns that the government had about the spike in prices and what a temporary high price might do to the industrial structure and households in a high inflation environment. That is a different problem again. The government looked at, through a whole sequence of discussions across different portfolios, the problems in the energy system. It was not just gas but also the electricity system and the supply of coal. It put together a package of different policies that address those different problems.

In terms of our responsibilities, it is around the supply of gas into the market. They all work together to provide a regulatory environment that meets the government's objectives of more affordable energy, the supply of gas for industrial users, maintaining export contacts and our investment environment. We just have to be a bit careful. Just because we've got one policy tool for one target doesn't mean that it can solve all the problems in the market.

Senator McDONALD: I have an article that the chair agreed we could table. It has been distributed. It is entitled 'Crackdown puts gas on backburner'. This is from yesterday's paper of 15 February. We have been talking about the gas supply. We've been talking about domestic supply and hopefully not having to touch international long-term international contracts. That is, of course, all reliant on the investors continuing to invest and bringing more gas supply to market. We've spoken about the major investments list that was published, I think, the day before or the day after but quite close to the price intervention. Subsequent to then, we have seen 12 of those gas projects listed in the resources and energy major projects investment pipeline considered to be facing significant uncertainty following the intervention. We've had discussion that that list won't be updated until next December. Given the range of conversations we've had just recently and the importance of bringing additional supply to market and of securing the long-term contracts and not damaging those long-term agreements, how confident are you that the future supply pipeline is unaffected by the government's decision?

Ms Quinn: As I mentioned earlier, there is uncertainty at the moment because the government is working through the mandatory code of conduct and consulting and talking to people about how the reasonable price mechanism will work and how that might be applied. There is in policy processes a moment where people pause and think about what they are doing. That is entirely appropriate and something that happens regularly. This is a temporary process of consultation. It is not taking a particularly long time. The government is moving very quickly. It is being run by our colleagues at DCCEEW. They are looking to resolve that as quickly as possible. Then the time will be to assess. The key principle in the reasonable pricing mechanism that the ACCC chair talked about yesterday, I understand, is about ensuring supply comes into the Australian market as well as ensuring that there is a balance of bargaining power and negotiation ability in the domestic market. It is entirely possible for those objectives to be encompassed within the regulatory arrangement. That is the objective of the code of conduct. So we don't know exactly what that looks like now, but it won't be very long until we do.

Senator McDONALD: I think we are getting some indicators very early of what it is. I appreciate that you are saying pause, but investors are saying, 'We have other investment opportunities in the world.' Despite us Australians believing that our gas is the best in the world, we are not the only suppliers of gas.

Senator Ayres: Senator McDonald, that is the most self-referencing set of questions I've seen. An article in which you try and spook people with—

Senator McDONALD: Are you the acting chair?

Senator Ayres: Well, you can chair it. There are a series of incorrect assertions in that article, which the discussion with the officials has just demonstrated is utterly incorrect.

Senator McDONALD: Minister, let me ask some questions rather than you make a statement.

Senator Ayres: Well, I'm entitled to answer your question.

ACTING CHAIR (Senator Bragg): I want to make the point that I am focused on what is happening. Obviously the way that the chair, who is temporarily out of the room, has run these hearings over the past couple of days has been on the basis that the senators ask the questions—

Senator Ayres: That's right.

ACTING CHAIR: And then obviously the officials and the minister are able to answer the questions. I do think that we should revert back to that sort of approach.

Senator STEWART: Forgive me, Acting Chair. Isn't it the minister's right to respond to any questions on behalf of officials?

Senator Ayres: I will conclude answering the question. What your line of questioning demonstrates is that there is a deliberate attempt to conflate the short-term and long-term challenges in terms of supply.

Senator DUNIAM: You would say 'deliberately conflate', Minister, wouldn't you?

Senator Ayres: I hope that, in the discussions that you refer to that you had with representatives of partners of Australia, you haven't misrepresented the policy situation to them in the same way that you've done it today and in that article. That's not in the national interest. What is required—

Senator McDONALD: Thank you again for your advice, Minister. I do appreciate—

Senator Ayres: is a level of seriousness about these policy issues.

Senator McDONALD: you providing advice to me about how to do my job.

ACTING CHAIR: Let's just get back to questions and answers. At the moment, Senator McDonald has the call.

Senator COX: I thought we were doing it in 10-minute blocks, aren't we?

ACTING CHAIR: Well, I'm not sure exactly where we're up to. It's no great secret that I wasn't probably as alert as I should have been. I think everyone knows that!

Senator COX: Thank you for admitting that, Senator Bragg.

Senator DEAN SMITH: [inaudible]

ACTING CHAIR: Given the issues we've had—

Senator DUNIAM: It's a Fawltly Towers sort of approach!

Senator STEWART: It's very reflective of you!

Senator O'NEILL: Senator Cox has got questions.

ACTING CHAIR: Hello, Jess.

Senator STEWART: It's gone into disarray since you've gone!

Senator DUNIAM: The funny farm.

CHAIR: Was I needed?

Senator BRAGG: It almost feels like ASIC's back here, with the obfuscating and the like.

Senator McDONALD: Chair, I think I've come to the end of my time. I'm relinquishing the call.

CHAIR: It wasn't that bad, was it!

Senator BRAGG: The reign of terror is over!

Senator McDONALD: I will seek the call again once other people have had the call.

Senator COX: Thank you. I asked some questions on notice last year about the national strategy on critical minerals. I want to pick up some of the conversation from the response I received. The department mentioned that the strategy would work to support clean energy technologies and will ensure that critical minerals are mined and processed in ways that make positive contributions to the lives of local communities, First Nations Australians and the quality of our natural environment and that align with the highest ESG standards. Can the department or minister please outline for me what those positive contributions to First Nations communities are that the department will be anticipating?

Ms Long: As you mentioned, the government is actively seeking to engage with First Nations peoples, communities and associations as part of updating the new critical minerals strategy. We can talk a bit about the process that we've taken to date and the different kind of organisations and engagement that we've had. I would just say at the outset that part of that engagement is about being very open and reaching out to those stakeholders to understand their perspective of the benefits and what they are expecting around this sort of duty.

Senator COX: Sorry, Ms Long. Can I interrupt? I don't want to actually know about the engagement. I've spoken to Minister King particularly about the engagement with industry and not with First Nations people and community. I am interested in the anticipated positive contributions that you speak of in relation to social licence that First Nations communities provide for mining operations of critical minerals in their communities? What are those positive contributions?

Mr Hutchinson: At this point, I think maybe the best way to answer your question in a bit more detail than what we did on notice would be to talk about some of the specific conversations we're having with different mining proponents. They are around how they are engaging with First Nations communities and what the project, should it get up, will mean for those communities. I note that it will be a bit generic because I don't want to reveal specific business planning aspects of particular companies. The examples coming to us are very real.

Social licence, as a component of broader environmental and social governance credentials for these projects, is very important to the mining companies from a range of perspectives. First and foremost, they need to work with those communities in order to have things go smoothly on the ground. Secondly, there are a range of opportunities—I'm speaking, I guess, from the industry perspective here because maybe that is a more genuine way to answer the question—for those projects through local employment, access to land and having community acceptance that this new generation of mines is very conscious of. Finally, if they don't have these sort of aspects tied up well for the project, they are exposed in the international market. Increasingly, investors want to know that there is community acceptance, community engagement and community benefits flowing from them.

Some of the specific things that we talk to proponents about are: How are you communicating and engaging with the communities? What kinds of financial, commercial and economic benefits might flow to those communities? Are you procuring local services such as road building and construction, cartage and haulage, earthworks and that kind of thing, to the extent possible, through local communities, including through First Nations? What opportunities to participate are you giving those communities? What sorts of direct employment benefits do you think might flow through? And I can talk in a second about how we do that in a structured way as opposed to just a nice chat. What sort of skills or education or longer lasting benefits might the project be able to provide for those communities beyond temporary employment opportunities and that sort of thing? Finally, what opportunities are there for the project to work with First Nations people to ensure that they understand where there are sites of particular significance and how they will be protected?

A lot of this stuff is dealt with through state-level planning, but we take an active interest, particularly where government is considering being involved in the project through something like, say, a grant or a loan or even just basic project facilitation. That is a very active conversation. Some companies do it better than others. Some really get it and are not just looking at, 'Okay, I've got to tick a box and do five or 10 per cent benefit sharing or employment or whatever.'

Senator COX: Chook feed, we call it.

Mr Hutchinson: I hadn't heard that one, but I'll pocket it. Others are thinking, in particular aspects of projects, whether there are major infrastructure components that they could outsource largely or entirely to a local Indigenous or First Nations—pardon me if I use inappropriate language—company or organisation to take a leading role in. I can't say which project is doing that, but it is an active consideration. How do we do this systematically? It is through things such as the Critical Minerals Development Program, which is currently open for applications. The grant opportunity guidelines specifically require applications to articulate what they are going to do with the local First Nations communities and how those benefits will be shared. That will flow through into the assessment of the projects. There is a process, once the grant agreements are in place, to check

that those benefits are actually flowing as described. Similar mechanisms can be built into things like loans et cetera. Does that go to your question?

Senator COX: Absolutely.

Mr Hutchinson: Thank you.

Senator COX: I'm interested to know, though, whether this is being driven by industry, where it is self-generating and part of ESG, or is something the government is generating through that grants system. Can you clarify that for me?

Ms Quinn: It's clearly both. The ESG pressures coming from international investors are clear across different components of the ESG. There are the sustainable millennium goals and sustainable targets et cetera. It is not just about climate change but also governance and environment and engaging with First Nations people. It is a global step-up in views. Given a lot of the money that goes to our resources sector comes from international investors, there is a push from that side. But it's clear that the government has a clear policy intent on improving engagements with First Nations people. It's clear in the instructions from the Prime Minister to our ministers in terms of the operation of the portfolio. It's clear to departments in terms of our obligations under Closing the Gap. There are specific obligations on how we go about doing our business as public servants, obligations that we are required to meet as part of the Closing the Gap processes. That flows across the whole Public Service. It is an element that secretaries of departments, for example, actively engage on. It is what we're doing to change our processes all the way through our systems so that it's embedded in the processes.

My colleagues have talked about what we're doing specifically on grants and critical minerals. Of course, you would be aware that the overarching Environment Protection and Biodiversity Conservation Act also has obligations on engagements and processes. We work with our colleagues in our sector to make sure that they are compliant with those obligations. We also work with our colleagues at the NIAA in terms of how to go about it and improve our capability as an institution to do the sorts of work that you are talking about with First Nations people. I don't say that we get everything right all the time, but it's a significant focus and engagement driven by our minister's intentions. It is also a commitment from the Public Service.

Senator COX: You said by the time it gets to the final investment decision. Most of those are international investors. Free, prior and informed consent continues to be a very big issue for the First Nations community. What is the uniform ESG framework that the government is using at the moment? Is there one in existence?

Ms Quinn: It's fair to say that there are different obligations in different parts of the regulatory environment. Those obligations are being tested through the court system. In our portfolio, there have been test cases and legal decisions that will influence the way the law is interpreted. So it is the case that there are obligations in different parts of the regulatory environment. But there is a genuine mechanism for testing those. It's incumbent on the government to review lessons learned in one part and work through matching things. For example, we have had a case go through in relation to the gas system—the Barossa case. We work with our colleagues in other parts of the system to see what the implications for that are. There is an attempt to move together, but there is the reality of different statutes in different parts of the system.

Senator COX: We've seen that happen, obviously, in the Barossa gas field and the example there of the lack of consultation with traditional owners. The fact now is that we have to look very seriously. I also note that the stakeholders I have met with, particularly the MCA and others, show that there is not a necessary want to use the ESG framework. We are adopting language like 'sustainable' and 'mining principles or practices', which don't go to the heart of what ESG actually represents. When I talk about social licence, these are really important parts. We've sat here and heard Senator Pocock's questions. The government can throw an enormous amount of money to contest traditional owners' consultation on country, where they don't want projects like this destroying their environment. We continue to see the enormous amount of power that is used against them when there is a lack of consent and a lack of social licence that has been given as part of that free prior and informed consent. I hope that the department is moving in a direction where they use a uniform ESG framework so that we can actually solve that problem.

I will quickly go to methane emissions and how we are monitoring our offshore oil and gas projects being reported by industry. Can somebody tell me how we are adequately measuring and reporting them?

Ms Urquhart: That is a matter for DCCEEW, the Department of Climate Change, Energy, the Environment and Water.

Senator COX: No problem. I can ask that question there. Decommissioning?

Ms Urquhart: Yes.

Ms Quinn: What would you like to know about decommissioning?

Senator COX: The Centre for Decommissioning Australia estimates that more than \$57 billion worth of decommissioning work needs to be done. Most of it is this decade. This includes the capping and abatement of more than 1,000 wells and the removal of 57 fixed platforms, 535 sub-sea structures, 5,000 kilometres worth of pipelines, 1,500 kilometres of cables and 11 floating platforms. What provision is the government making for the \$57 billion of lost tax revenue that will result from this decommissioning?

Ms Urquhart: I think Ms Laucher could possibly outline for you the provisions under the OPGGS Act in the offshore environment.

Ms Laucher: Decommissioning is a normal and planned activity in the lifecycle of an offshore petroleum project. In terms of taxation itself, I think that would be a question for the Treasury portfolio. I can talk about the frameworks we have in place to ensure a safe decommissioning and remediation of the environment.

Senator COX: Yes. I'm happy for you to talk about that.

Ms Laucher: Decommissioning is part of a broader concept under the Offshore Petroleum and Greenhouse Gas Storage Act. That deals with both the removal of property and restoration of the environment. Under the act, the National Offshore Petroleum Safety and Environment Management Authority, NOPSEMA, is our offshore regulator, and they're tasked with monitoring and enforcing compliance with legislative obligations. The base case for decommissioning is that all infrastructure must be removed once it's no longer in use, unless it's able to demonstrate an alternative approach with either equal or better environmental and safety outcomes. If a title holder does not comply with those obligations, then NOPSEMA has a range of compliance and enforcement mechanisms in place to ensure that that removal of property and remediation of the environment is undertaken.

Senator COX: Thank you. I'll reserve my other questions around tax for Treasury.

Senator McDONALD: The REMP states:

Since the last *Resources and Energy Major Projects* report, over \$30 billion has been committed to oil and gas/LNG projects. Growth in oil and gas prices encouraged FID for several very large gas projects, notably Scarborough, the Pluto expansion and Crux LNG—all located in Western Australia (WA).

Most of the future investment in gas in this report seems to be on the west coast. Is the department concerned about the lack of future projects in Victoria and New South Wales?

Ms Quinn: It's correct that the significant increase in investment and the final decisions were all in Western Australia, as in the most recent major projects report. We mentioned earlier that there's a flow of acreage releases and the implications that would have flowed through time. There is a significant amount of projects going through the steps on the east coast, with various time lines and various hurdles they have to go through. The ACCC has looked at the shortfall situation, and other than the immediate issue, which is resolved through the heads of agreement mechanism, things look okay out to 2027. Beyond that, there is a projected shortfall which would depend on the supply and demand. It is something we keep a very close eye on. You mentioned the annual release of the official statistics partly because that's a process we go through, but we do keep track of things in the meantime. We need to keep a close eye on the release of projects. It doesn't matter so much where it is on the east coast, given the connections of pipelines, unless there are capacity issues in the pipelines. That in itself is a regulatory process that the Department of Climate Change, Energy, the Environment and Water is looking at to make sure there are sufficient pipelines and the pricing is available to get the gas through the system. It is a watch-point at this point. The concerns are beyond 2027 against the ACCC assessment. But, as we've talked about, things can change, so it can't be a set-and-forget process.

Senator McDONALD: Thank you. Over the course of consultation on the ADGSM heads of agreement gas code, has the department learnt of any future investments in gas projects now under a cloud or not going ahead where proponents have cited the government's intervention as a reason?

Ms Quinn: We are aware of the press releases where people say they're pausing to consider the situation as they get clarity on the situation. That's not unexpected at all. There will be clarity provided within the next few months, and then we will assess the situation again.

Senator McDONALD: Is the department aware of any new, significant projects to bring gas online that have been announced since the intervention?

Ms Quinn: We're not aware of any new ones having been announced.

Mr Lawrence: I believe Santos earlier this week announced that it had received the relevant environmental approvals for the Dorado project in Western Australia.

Senator McDONALD: So it's just the one project? There's nothing on the east coast?

Mr Lawrence: I think it's fair to say that, in our engagement with industry, companies continue to talk with customers for forward investment. In some cases, it's buyers that have actually stopped talking to them, not gas producers stopping talking to customers—that's what we've been told. As the secretary said, they're waiting to see what the rules of engagement are.

Ms Quinn: It's also the case that it has only been a few months. There's a seasonality, as well, to some of this assessment, given summer holidays and things like that. It is something we're actively looking at.

Senator McDONALD: Thank you. If moratoriums are not lifted on gas exploration and production and there are no additional gas supplies brought on close to areas of demand in the south, isn't it inevitable, as evidenced by the data contained in the ACCC's most recent report, that long-term LNG contracts with international customers will have to be broken to meet domestic requirements under the proposed new ADGSM? There'll be no choice, given the lack of supply side policies, but to break contracts and trust with our trading partners.

Ms Quinn: There are regulatory environments in place to prevent such an outcome. That is the intention of the government: to make sure there's enough transparency to the market and that the regulatory regime is known to everybody. There are incentives in place for people to provide the gas that consumers need, at reasonable prices. That's the intent of the regulation, and the government is going through the process of implementing that regulatory regime. There are a whole bunch of steps before you get to the possible outcome that you foreshadowed. All I can say is that it's in everybody's interests—the government's, industry's, consumers' and the regulator's—to achieve an outcome that balances the need for international investment, reasonably priced gas for industrial users and the quantity of gas and where it needs to go to. These things usually get worked out in Australia, and that's my expectation.

Senator McDONALD: Given you've highlighted the amount of time it takes to bring projects to market and the fairly clear vision you now have of production, do you have a projected time line before the government reaches the point of failure and is forced to pull the trigger and to break contracts?

Ms Quinn: The gas industry is making record profits. There is a very large incentive for them to provide additional investment funds in Australia and elsewhere. There is a very large amount of exploration projects, and projects coming through the pipeline. That's the latest data we've got. The foundations are there for supply to come through. We'll have to wait and see, but at the moment the data on the table is that there are record profits, there is a regulatory regime that is intended to ensure supply comes into the system at a Commonwealth level, there are projects on the deck and there's funding available. We'll wait and see, but at the moment all of the things are pointing in the right direction.

Senator McDONALD: You refer to record profits, but the price intervention removed that. That's now at what has been described as a 'temporary price intervention', but at Treasury yesterday the mandatory code of conduct and the reasonable pricing provisions were described as 'ongoing'. Do you think that that change in profitability for gas companies will change their appetite for investment in Australia?

Ms Quinn: The short answer is no. The \$12 is set above the average price that people were using to make investment decisions in the Australian market for a very long time. While significantly lower than the prices being faced by industrial users, \$12 is still higher than the prices that were previously experienced in Australia in the domestic market. The ACCC has provided the advice around setting the \$12 and how it fits with the reasonable pricing regime for the temporary regime that is only for 12 months. Their advice to government, which they have talked about, is that it's a reasonable price relative to the existing projects. As I mentioned today, and as the Chair of the ACCC has said, the intention is that the code of conduct, when it looks at the reasonable price, is very focused on ensuring additional supply comes into the market because additional supply will increase the competition in the market and will increase the availability of gas for consumers. So it does come down to reasonable price ensuring adequate supply over time. That's the intention of the policy and that is being worked through with both users and producers as part of the consultation process now, being led by the department of energy.

Senator McDONALD: You mentioned earlier about the infrastructure constraints at peak points of demand between Queensland and further south. What conversations have you had with the Victorian government, especially about the need for more supply closer to southern demand points?

Ms Quinn: Those choke points and their implications for the gas pipelines actually are the policy responsibility of the department of energy, so I would have to direct you to them. They would be the ones, if anyone is having conversations such as you just asked.

Senator McDONALD: But will you be providing advice to that department on where you're seeing additional gas supply generated from the project pipeline that you are seeing?

Ms Quinn: That's right. We talk about where the projects are and where the potential is and what the resource side of the process is. That obviously informs views about where pipelines need to be. It also informs industries' choices about where they locate their enterprises et cetera, and it all has to come together to work as a market. But the regulatory obligations and the pricing and the arrangements around the gas infrastructure is the department of energy. We work together to think about it. You're right, that where the location of new fields has an influence on the infrastructure demands then the system will need to adjust to work through those issues.

Senator McDONALD: So given that we know that infrastructure construction is not something that happens overnight, are you engaging with the Victorian state government about how they can bring supply closer to home to a head, to market?

Ms Quinn: We do talk to our colleagues across the states in terms of what their arrangements are for supply across the resources sector, not just the oil and gas sector. We are in touch with our colleagues and what they're thinking about and what they're doing. But it is true that infrastructure takes time and so do the projects, so that actually works in favour of good planning in terms of being able to see what's coming down and being able to make decisions on planning. The intention would be that it all works together.

Senator McDONALD: Are you aware of any projects in the Victorian geography that look like they're coming to investment decision within the sorts of time frames that the ACCC is pointing out that there will be a supply shortfall?

Ms Quinn: I will pass to my colleagues.

Mr Lawrence: My understanding is that Beach Energy projects in the Otway Basin will be coming online in the next couple of years.

Senator McDONALD: The Otway Basin is the offshore acreage that we talked about in the 2022 release that they have put a bid in for and was announced just recently. Is that correct?

Mr Lawrence: My understanding is that Beach Energy has had this acreage for some time, is bringing it to market and is developing those projects as we speak.

Senator McDONALD: That's not the Otway Basin project acreage release we talked about before?

Mr Lawrence: No

Senator McDONALD: It is a different one?

Mr Lawrence: Yes.

Senator McDONALD: Terrific, do they have environmental approvals on that?

Mr Lawrence: I believe so.

Senator McDONALD: Great. Perhaps, Mr Lawrence, as the head of this section, I should direct this to you: Have any of your conversations with producers involved discussing how to stimulate investment to bring on more gas? Or is it focused on the regulation, price control and anti-investment options?

Mr Lawrence: I think my team has had, since July, over 70 meetings with stakeholders. While they have been focused on the ADGSM primarily, they have discussed a range of topics, including investment.

Senator McDONALD: Great. Can you give me an example of project-encouraging proposals that you might have been able to consider with stakeholders?

Mr Lawrence: As I said, we met with a whole range of producers as part of our consultation, so we've met with Esso, Woodside, Beach Energy, Cooper Energy, Senex, Comet Ridge, and all of them have talked about projects either in Victoria or in Queensland, and probably South Australia as well.

Senator McDONALD: I was just looking at new initiatives that would assist them to bring new project to investment decision.

Ms Quinn: That all goes to advice to government on different processes and policies. The same sorts of considerations have been around forever. What is the expected price, the expected cost? What is the regulatory environment? What are the market opportunities? It's the case that the demand for gas is significant in Australia. There are different views about that but there is a transition support for emissions reductions targets that are in place at the state level as well as the Commonwealth level. There is a lot of clarity around for proponents in terms of the demand side—the prices are very advantageous. There are issues on the cost side that all industries are having to reassess and refocus on in supply chains. In terms of regulatory environment, the regulatory framework is the thing people have raised with me. The point they make is that they deal with lots of different regulatory regimes and different states and countries around the world. It is understanding the rules of the road and then they can optimise investment decisions, so providing that regulatory certainty is important. In that context, it is

important to get regulatory certainty. The regulation environment has to be meeting the needs of the Australian people, so providing certainty is important. The government is working through that in terms of the processes that it is undertaking now.

Senator McDONALD: I'm not sure, Secretary, if I should direct this to you or to Mr Coulter, the acting chief economist for the department. Is Mr Coulter here?

Ms Quinn: It depends on the question.

Mr Lawrence: Is it related to resources?

Senator McDONALD: It is relating to supply forecasts.

Mr Karunarathna: The question can be directed to me.

Senator McDONALD: I want to ask if the department is producing its own gas supply forecast?

Mr Karunarathna: We do not produce a domestic supply forecast in our current work program. We produce export forecasts of LNG. We share that information with other areas of government that do domestic supply forecasts, so the Australian Energy Market Operator and the ACCC.

Senator McDONALD: That's terrific. That gives me a good understanding because I want to understand with the forecasts who will be producing them and which is the part that government will take notice of? Are you sharing that forecast information with the ACCC and AEMO?

Mr Karunarathna: All of our information is public, so everyone can access that.

Senator McDONALD: Yes but, hopefully, they are not just putting it on their website.

Mr Karunarathna: No, we engage very closely.

Senator McDONALD: They are coming and knocking on the door and talking to you?

Ms Quinn: I would characterise it as a close working relationship with peer review. There are many conversations about assumptions and information and peer review processes to test the veracity of different assumptions. All forecasts looking forward are based on a set of consumptions, and its important people are testing those with peers who have relevant information.

Senator McDONALD: So when will you produce the next supply forecast? When will you update that next?

Mr Karunarathna: I'm not sure which of our publications you are referring to. We produce a resources and energy forecast about exports on a quarterly basis. The March quarter results will be by the beginning of April, and then we produce an annual resources and energy management project report, which always coincides with the release of our fourth-quarter resources and energy quarterly, which is towards the end of December.

Senator McDONALD: We've had a bit of conversation about that before the last one was published either the day before or the week of the price intervention regulations that were introduced. I was asking whether or not there would be an interim report, but it sounds as though the resources energy quarterly report will inform what's happening over the next three quarters before the REMP comes out.

Mr Karunarathna: That doesn't do a comprehensive list of domestic projects. We are working with AEMO and ACCC on how we can get the best quarterly data to inform the minister's decision-making on the quarterly ADGSM. As you'd know, the Australian Energy Market Operator does an annual gas statement of opportunities report, which we and the ACCC draw heavily on. We'll be looking to supplement that with contractual information that the ACCC is able to get through their powers.

Senator McDONALD: Minister, how do changes to the ADGSM, an emergency export limiter, increase gas production onshore or offshore.

Senator Ayres: The problem for you, I think, is that there is a very strong connection between what the government is working through in terms of all of these mechanisms and the short-term questions about gas supply. For the long-term issues around gas supply, there is a relationship between what we say and what we do. I know that may be a foreign country to people from the Morrison government. During the Morrison government and the Turnbull government periods, the government did everything it could do to increase gas supply except anything that would increase gas supply. The only reason there have been any increases on the east coast in terms of gas supply is the Queensland Labor government has opened up exploration in Queensland.

It's really unclear to me how this act is pulled off for and against gas supply, for and against regulation, for and against the gas mechanism, and for and against price caps. I look back at what Senator Canavan had to say in 2017. You complain about what ministers say now; he said:

The Australian government is focused on ensuring domestic gas users have access to a sufficient supply of gas at a reasonable price.

Senator McDONALD: Chair, do I need to repeat the question for the minister?

Senator DUNIAM: The world according to Tim Ayres! It's going to be a best-seller, that one! It really is.

Senator McDONALD: Relevance is my point of order, chair. I specifically asked how the changes to the ADGSM, which is an emergency export limiter, increase gas production onshore or offshore. It's okay if you want to take it on notice.

Senator Ayres: I'm not sure I understand your question. You've just gone through quite some detail with the department—

Senator McDONALD: Yes, on supply—

Senator Ayres: and you've jumped around between short- and long-term supply issues. I understand there's a strategy to conflate these questions. The department has been very thorough in answering the questions. I understand there's an effort to try to create an apprehension that there's some uncertainty being created as the government works carefully through what future alterations might be required to what has clearly been a deficient ADGSM that was cobbled together by a previous government, and that case has not been able to be made out I anticipate there will be further efforts to do that, but—

Senator McDONALD: Minister, I'm only asking questions on behalf of our shared stakeholders and industry who are—

Senator Ayres: Is that right?

Senator McDONALD: Actually, yes.

Senator DUNIAM: She's asking some good faith questions and wants more than political spin.

Senator Ayres: Well, you've got answers in detail.

CHAIR: I'll just make the standard statement that questions are asked and ministers answer them and senators may not always like the answer but an answer has been given—

Senator DUNIAM: Good point—we don't!

CHAIR: Senator McDonald, you have the call for more questions.

Senator McDONALD: As the government, you remain confident that policy interventions will not cause a shortfall. Do you believe, Minister, that the ADGSM will not be triggered this year?

Senator Ayres: There are arrangements in place, which were well publicised and the subject of a lot of discussion in the last quarter of last year. Those arrangements stand. I see nothing that diminishes my confidence that those arrangements won't remain in place for the duration that they were made for. The government are consulting with industry now and we are considering the future shape of all of those arrangements, and we're doing that in the interests of all Australians. It is clear that the task in front of the government is to deal with the short-term price and supply challenges that are being brought into sharp relief because of Russia's illegal invasion of Ukraine and the impact that has had on gas prices around the world.

In addition to that, we have to focus on the long-term supply challenges because there will be a requirement both within Australia and in our domestic market—on the west coast and on the east coast—for gas supply for households, and for business and manufacturing on the east coast in particular. There will be a requirement in global markets for Australian gas. I think one of the officials set out, in response to some of your questions, why it is important in emissions terms that gas is available for our partners in terms of their industrial processes; why it is important in economic terms; and why, frankly, it is important in security and global cohesiveness terms. The government are going to continue to pay very close attention to those matters and we'll do it in a careful and coherent way. One of the reasons that the last six to 12 months have shown that the arrangements that were in place before have not been resilient—

Senator McDONALD: Minister, I will run out of question time. Can we bring this to the head please?

Senator Ayres: is because we sit against the backdrop of 10 years of policy failure.

Senator McDONALD: Terrific! Okay. Minister, can you then confirm—

Senator Ayres: That's why we are recovering and trying to bring back some coherence to this area of policy.

Senator McDONALD: Thank you for that. You should never ask a politician to say in 10 words what they can say in 100—thank you for living that out.

Senator Ayres: We share this challenge, Senator.

Senator McDONALD: Can you guarantee right now that the ADGSM will not be triggered this year?

Senator O'Neill interjecting—

Senator McDONALD: I did ask that. He didn't address that. He talked around the world.

Senator O'NEILL: He absolutely did. You didn't get what you wanted.

Senator DUNIAM: Order, chair—we're interrupting a steady flow, here.

Senator Ayres: I said, I think, in the first 30 seconds, that—

Senator O'NEILL: The one-way traffic flow!

Senator DUNIAM: Yes, exactly.

Senator McDONALD: Can you guarantee it? It's yes or no.

Senator Ayres: I'll just wait for a bit of quiet. Senator Duniam has been very well behaved so far—

Senator DUNIAM: Generally. Sorry Chair, I'll admonish myself.

CHAIR: The minister.

Senator Ayres: There is a set of arrangements in place.

Senator McDONALD: Yes or no?

Senator Ayres: There is nothing that I have seen that diminishes my confidence that that set of arrangements won't to continue for the full duration.

Senator McDONALD: Excellent. So that's a guarantee that the ADGSM will not need to be pulled?

Senator Ayres: I said what I said.

Senator McDONALD: Great. Noting Mr Lawrence said that the ADGSM is a measure of last resort, would you agree that triggering the ADGSM due to supply shortfalls would indicate that your policy interventions have failed?

Senator Ayres: The ADGSM is a policy measure that was cobbled together, I think, during the Turnbull period. We, as a government, are—

Senator McDONALD: But you're making changes to the ADGSM, Minister?

Senator Ayres: engaged in considering changes—

Senator McDONALD: You're consulting on that.

Senator Ayres: and we'll continue to do that. That's all I can say.

Senator McDONALD: Terrific, thank you. In response to question on notice BI-123, the department stated:

The Department provided advice on the economic impact of the closure of coal fired power stations and associated mines in specific regions.

Can the department advise as to the specific coal-fired power stations and mines it provided advice on?

Ms Quinn: I'm happy to take that on notice. I'm not familiar with that advice. I think we had an exchange last time and it was prior to my arrival. So, I'm happy to take the extra specificity that you asked for on notice.

Senator McDONALD: There has been a question on notice that has identified economic impacts on the closure of coal-fired power stations and associated mines in specific regions. You took this question on notice last time. I would be incredibly frustrated if this was taken on notice again. I'm looking for the specific mines and regions in which the department provided advice on the economic impact of the closures of these coal-fired power stations and associated mines in specific regions—that's your response, not mine.

Ms Quinn: Yes; the government's response. I'm happy to take it on notice. I don't have that extra information before me. I'm just checking with officials. With your indulgence, the officials that did that work are part of our industry development area. They'll be here a bit later today, so I can check with them to see. They're on program 1.2. I'm happy to see what they might be able to provide in the meantime. Otherwise, I'm very happy to take the specifications that you've asked for on notice.

Senator McDONALD: I think that's perfect, because they are now listening and they know that I'm asking them to bring specific information on the advice that the department provided on the economic impact of the closure of coal-fired power stations and associated mines in specified regions. It is a single document. I would ask that they bring it. It is not a cabinet document—

Ms Quinn: I'd have to check all of that, because as I said, I'm not familiar with the exact document. I'm happy to talk to the officials that were involved in the work and see what we can do to provide support. I just note that we always have the option on taking things on notice and consulting with the minister.

Senator McDONALD: That would be the case if the department officials hadn't just had notice that I'm going to ask this question. Like all good organisations, it will be available on a Google Drive or something—

CHAIR: No, Senator McDonald. I'm having a bit of sympathy for the officials who've literally been answering predominantly your questions for hours and doing the best job that they can do.

Senator McDONALD: Yes, they have. These are fresh officials who are coming!

CHAIR: The ones that you're asking questions of at the moment are doing, I think, their best to answer your questions. I'd ask that you just continue with your questions.

Senator Ayres: Senator McDonald, the department will do the best that they can to help you this evening and this afternoon, but they do have the option of taking that question on notice if that's what's required.

Senator McDONALD: Yes. I am flagging that this question has already been taken on notice. This is not a new question, and it would seem to be an obstruction of the Senate process if it was to be taken on notice again, and so I ask, given that the fresh officials—

CHAIR: As the chair, I do feel like I've just dealt with this issue, and I'd ask you to continue your questions.

Senator McDONALD: Thank you, Chair. I am also flagging that, as the inquiry body, it wouldn't be appropriate, I wouldn't think, for the department to take something on notice multiple times.

CHAIR: I just ask you to continue your questions.

Senator McDONALD: Okay. Thank you. Secretary, what are the key focuses of the Critical Minerals Development Program?

Ms Long: The Critical Minerals Development Program is a \$100 million program that provides co-funded grants. It supports early to mid-stage critical minerals projects through challenging points in their development cycle. It aims to help them overcome technical and market barriers to their production.

Senator McDONALD: The member for Hunter, in a speech delivered to the Federation Chamber on 7 November 2022, stated:

The Critical Minerals Development Program has also been reframed to more closely reflect our objectives, incorporating Australia's decarbonisation opportunity, gender equality and Indigenous participation ...

Was the minister aware of the addition of these objectives into the Critical Minerals Development Program?

Ms Long: Yes, that's correct. When the government reframed the program, there were, subsequently, some changes that were made to the design. For example, around the grant guidelines for the program, there were changes made to be able to better reflect those priorities in relation to First Nations Australians, and the elements that you mentioned. That means that assessment of proposals under the program will take into account the extent to which the projects will contribute towards those particular objectives. It also means that successful projects may be required to develop, implement or report on action plans in relation to those objectives.

Senator McDONALD: Can you tell me, Ms Long, when the reframing occurred?

Ms Long: Have we got the specific dates?

Mr Hutchinson: We might take the particular dates on notice, but recollection was through the government's consideration of that measure, and then announcement of it in the recent budget.

Senator McDONALD: So you'll take that question on notice? Thank you.

Senator Ayres: I might indicate, on that point, just so that we're straightforward with you, Senator, that work is still ongoing. It will be the subject of cabinet deliberations—I just make that qualification—so that may constrain what it is that the department can provide you with.

Senator McDONALD: The critical minerals funding was already announced at the last budget—

Senator Ayres: To the extent that the work is still continuing, I just add that qualification. Whatever they can provide you with, I'm sure they will.

Senator McDONALD: Right. So there are no new grant programs announced that people can apply for, currently? There was money in the budget, but those programs haven't been announced?

Senator Ayres: Sorry, I thought you were talking about the Critical Minerals Strategy.

Senator McDONALD: Yes, that is what I'm talking about, and that had money attached to it, so I thought that the grant parameters had been landed.

Ms Long: To be clear, in relation to the Critical Minerals Development Program, there was a first tranche where there were six projects that were awarded \$49.7 million in grants, which occurred last year—

Senator McDONALD: They are the ones that Minister Pitt announced.

Ms Long: There is now a second tranche of grants, which is available and open at the moment, for application.

Senator McDONALD: But the parameters must be agreed—just to clarify: we do think the grant parameters have been finalised, and that's not subject to cabinet, because the grant round is announced.

Ms Long: That's right.

Ms Quinn: They were released as part of the opening of the grants, that's correct.

Senator McDONALD: So, Secretary, will these objectives impact any investment decisions made under the program—so the six projects that have already been announced?

Ms Quinn: As a general principle the grants are assessed against the guidelines that go with the release of the timing. There was tranche 1, which was under one set of guidelines, six projects, already assessed, already announced. Tranche 2—the grant opportunity guidelines were released at the opening of tranche 2 in January 2023. Any subsequent bids for those grants will be assessed against those guidelines, including the changes that the government included in the budget 2022-23 reframing.

Senator McDONALD: So we can separate the two tranches. The first is separate to the second lot. Can you explain how these objectives will be implemented into the strategy?

Ms Quinn: The team are consulting at the moment. Submissions are being called for and there have been lots of roundtables in terms of providing a mechanism for the government to update its critical minerals strategy. This is all in the open at the moment. My colleague Mr Hutchinson talked a little bit about some of the consultation processes around First Nations and some of the different options available there. They're all things that we are asking people about how they would like to see these sorts of things reflected in a new strategy. Consultation has happened across different stakeholder groups, industry as well as community organisations. That's all part of the work that the department is doing now to support government deliberations.

Senator McDONALD: I was going to ask you about a time line for the strategy being published, but this is what the minister's referring to, that that will be the subject of cabinet deliberations.

Ms Quinn: That's right.

Senator McDONALD: Can I ask about a time line, or is that part of cabinet deliberations?

Ms Quinn: The government has been consulting now. I think we closed the formal submission stage in February, but I will pass to my colleagues to update on the timing.

Ms Urquhart: It was 6 February. The department had received 108 submissions in response to the consultation discussion paper. Those submissions are currently being reviewed, and we anticipate being able to provide a strategy for consideration to the minister in the first half of this year, so the opportunity is there for her.

Senator McDONALD: That's a terrific response, isn't it? That's exciting. I'm not asking for your opinion. I think that's a terrific response.

Ms Quinn: There is a lot of interest in critical minerals, given the net zero targets, but also the geostrategic implications for the goods that use critical minerals.

Senator McDONALD: It's no secret that I'm lobbying for phosphate and potash to be included on that list.

Ms Quinn: I believe you raised that last time.

Senator McDONALD: I did raise it last time, but I figure if I say it thousand times it will be heard the first time, so thank you. Will the implementation of these objectives affect investment, to your point about the criticality of supply chains?

Ms Quinn: There is a lot of demand for critical minerals around the world. There are great opportunities for investment. As I mentioned in relation to a previous consideration, investors are looking to make sure that they meet community standards. Those community standards are being brought into sharp relief around environmental governance and social objectives, so I don't believe there is a mutual exclusion between meeting community standards and having investment opportunities. Long-term investment frameworks need community support, so there is a mutual benefit.

Senator McDONALD: I was at the Sustainable Minerals Institute in Brisbane, at the University of Queensland, recently. They raised the requirement for sand as a strategic resource requirement that is not considered. It's a very everyday material for construction, for glass, for solar panels. I hope that they have made a submission on this matter. Can I ask if they've made a submission? Is that something you would disclose, or is that confidential?

Mr Hutchinson: We would have to take on notice whether they did. Some submissions are confidential and others are happy to be public. We can take that on notice.

Senator McDONALD: I've read it into *Hansard* that they have an interest in that, so that's terrific. How will these objectives assist in developing critical mineral projects in Australia?

Ms Quinn: I will refer to my previous answer, which is that community support for investment is really important for the stability of projects over time. Where community concerns are addressed in any process it tends to result in a better outcome for everybody. Having good consultation, clear regulatory frameworks and appropriate processes for dealing with any differences of view or conflicts early and openly generally improves the investment environment for all concerned. We have seen time and time again the importance of good consultation and good engagement. We've seen many successful investment processes and projects achieve those objectives, and we will be working to that aim.

Senator McDONALD: Terrific. Department officials, thank you very much for your patience. You have given me a great deal of information and the chair will be delighted to know that is the end of my questions for this part of the day.

Senator O'NEILL: Mr Lawrence, could I just go back to a comment that you made that piqued my interest. I think you said at one point in regard to consultation, in the context some time ago of Senator McDonald speaking about tension with suppliers in terms of negotiations, I think you responded that it's actually buyers who stop talking to suppliers. Did I hear you correctly?

Mr Lawrence: In a couple of instances gas producers have told us that gas buyers have stopped talking to them while they wait for the rules of engagement as well around the mandatory code.

Ms Urquhart: Could I add to that? The ACCC is closely monitoring gas supply. We do too. We are concerned to understand the behaviour of market participants. As a newcomer to this area of policy it has been interesting to me to learn from my colleagues about the patterns you tend to see in contracting of gas across the year. We've had some visibility through our engagement with producers but also of industry users. I will just repeat that Minister King had secured commitments last year from producers to supply 157 petajoules in addition to the 195 or so of gas already contracted to be sold. While there are some east coast businesses who purchase gas from the retail market who may remain uncontracted, for the most part the year is contracted well ahead. So it's not really a genuine indication of the state of contracted gas to be looking at the year in the year, if you see what I mean.

Senator O'NEILL: It goes to the conflation of the near-term and the long-term market and the multiyear nature of arrangements, which really are about significant amounts of gas and money.

Ms Urquhart: It goes to the practices of buyers. Obviously, like in any market, there will be some who would work ahead, dealing either directly or through established large retailers, and others who might leave it and then be working through spot or other avenues. But what we know is that the majority of users had secured gas contracts for 2023. We also know through Minister King's work with the producers that sufficient supply was found to plug the forecast shortfall. And we know that in January, typically, only short-term deals are struck. At the moment it's very difficult to see that there is an impact, but we are alert to it and watching it closely and we will continue to do so.

Senator O'NEILL: I guess in any market where the ACCC starts to take an interest and in other work in this parliament it has become apparent that where there is a power differential negotiation isn't always what we might hope it would be. I think it's important to give the flavour of the complexity of those relationships. It's not just suppliers who might have some uncertainty at this point in time; buyers are also saying, 'Hey, let's take a deep breath.' It reflects well on the department that you're very aware of that, and the complexity is revealed in both parties being engaged in perhaps, a redress of imbalances of power and making sure that they serve all the needs—not just international needs but Australian domestic needs as well. I thank you, Mr Lawrence, that was quite instructive for me, watching at a bit of a distance.

The last part of the questioning from Senator McDonald was around critical minerals—did you say \$100 million?

Ms Quinn: The program, yes.

Senator O'NEILL: There's a before and after tranche 1, tranche 2 situation in which different entities are engaged in bidding for that investment of up to \$100 million in toto. Can you confirm for me if this is correct: I understand that the former Liberal and National government released the first Critical Minerals Strategy in 2019 and updated that strategy in 2022.

Ms Quinn: Yes.

Senator O'NEILL: Did this strategy, released by the former Liberal and National government, discuss the role of critical minerals in regard to net zero?

Mr Hutchinson: Would you be referring to the 2019 strategy or the 2022 strategy?

Senator O'NEILL: I'm happy to take your evidence on both, because the problem has been around at least that long.

Mr Hutchinson: I understand. The 2022 strategy does refer to clean energy technologies at a number of locations throughout the document.

Senator O'NEILL: When did that occur?

Mr Hutchinson: The 2022 strategy was out in the first quarter of last year, I believe. If we take it on notice, we can come back to you with the precise date it came out and those references as well. It's all still publicly available on the website.

Senator O'NEILL: Can you confirm for me if the former Liberal and National government instruct the department to avoid references to net zero or decarbonisation in the 2019 strategy?

Mr Hutchinson: I wasn't around then.

Ms Quinn: We can take it on notice and see whether we had any instructions, and will consider what we might be able to help with.

Senator O'NEILL: Because I wasn't quite quick enough in getting the information down, what were the critical parameters that changed in the new round that you were discussing? You mentioned a few items that were now going to be managed—there were going to be new tests, a reframing of priorities, and a change in language and grant guidelines that people would have to develop, implement and then report on in terms of their obligations? What were those key things that weren't there previously?

Ms Long: I might pass to my colleague to give a bit more detail, but I mentioned that there were a number of areas, including climate action, gender equality and First Nations Australians. In relation to the grant guidelines for tranche 2 of the critical minerals development program, the assessment of proposals will take into account the extent to which the projects contribute towards those objectives. Successful projects may also be required to report on their implementation and achievement of those objectives.

Senator O'NEILL: You speed-talk sometimes, and my hand doesn't move fast enough—I appreciate that, thank you.

CHAIR: Senator McDonald has one question to be put on notice.

Senator McDONALD: A question that you're going to take on notice by agreement: has the department provided any advice to the minister or undertaken any work on a domestic or east-coast reservation scheme since the change of government? I'm happy for you to take that on notice, as the chair has asked me to go that way.

CHAIR: That concludes our questions for the Department of Industry, Science and Resources, program 1.3: supporting a strong resources sector. We very much appreciate your attendance and answering our many questions today. You go with our thanks.

Proceedings suspended from 16:09 to 16:35

National Offshore Petroleum Safety and Environmental Management Authority

CHAIR: Welcome to you all. Do you have an opening statement you would like to make?

Mr Smith: No; we want to use all our time answering questions, of course!

CHAIR: Thank you.

Senator McDONALD: Welcome. Thank you for providing your time this evening. My first question is around your 15 December stakeholder briefing, as mentioned in NOPSEMA's question on notice answer BI-33. Did you proceed with the stakeholder briefing, as you mentioned in your question on notice answer BI-33?

Mr Smith: Yes, a briefing did proceed. If it's the one I'm thinking of, it was in regard to the Barossa court case. There was a very good turnout from industry—over 400 participants. It went ahead, and we outlined our understanding of the court case and how we will be looking for it to apply.

Senator McDONALD: That is my next question: what were the outcomes? Can you expand on that, and the purpose?

Mr Smith: I'll get Mr Grebe to elaborate; he was one of the speakers at the forum. Probably the key outcome is providing greater clarity for industry on how we interpret the decision of the full bench of the Federal Court,

and, therefore, what it means for industry going ahead to secure approvals from us. Would you like Mr Grebe to elaborate?

Senator McDONALD: Yes, please.

Mr Grebe: The purpose of the briefing was, as can happen after a court case, our new interpretation of the law. NOPSEMA went through a very rapid update to key guidance and policies that describe how we take into account the environment regulations when assessing environment plans and approving or rejecting them. That needed to be updated to take into account the relevant case law from the appeal decision. The purpose was to brief all stakeholders on that, and that included non-industry stakeholders. As Mr Smith said, there were 400 participants in the room. It was also broadcast live online; I understand there were over 1,000 people attending in that manner. The outputs were to highlight the importance; to carry out consultation in the manner the court deemed needed to be construed broadly under the environment regulations; to highlight the key parts of our guideline that's been provided to assist titleholders; to ensure there is certainty in how the consultation needs to be carried out before environment plans are submitted to us; and to explain that the process would mean that the guideline was being applied because the law decision had been handed down—that's for an interim period. We were also taking feedback—so we explained the process in which stakeholders could provide feedback to us and a continued improvement sense for future updates.

Senator McDONALD: That's great; thank you. Have you released the updated regulatory requirements yet? Is that part of that consultation?

Mr Grebe: Yes. The regulations themselves weren't amended. The appeal decision identified particular aspects, and gave a legal interpretation through that decision, that have to be considered by titleholders in relation to an environment plan 'relevant person' consultation and by us in assessing and accepting environment plans. They cover aspects such as: interests not being confined to legal interests; interests being individually or communally held; and activities being broader than petroleum activity defined in the regulation. It's giving more clarity around what the court determines should be interpreted by way of the provisions of the existing regulations. They came into effect from the day of the appeal decision.

Senator McDONALD: What was the date of the appeal decision?

Mr Grebe: The appeal decision was handed down on 2 December 2022.

Senator McDONALD: So 15 December—that wasn't very long for you to consider to update that advice. Do stakeholders feel satisfied that they understand the broader measures you were talking about?

Mr Grebe: The guidelines are just a part—we updated 15 documents that were directly or indirectly relevant to the appeal decision and the outcomes from the appeal. We did have to divert staff onto that work while carrying out other regulatory activities at the same time. But it's not the only action we're taking; there is the feedback process. We also have a large program, as part of our normal course, of meeting with titleholders individually to provide advice and assist them in understanding the requirements and how they now apply and how we make decisions. We're also meeting with other stakeholder groups such as First Nations representative bodies and First Nations people directly, as well as fishing, industry and other stakeholders, so they also understand the requirements. We have other ongoing actions internally in terms of capacity building, training and other system changes to ensure we make robust regulatory decisions with the new requirements.

Senator McDONALD: Have you consulted with any external bodies or consultants in regard to updating its requirements? You've just outlined a couple of external bodies. Any consultants to assist with that?

Mr Grebe: No. We did the initial update and development of the guideline internally. There's a large volume of information already provided in the Federal Court decision. We are engaging on a range of other sets of guidance, including fact sheets and information papers, to assist stakeholders. Some of that goes to engaging with the National Indigenous Australians Agency to ensure we are providing guidance and information and engaging with those groups in an appropriate manner.

Senator McDONALD: On consultation with the external bodies: did you produce a document of advice or input that they provided?

Mr Grebe: On this topic, no. The guideline itself is focused on explaining the clarifications and how the law should be interpreted after the appeal decision of the Federal Court. There isn't a need to consult for input on that. We have worked with groups—for example, with the Department of Industry, Science and Resources and the Department of Agriculture, Fisheries and Forestry—on guidance for how the fishing and petroleum sectors could cooperate and consult more effectively. There are specific targeted instances where we have sought input from those groups as well.

Senator McDONALD: What does NOPSEMA consider 'relevant persons' in the context of its mandatory consultation processes?

Mr Grebe: The 'relevant person' requirements are listed in the regulations. They're not our requirements; I'd probably describe it that way. The environment regulations stipulate a range of categories of relevant persons; they include the relevant responsible ministers, for example. Some of them are self-explanatory. The case we've been discussing is in relation to a particular category of relevant persons—those that are persons or organisations whose functions or activities of interest may be affected by the activity. That's where there is a lot more prescription and detail about precisely how you need to extend the reach and what information should be considered by titleholders in determining who is a relevant person. The regulations this is set out under are objectives based, so it does vary in each individual case, and there will be certain persons or organisations who may be relevant persons in some instances and not in others due to geography, the nature of impacts and risks, the type of activity and so on.

Senator McDONALD: My next question is around how that differs from the previous directive on relevant persons. So that would be your answer to that—that it's that expansion?

Mr Grebe: The court determined that there should be the provision of that part I read out: the persons whose functions, activities or interests may be affected should be construed broadly. For example, the interests weren't just limited to legal rights, say through native title or heritage protection laws; they should extend beyond those.

Senator McDONALD: Was it prescriptive on what it should extend beyond?

Mr Grebe: The court's decision was, yes.

Senator McDONALD: Right.

CHAIR: Senator McDonald, I'm enforcing the blocks. I'll come back to you. Senator Pocock.

Senator DAVID POCOCK: Thank you, Chair. Thank you very much for your time here today. At the last estimates, I was asking a few questions about an oil spill in March last year off Varanus Island. Obviously we don't have jurisdiction over the island itself, but I understand there are a number of facilities around there that are under your jurisdiction and that last year you ordered a company to stop drilling near Varanus Island. In relation to that I've got a few photos and a brief statement I'd like to table for the committee and then I'd like to just ask a few questions if that's alright?

CHAIR: Would you be willing to table the photos without the statement just as a threshold question? If you wish to table the statement, we're going to need to have a private meeting to discuss that.

Senator DAVID POCOCK: Okay. I'd love to be able to table the statement just to be able to reference a few things in there.

CHAIR: That will require us to have a private meeting, and I'm not sure what the outcome of that will be. I call a private meeting of the Economics Committee.

Proceedings suspended from 16:48 to 16:56

CHAIR: The committee has agreed to table the documents provided by Senator Pocock and they will be provided to representatives of NOPSEMA.

Senator DAVID POCOCK: I thank the committee for allowing this to happen. I really do think it is important that people have this avenue to raise concerns. This courageous young whistleblower was working on the *Pac Baroness* and talked about the circumstances of the spill. I might read a few things while you look through the document.

The tragedy of dolphin carcasses amid a kilometre-wide oil slick should be the story. But it's not. The story is Santos's subsequent cover-up and total disregard for the values they say they hold dear, values such as accountability and integrity.

He then talks about how the spill was described as 'negligible' despite seeing dead dolphins, dead sea snakes. He goes on to say:

We hoped that, maybe, the situation would be rectified. Instead, the company doubled down. Instead, when news of the dolphin deaths became public late last year, Santos denied any connection. It said: 'These sightings were a couple of hours after the incident, in which time no harm would have resulted from this incident'.

He notes that despite tens of thousands of litres of oil in the ocean that Santos had not mobilised environmental assessors to the island until a week after the incident. They could not have known the real scale of impact. It was never checked. I appreciate that NOPSEMA doesn't have jurisdiction over this particular incident but last time there was agreement that this oil spill would have caused 'negligible environmental impact'. In light of this information, I am wondering: Does that change the threshold for 'negligible environmental impact'?

Mr Smith: As you say, the matter is not within our jurisdiction. We are not as familiar with it as we would be if it were in our jurisdiction. The images you provided of dead dolphins is the first I've seen of them. As I say, it relates to a tear in a hose, which wasn't under our jurisdiction. We weren't the investigating party and don't know the details behind it. If any spill causes the death of a dolphin then that would be a concern to us. We would act if it was within our jurisdiction if a situation like that arose.

Senator DAVID POCOCK: In areas under your jurisdiction, do dolphins die from oil spills? Is that something that happens? Can those two things be linked?

Mr Smith: I am not aware of any instance where that has occurred in our jurisdiction. I don't know whether or not it died in this instance as a result of the tear.

Senator DAVID POCOCK: I guess the specific incident is not in your jurisdiction. But more broadly, the whistleblower suggests that Santos's misleading comments point to wider systemic issues with the company. You do have jurisdiction over a number of Santos's activities. Will NOPSEMA investigate this sort of thing?

Mr Smith: We will if it is within our jurisdiction. We have investigated matters related to Santos and we have taken enforcement action where we have found breaches to have occurred.

Senator DAVID POCOCK: One of the concerns that this whistleblower raises is on—

Mr Smith: If I can elaborate further, your comments at the start referenced an issue with regards to drilling. There was an incident in November last year at the Noble Tom Prosser facility which was operating for Santos, and we did take action. We issued a prohibition notice in that case. There is some evidence to support the claims that we would take action if we found a breach. As I say, it was in regards to Noble but they were working on a project for Santos.

Senator DAVID POCOCK: The broader issue is of concern here, and the whistleblower raises it in his statement. He says:

It indicates a belief within Santos that they can operate to avoid public interest through misinformation, supported by a cosy relationship with regulators and government.

If a company can do this—not investigate a spill—and potentially mislead the public as to what has happened, does that not point to larger reform that we need so that there are investigations, so you do have the power to investigate?

Mr Smith: I would say we do have the powers to investigate and we do. Where enforcement is action is warranted, we take action. There are various actions on the record that we have taken over recent years against Santos, so any suggestion that there might be some sort of cosy relationship between us and Santos I would refute and I think the company would refute as well.

Senator DAVID POCOCK: So what would the process be if this happened in Commonwealth waters? What would be the obligations?

Mr Smith: In the event that it was reported to us by any party or we became aware of it—

Senator DAVID POCOCK: Can we just start with: What are the obligation on a company to report this sort of thing to you?

Mr Smith: This would be an incident that they would be required to report to us.

Senator DAVID POCOCK: How quickly? In what time frame?

Mr Smith: Straightaway they would report to our duty officer.

Senator DAVID POCOCK: And then?

Mr Smith: Then, for an incident like this, it would depend the nature of it but, typically, if it was a serious incident—and it appears it might be—we would undertake an inspection. If it was serious enough, we would undertake it offshore as well as onshore. We would try and do that straightaway so that the staff on the facility are still there. It is easier to undertake the inspection straightaway; the evidence tends to be better then. If further action is required then the inspection findings would reflect that. If it is a particularly serious matter, we would consider an investigation with the possibility of a prosecution.

Senator DAVID POCOCK: I'm guessing the WA government has a similar process?

Mr Smith: I would think so but I wouldn't want to speak on their behalf.

Senator DAVID POCOCK: Based on these photos, would this be considered negligible environmental damage if it was in Commonwealth waters?

Mr Smith: We would not consider a dead dolphin to be negligible environmental harm. But as I say, I don't know the background to this matter and whether or not it is linked to the spill.

Senator DAVID POCOCK: What are the consequences under your jurisdiction if a company doesn't report this sort of thing?

Mr Smith: If they fail to report under the act—I'll get Mr Grebe to confirm the details of consequences.

Mr Grebe: There are a range of penalties that could be brought. Infringement notices apply to offences for not reporting, for example, but if they provide false or misleading information then there may be breaches of the Crimes Act that could be pursued, and depending on the nature of the issue there are a range of breaches under the legislation, which I think we've steered you to previously, Senator. It's an offence to prevent the waste or escape of petroleum, for example, and there are prosecution pathways we could take as well for offences like that.

Senator DAVID POCOCK: Thank you very much for your time.

Senator WHISH-WILSON: I have three brief sets of questions. The first one is a follow-up question to the last estimates, when I asked you about the Schlumberger TGS seismic program. You mentioned there was an investigation underway into Schlumberger. Is that investigation still ongoing?

Mr Smith: Yes, the investigation is still going.

Senator WHISH-WILSON: Can you give us an update on when you think it will be wrapped up?

Mr Smith: I don't know when it will be wrapped up. Since you've raised the subject, we're aware that there have been media reports suggesting that the issue that we would be investigating is in regard to unexploded ordinances, and you were asking previously what it was we were investigating—

Senator WHISH-WILSON: You weren't able to say.

Mr Smith: I can advise you that that is not the matter that is under investigation.

Senator WHISH-WILSON: That's fine. I think last time you said—I won't paraphrase you—if you were to tell us then it might jeopardise other investigations with other companies that might find out what you were up to. I was interested because my friend and ex-colleague Rex Patrick, transparency warrior, has received some information from you through an FOI request. You mentioned that the investigation was ongoing at the time he received those documents, so I wanted to get an update on that. You also mentioned that the documents you've obtained so far are reasonably likely to be used to compile a brief of evidence for submission to the Commonwealth Director of Public Prosecutions. I have two questions on that specifically. The investigation may still be ongoing or not completed, but do you have some kind of indication that this may be referred to the DPP?

Mr Smith: Yes. If we undertake an investigation it's with a view to possible prosecution, in which case we would prepare a brief which we'd submit to the DPP. Then, they actually make the decision whether or not to proceed with a prosecution. At the moment we are investigating. Our investigation is with a view to preparing a brief of evidence if we think there are sufficient grounds to pursue a prosecution.

Senator WHISH-WILSON: Do you have a similar philosophy to the DPP then, in the sense that you don't begin an investigation unless you think you have enough evidence to get it to the point to give it to the DPP, or do you investigate anyway?

Mr Smith: We'll investigate if we think a matter is serious enough, and during the investigation we'll make a decision on whether we think there's sufficient to put together a brief of evidence.

Senator WHISH-WILSON: Would all investigations you do be initiated with the possibility or the intention—provided you get information—to hand it onto the DPP?

Mr Smith: It's always a possibility when we undertake an investigation. Yes.

Senator WHISH-WILSON: A possibility? I'm a bit confused because I got the sense from your earlier statement that that was generally why you did it, but now you're saying it's just a possibility.

Mr Smith: An investigation—we undertake with a view to a possible prosecution.

Senator WHISH-WILSON: So you commit that time and resources when you get to a point where you think it's worthwhile investing in it, and then if it stacks up you give it to the DPP?

Mr Smith: Yes.

Senator WHISH-WILSON: Would it be fair to say that this matter in its current form relates to criminal breaches of the act, assuming the DPP deals with criminal matters?

Mr Smith: Yes. We're considering that possibility.

Senator WHISH-WILSON: That would be why you would give it to the DPP?

Mr Smith: Yes, if we think there are reasonable grounds for a prosecution.

Senator WHISH-WILSON: I accept your reason for not explaining what the investigation is. Can you give us some examples of what would be potential breaches of the act that would constitute a criminal offence?

Mr Smith: The sorts of things we have prosecuted before—

Senator WHISH-WILSON: That is all I am after.

Mr Smith: are for fatalities or serious injuries to people. But they could also be for environmental impacts as well. How much detail would you like me to go into, Senator?

Senator WHISH-WILSON: Perhaps we could have a private briefing. But would it be fair to say that they are serious matters?

Mr Smith: Yes.

Senator WHISH-WILSON: Okay. I will leave the questioning on that for now. It might just be a timing issue where ex-Senator Patrick received his FOI on 20 January, but we noticed the recent documentation put out around the seismic survey proposal, the Schlumberger TGS Otway Basin 3D proposal, is now simply called the TGS Otway Basin proposal. Do you know why Schlumberger have dropped their name from the latest round of consultation and official documentation?

Mr Smith: I will check with Mr Grebe. He may be aware.

Mr Grebe: No, Senator, we—

Senator WHISH-WILSON: It has nothing to do with your investigation into them, possibly?

Mr Grebe: I don't know.

Senator WHISH-WILSON: It was just a point of interest. I have their earlier draft documentation for the consultation versus the current one. The other thing is they have obviously reduced the size of the proposed area for 3D seismic. At this point they don't have to come to you for any advice on that, do they; they can do that based on their own commercial prerogatives or talking to other stakeholders? Do they need to come to you to adjust that?

Mr Grebe: It depends on where they are at with the approval process. But when they are in the planning stage, a titleholder or proponent is free to vary their activity. It usually happens probably as part of the consultation process and the feedback they would get, I suspect. That is before it comes to NOPSEMA. Once it is in the assessment process, changes can arise because of the issues we identify, and their can be changes made by the proponent or titleholder. It isn't always possible to vary it on your own choice if there are significant changes in the activity. For example, for a seismic survey, we would require the assessment process to start again because it starts out with a public comment period. So if the proposal changes substantially it is not possible to simply vary it during the assessment process.

Senator WHISH-WILSON: So, just to be clear then: they are not at that assessment process yet; that goes into 2024. Is that correct? Can you update us on that?

Mr Grebe: I don't have the information now on whether they have told us that. But they are proponent driven time frames in terms of that. Once it comes to us, the statutory time frames kick in.

Senator WHISH-WILSON: The original proposal for the seismic survey, while it has been reduced significantly, does interact with two special purpose IUCN VI marine protected areas, the Huon Australian marine protected area and the Nelson Australian marine protected area. How common is it for these seismic programs to occur in marine protected areas?

Mr Grebe: I can recall more than half a dozen or so that I am familiar with and have seen recently where they do crossover marine protected areas, but only where those marine protected areas are managed in a way that permit multiple use. Petroleum falls under the category of mining. Not all marine protected areas allow seismic survey activities to occur.

Senator WHISH-WILSON: Right next door you have the Murray Australian marine protected area, which is a green zone which doesn't allow that. That is right on the border of this proposal, but it does go through two. What departments do you interact with to assess—

Mr Grebe: Parks Australia. We have a memorandum of understanding with Parks Australia and co-regulate petroleum activities in marine parks. There are various authorisation processes that are established under the declarations and the management plans for those marine parks. We work closely with Parks Australia during those assessments.

What I was going to add to the answer before was that, whether or not a seismic survey goes over a marine park, the potential for impacts and risks on the values that are protected by that park have to be considered and demonstrated to be managed in a manner consistent with the management plan for that marine park. We aren't permitted to accept an environment plan that is inconsistent with that management plan.

Senator WHISH-WILSON: As a matter of interest, the Murray Marine Park is in an IUCN II category, a green zone, so no extractive or fishing activity is allowed at all. With a 3D seismic survey—obviously we had a Senate inquiry into this—these noises are very loud and can travel a long way. How do you consider an impact where it is literally, according to their map, right on the border? How do you assess whether there are going to be any potential ramifications or possible risks for a green zone?

Mr Grebe: Whether the values occur within or without a marine park, the process is the same in the sense that the title holder is required to identify the values and sensitivities, evaluate the impacts and risks, and submit evidence in the environment plan that demonstrates that they're managed to acceptable levels and ALARP. We can only accept an environmental plan where they're met.

The overlay of the marine park puts additional constraints on our decision-making, and if the activity can't be managed in a manner consistent with the management plan then we won't accept the environment plan either. So there are additional considerations that come into play because of the protections provided by the marine park. I'm not familiar with the specific values and sensitivities in there, but they will be a feature of the environmental assessment and decision-making process.

Senator WHISH-WILSON: I'll put some more detailed questions to you on notice. On another issue, and thank you for responding to me so quickly, I wrote a letter to you on 20 January 2023 relating to Woodside's aged production assets off Ningaloo Reef, and you responded. Senator Cox might be able to pronounce—

Mr Grebe: I'll help you out. It's Nganhurra

Senator COX: Nganhurra.

Senator WHISH-WILSON: Regarding the Nganhurra riser turret mooring, you said to me that since 2018 NOPSEMA has had a heightened focus on decommissioning. What do you mean by 'heightened focus'?

Mr Grebe: In that year we received an updated statement of expectations from the then minister, requesting NOPSEMA take a heightened focus on the industry's compliance with its decommissioning obligations. It called out some specific aspects in relation to ensuring that planning was for full removal, unless otherwise agreed.

We implemented a strategic program to understand their level of compliance at the time, and then took action through a series of tiers of compliance and enforcement, which is still ongoing. The compliance strategy and the compliance plan included issuing general directions where there was property and equipment that it turned out weren't in use and weren't to be used.

Senator WHISH-WILSON: In your letter you mentioned, in relation to that, you've taken escalating compliance enforcement actions, including the issuing of an improvement notice and two general directions since 2018. Could you tell us what that means in layman's terms? What are we talking about here? Is it a fine? What do you mean?

Mr Grebe: It's not a fine yet. There are a range of compliance enforcement tools—and they're established under the Act itself—that the regulator has. An improvement notice is where there is a significant threat to the environment, or, in the case of safety, a threat to people. It requires specific action to be taken by the duty holder, and there are penalties under the act for failing to take action, or taking action that's contrary to an improvement notice.

Senator WHISH-WILSON: Following that, in response, NOPSEMA took further compliance, monitoring and enforcement action after the company had notified you they had an impaired ability to remove this in a safe and environmentally responsible manner. A general direction was issued in February 2021 which required Woodside to plug and abandon all wells, and another one in December 2022 required them to monitor the status of the RTM and take steps to mitigate risks. If these aren't in operation anymore, why was the general direction issued that these needed to be plugged and abandoned and removed by 31 December 2024? Why have you given them a couple of years to do this if it's been on the cards since 2018?

Mr Grebe: The general direction was issued to ensure there was a specified time frame. Without that, the provisions under the legislation left some uncertainty as to the time frame in which the property and equipment and the wells needed to be plugged and abandoned. That's the first direction that you mentioned there. To ensure there was certainty and a point which we could enforce clearly, we stipulated those time frames. The second direction related to circumstances which evolved since that direction was issued. Mr O'Keeffe can talk to that.

Mr O'Keeffe: It became apparent that over time the equipment had started to degrade to the point that there was a change in the buoyancy, where it floats in the water, and there was a potential risk that if that continued it could represent a risk to navigation. So we directed the company to take specific action to identify and mitigate the risk there, specifically in relation to the level of monitoring and the level of mitigation that we applied to control those specific risks there.

Senator WHISH-WILSON: What do they do? Put some kind of float underneath it or something? Have they done anything?

Mr O'Keeffe: This equipment is something like 80 metres long and weighs something like 2½ thousand tonnes. It's made up of a series of compartments and anchored by chains to the seabed. It's a complicated piece of equipment. I understand that a lot of engineering is taking place to do that. That might seem like a simple solution that we would all like to do, but this is a long-term project.

Senator WHISH-WILSON: I'm not suggesting that, by the way. I just read it.

Mr Grebe: They have taken steps to improve the buoyancy, so they've got 2.8 metres of additional draft.

Mr O'Keeffe: And they've removed some of the weights and chains off it, which is a reasonable step to take to try and reduce the degradation over time.

Senator WHISH-WILSON: Speaking of reasonable, it would be fair to say that they make billions of dollars in profit and they should be able to do this. Is that a reasonable expectation?

Mr Grebe: Yes.

Mr O'Keeffe: There is a reasonable expectation that this project should be decommissioned in a timely manner and done correctly, yes.

Senator WHISH-WILSON: I wish I had more time.

Senator McDONALD: Can NOPSEMA provide an update on the status of the environment plans sent for resubmission? I'm following on from my questions earlier.

Mr Smith: I'll get Mr Grebe to answer that one.

Mr Grebe: Were you after an update on the specific environment plans in relation to the Barossa project?

Senator McDONALD: In response to a question on notice, NOPSEMA stated as at 30 November 2022 there were three plans under assessment with NOPSEMA, with the majority up for resubmission. So I'm wanting to find out where that list is up to. Have any not been resubmitted?

Mr Grebe: I don't have the specific number of ones yet to be resubmitted. They are occurring on a daily basis. But certainly a number have been resubmitted, and there has been progress where one environment plan has been accepted. That's for activities in the Otway Basin for additional wells for an existing production operation for beach petroleum. We have had plans resubmitted that have progressed through, passed completeness checks and are under assessment. We will have to get you the precise numbers on notice, but they are progressively being resubmitted.

Senator McDONALD: Terrific. Perhaps on notice, then, you could indicate how many in total were required to be resubmitted and how many now have been resubmitted. You've said one has been approved. That should be enough to get me what I'm looking for.

Mr Grebe: Certainly.

Senator McDONALD: What feedback has NOPSEMA received throughout this process? Have any concerns been raised with NOPSEMA by titleholders as to the future of approval processes?

Mr Grebe: Yes, there's been a lot of feedback. As part of the action plan I talked about earlier, we have been engaging with titleholders directly and also with the industry peak body, APIA, on a couple of occasions. The range of feedback relates to those broadening interpretations, as I will call them, that came through the full bench of the Federal Court appeal decision—the extent that it broadens and widens the capture of persons' or organisations' interests, given they're not just restricted of a legal variety, so there are concerns about that taking additional time. That's part of the reason why, I suspect, not all environment plans have been resubmitted, because they're telling us the consultation task is much larger. We're also hearing concerns about uncertainty in other areas that I think the guidelines assist in steering towards possible solutions, in the form of processes that are applied under other legislation, such as native title legislation, to consult and engage with First Nations groups. Similarly, the court identified those as a possible pathway. That probably summarises the main concerns, I think.

Senator McDONALD: Thank you. What is the average time frame for assessment?

Mr Grebe: The assessment process is actually iterative under the regulations, because it requires that, if we don't have enough information, we can and are required to request further information. Also, if we determine on the first assessment that the plan doesn't demonstrate compliance with the requirements, we must provide a reasonable opportunity to modify and resubmit. So the assessment time frame average depends. Certainly, in terms of the statutory time frames for us to assess and make decisions, the average is below the 30-day period for us to assess and make a decision. I think the last time it was sitting at about 28 days.

Those time frames are what we're able to control. What we can't control is the time frame that it takes for a titleholder to modify and resubmit the environment plan. We don't let that run open-ended, not just because it affects the statistics on the total time frame but also because you're supposed to be using the time to modify and resubmit your environment plan. We do have a policy where we don't let that run on for more than 12 months. But I would have to take it on notice if you wanted to know the exact figure on average for different activity types and how long it was from submission to final acceptance through those iterative processes. It does vary depending on the activity type, obviously.

Senator McDONALD: Yes, could you please give me that information.

Mr Grebe: Of course.

Senator McDONALD: And could you also put next to it your target time frame for each of those assessment types, please. How many applications—EPs, OPPs et cetera—is NOPSEMA currently assessing?

Mr Grebe: We aren't assessing any OPPs. That's the easier one to answer. In terms of EPs, the number depends on which stage of the assessment process it's at. I think information has been provided before that there were 43 under assessment. There are additional environment plans where they've been submitted but we've returned them to the titleholder because they weren't complete and ready to start that aren't captured in that number. We can get you a more precise figure on each of those categories on notice.

Senator McDONALD: Thank you. Are you adequately resourced to achieve these targets?

Mr Grebe: Yes. We—

Mr Smith: Senator, we'd always say we could do with more resources. We'd welcome it and we'd look to apply it.

Senator McDONALD: It's your opportunity to say so!

Mr Smith: Yes. I can't miss that opportunity!

Senator Ayres: Sorry, it's bad line. I missed all of that. I drifted off.

Senator McDONALD: We've talked through the impact of the recent court decision on consultation requirements. What effect is the decision likely to have on project time frames?

Mr Grebe: I probably already answered that by all the detail I played out earlier, in that, at least in the preparation stage, for environment plans, title holders are reporting that it is taking longer to get the necessary consultation completed. It's too soon to tell, because we haven't had more than one go through the assessment process to completion, and it was already under assessment at the time it had been submitted, and assessed, when the appeal decision was heard. So there could be additional work if the deficiency was consultation that we identified through our assessment. But it isn't affecting time frames, in terms of our statutory time frames, to assess environment plans and make decisions.

Senator McDONALD: How does the guidance material interact with existing requirements under the native title and cultural heritage regulations?

Mr Grebe: The guidelines that we've issued for the consultation of the relevant persons is, obviously, all underneath the requirements under our regulations. But the guidance does assist and, as the Federal Court did identify, although it isn't necessarily applying native title legislation, there are processes that are established under those laws, or heritage protection laws, that provide a pathway where title holders should be able to adopt and engage and consult with First Nations people on understanding matters that relate to their activity and cultural heritage features. It will ensure that they have an opportunity to have those views taken into account and ensure that the management of impacts on those is acceptable. The guidelines do cross over into that territory. We obviously have regard to the EPBC Act—and this features more in our decision-making guidelines—because the regulations are endorsed under the EPBC Act under the strategic assessment provisions. The cultural heritage aspects that accompany the EPBC Act are also covered in our guidance.

Senator McDONALD: Does NOPSEMA have experience or expertise in assessing cultural heritage—the process—or is that something that is assessed under another department and comes to you as a tick?

Mr Grebe: No. We're required to make the decision and do the assessment. But we do engage with, from time to time, consultants or other agencies to help inform our assessment of cultural heritage. Since the appeal decision, we've taken actions to improve staff's awareness and understanding. The key aspect here, though, is that, given the significant diversity in cultural heritage and the communities differing all around Australia, the importance of understanding the need for consultation to elicit information about cultural heritage values is what we're focused on ensuring occurs. So we're not making judgements about the values that other people hold. That's for them to express their concerns and expectations on how those values should be protected. The consultation process requires title holders to demonstrate that responses to those issues raised are addressed appropriately. I'm saying that because we aren't going to be experts, or higher experts, who understand First Nations peoples' cultural heritage values and make judgements on them. That's for them.

Senator McDONALD: Is NOPSEMA concerned about the consultation requirements impacting other projects, like offshore wind?

Mr Grebe: The legislation and the court case, obviously, the regulations apply to offshore petroleum, specifically. I'm not sure if we're here as the offshore infrastructure regulator, but I'm aware that there's legislation being developed to implement under that framework, and it's not yet in place, but we would administer that however it came out. That's not for me to have a concern. We would apply the law as it stands. That work is still ongoing for the offshore infrastructure.

Mr Smith: I wouldn't say we're concerned about it, but we are looking to see whether or not there are implications of the decision on other industries, including offshore wind.

Senator McDONALD: Thank you.

Senator COX: Thank you, Chair, and welcome. Just going to the judgement, or determination, on the Santos case with the Tiwi traditional owners, I want to clarify a few points, and thanks to Senator McDonald for raising the issue around consultation. Are there any views you might have in relation to the time frame for which it takes for the consultation period to occur?

Mr Smith: Any views in terms of how quickly they can do it?

Senator COX: Yes. Is there a minimum?

Mr Smith: We don't have a particular number or minimum number of days or months or years. We expect the process will take a significant amount of time. It will take as long as it takes, in effect. But we do think it needs to be a genuine and appropriate level of consultation to meet the requirements of the decision. That is not something that can be done in a matter of days, for instance.

Senator COX: Thank you for clarifying that. And just noting, obviously, that NOPSEMA only sees the end part of the plans in relation to this and does not necessarily have oversight of the process. I know we have talked about this at length. You are not at liberty to direct people about the processes that they undertake. But is there anything in the current legislation framework that ensures that companies not only comply with legal requirements but also do this in a genuine or appropriate and respectful manner that is consistent with the principles of free prior and informed consent?

Mr Smith: Not in terms of securing consent.

Senator COX: Given this determination now, particularly around consultation with the Tiwi traditional owners, how is NOPSEMA thinking about assessing consultation processes in the future following this judgement?

Mr Smith: Mr Grebe, perhaps you can summarise some of the points you made earlier.

Mr Grebe: Yes, I did say some of this earlier. But I think it's a broader question. The key change about the appeal decision is ensuring there is a scrutiny of the process that has been established. As you pointed out, the process has already been implemented by the time it comes to us. Although it seemed after the fact, there is an ability for us to direct them, but it's only once it's submitted. So it's accurate up to a point, but once the company submits an environment plan, what we focus on is whether the process wasn't good enough and/or the actual consultation outcomes are not good enough, meaning meeting the requirements of the regulations, including allowing sufficient time so that relevant persons can be informed about how they may be affected. If those features aren't present, we do have the power to not approve—in fact we are required not to—and we can either request further information or find that we are not reasonably satisfied. I guess that is a form of direction to the titleholder to carry out the consultation. Of course it doesn't extend to the elements of the behaviour. We aren't there arbitrating or mediating. We don't have a functional role to do that.

We have had a lot of emphasis on the consultation. The amount of information is very large, so it does take a fair few resources. The information we are required to see from titleholders includes a sensitive information part, which includes confidential information that has been exchanged between titleholders and relevant persons. At times when that hasn't been sufficiently documented, for example, we can direct them to go and gather further written information about the concerns of relevant persons.

Senator COX: Thank you. Can you quickly outline for me the response from industry in relation to the determination in this court case? I know you have held one industry-specific consultation workshop about some of the outcomes, and you are in the development of a document—consultation guideline, is that what is called?

Mr Grebe: We carried out an information session, which Senator McDonald asked about earlier, in which we announced and explained the guidelines we had developed and issued. That was open to all stakeholders, not just industry. We have met on two occasions now at meetings arranged by APPEA to discuss the guideline and the implications of the decision. They've raised concerns about the amount of time, the uncertainty about whether they are going to be able to get through the consultation in time to support their approval needs, the ability of stakeholders and relevant persons to have enough resources to respond to them, and a range of concerns like that.

Senator COX: What is the general vibe?

Mr Smith: I should just add, as Mr Grebe mentioned earlier, the consultation has not just been with industry through APPEA; it's with the companies as well and a broad range of other stakeholders. He's already on the record as pointing that out, but I thought it's useful to note that now.

Senator COX: Just to clarify, Mr Smith, is that including First Nations communities in relation to this?

Mr Smith: Yes, it is.

Mr Grebe: I'm going to Carnarvon in two weeks to meet with—

Senator COX: Lovely. I might see you up there.

Mr Smith: Mr Grebe has already held a range of meetings with First Nations groups, as have others including myself.

Senator COX: I have one other question. I believe that a direction that was published on 13 January, which I have, states that NOPSEMA have been conducting short-notice visits to Santos facilities. Is it common practice for NOPSEMA to do this, and has there been an investigation as such into the conduct of Santos? Is that what has triggered this?

Mr Smith: It is not exceptional for us to conduct short-notice inspections. We have done that on multiple occasions with a range of different companies. On the matter you are referring to, Mr O'Keefe, do you want to elaborate on anything?

Senator COX: Is my understanding correct that there is usually a trigger for this or some sort of indication that maybe there is misconduct or some type or something being concealed? Or is this just a general thing?

Mr Grebe: Senator, is this about the general direction in relation to the Barossa gas export pipeline that you're referring to?

Senator COX: Yes, it is.

Mr Grebe: I can answer that question. We'll have a series of planned inspections that are programmed over a year, but it isn't static. It needs to be dynamic to be able to respond to issues as they arise. In that instance we determined that it was necessary to conduct an inspection at short notice.

Senator COX: Correct me if I'm wrong, but because of the issue with Santos and the consultation process with the Barossa gasfield, is it the position of the regulator that they would see that there may be an issue that you need to have regular checks, particularly with one of the titleholders that have been part of particular—I mean this has been a pretty high-profile case across industry, and now obviously has caused much attention to it. Is this something that would develop, I suppose a trust issue, and would we essentially be able to trust someone like Santos to be able to conduct offshore projects across Australia in relation to their behaviour towards traditional owners in this case?

Mr Grebe: The best way to explain this probably is, as you might not be aware, lots of regulators have different ways that they determine how they inspect compliance. We don't just have a random list and cycle through on a static basis. We look at general compliance risk and target the areas where there is most need to ensure there is regulatory oversight. The factors that drive that vary. We consider all of them, including compliance history.

Mr O'Keeffe: Performance, type of activity, range and scope of activities. In fact in the last year we have gone through and built compliance teams. We look at things very holistically, very much pointing to risk-based considering a whole range of factors. From that we then determine the timing at which we do inspections, the nature and scope. The reason we struggled a bit to find out which short-notice you're talking about is because we do quite a lot of them, where it would be appropriate because there's something we need to go and have a look at straightaway. So we vary our program based upon the risk, the nature and scale of activity and the particular issues at hand.

Senator COX: Thank you for answering that, Mr O'Keeffe.

Senator WHISH-WILSON: Just to finish off in relation to your letter to me on the RTM, the riser turret mooring, you mentioned NOPSEMA has commenced an investigation into the issues associated with the RTM and potential breaches of the OPGGS Act. Can you elaborate on that?

Mr Smith: I can confirm that we are investigating. As we discussed earlier on another matter, when we undertake an investigation it is with a view to assessing whether or not there are grounds for prosecution.

Senator WHISH-WILSON: Potentially to go to the DPP?

Mr Smith: Potentially, but we are not at that stage and we may never get there.

Senator WHISH-WILSON: I understand. You also mentioned that Woodside's proposed revision to the existing environment plan to provide for the removal of the RTM is currently under assessment. What do you mean by 'revision'?

Mr Grebe: There was an environment plan for the facility in place at the time that the facility started being decommissioned. It has been revised on a couple of occasions. The regulations require revision in a number of circumstances—I think I talked about this a bit earlier, but maybe you weren't present—where there is a significant change in risk, or a new stage or activity.

Senator WHISH-WILSON: So you have compelled that revision under the Act, essentially?

Mr Grebe: In this instance we requested the revision.

Senator WHISH-WILSON: It's not Woodside coming to you saying they want to revise their plan.

Mr Grebe: We issued it as an enforcement.

Senator WHISH-WILSON: Good. I wanted to check that. Lastly, you mentioned that failure to comply with the direction constitutes an offence under the OPGGS Act. What kind of offence are we talking about and what kind of fine? This is a cost of doing business for these guys, by paying fines. What kind of liability are we looking at?

Mr Grebe: General directions in place carry penalties for non-compliance, if criminal penalties are applied, of five years imprisonment or up to \$1 million.

Senator WHISH-WILSON: For the CEO or for someone involved? How would you apply a prison sentence to a breach of the act in this case? That's obviously officials of the company.

Mr Smith: It would depend on the evidence.

Senator WHISH-WILSON: Senator Ayres may be able to answer this question. Are you providing any advice to the current government in relation to petroleum exploration permit 11, which the Federal Court has now flipped back to the joint regulator? Is that you?

Mr Smith: I can answer that. The answer is no, we are not. We haven't received anything from the proponents for us to assess, so there is nothing for us to advise the government on at this point.

Senator WHISH-WILSON: But you would be the agency that would be doing that?

Mr Smith: If they submitted a document like an environment plan, then we would make the decision as to whether or not it should be approved.

Senator WHISH-WILSON: That's what we're waiting on then, whether they're going to do that or not?

Mr Smith: Yes, whether it be an environment plan or safety case or whatever, if they get to that stage.

Senator WHISH-WILSON: Just to drill down on this, though, have you provided any advice to the government? I understand that the government, to put this correctly, spoke to Asset Energy and the other proponents and agreed to a settlement for it to go back to the new process. Did you provide any advice in relation to that?

Mr Smith: No, we haven't been involved in that matter.

Senator WHISH-WILSON: You haven't been asked to provide any advice?

Mr Smith: No.

Senator CANAVAN: If this has been asked, fob me off, but just asking about the ramifications of the decision on, I think, Barossa and the requirements for extra consultation. Is the interpretation now, following that court decision, that a proposed new development would have to consult with any affected party for a worst-case oil spill scenario? So potentially a well in northern Australia would need to consult with the entire coastline of Northern Australia? Is that the ramifications of that court decision?

Mr Smith: Mr Grebe, would you like to summarise that one?

Mr Grebe: Potentially. The consultation requirements following the appeal decision identify that the process to identify relevant persons that the titleholders must adopt needs to consider all the impacts and risks in the environment plan. One of the risks, if it does involve drilling—of course not every activity does—does involve the potential for unplanned release of hydrocarbons. So the information on that risk, in the court's determination, should be used to inform that.

Senator CANAVAN: There are a lot of small towns around northern Australia. They have to go to each town or provide a direct mail? What do they need to do to meet the requirements now?

Mr Grebe: There are different processes that could be used to ensure that there's an opportunity for persons who believe they may be affected to be consulted. I noticed last week, for example, there was an advertisement by a company in a couple of newspapers inviting people to identify themselves.

Senator CANAVAN: A newspaper advertisement is enough?

Mr Grebe: It's important to be part of the process. There is obviously a need for a titleholder to ensure they do some work to identify relevant persons and make the approaches directly. That has been a practice that has been ongoing since we've administered the requirements.

Senator CANAVAN: But you can't give me, or by extension any investor in this country, a set list of people that are relevant persons. You can't say, 'These are the people, these are the communities you need to consult with.' They have to fly blind now?

Mr Grebe: The regulations aren't prescriptive in that way in terms of a list, other than some relevant person categories like ministers, government departments and anyone else the titleholder deems is relevant. But I think there are processes, and the court identified there are processes, that can be followed to ensure that there is sufficient opportunity for relevant persons to be able to come forward.

Senator WHISH-WILSON: Would the Indonesian seaweed farmers who lost their livelihoods over the Montara oil spill be a good example?

Senator CANAVAN: I don't think they're Australian. They're not Australian, so they wouldn't be 'relevant persons'.

CHAIR: I believe that is the end of our questions for NOPSEMA. We thank Mr Smith and representatives for joining us. We are happy to release you. You go with our thanks.

Australian Nuclear Science and Technology Organisation

[17:52]

CHAIR: We resume with representatives from ANSTO, and we welcome you, Mr Jenkinson. I see that you have provided us with a written statement. I'm wondering how you would feel, in the interests of time, about tabling the statement, or would you prefer to speak to it?

Mr Jenkinson: It's quite short. I would like to, if I may.

CHAIR: Yes, if you would like to speak to it.

Mr Jenkinson: Thank you, Chair and committee members. It is a privilege to once again address you as the CEO of ANSTO, the Australian Nuclear Science and Technology Organisation. ANSTO owns and operates landmark national infrastructure that benefits Australia's scientific, business and broader community through the application of nuclear science and technology. As we approach our 70th anniversary of the establishment of the Australian Atomic Energy Commission, which was the forerunner to ANSTO, we continue to play a key role in addressing the big challenges facing Australia today in health, the environment, advanced manufacturing, defence and national security, to name just a few of the areas in which we work. We are leading Australia in the development of a nuclear-capable workforce and providing nuclear advice, expertise and services to governments, academia, industry and the community.

Our sovereign expertise was put on display only a couple of weeks ago when a dedicated team of radiation specialists from ANSTO, working together with ARPANSA, Defence and the West Australian Department of

Fire and Emergency Services, successfully detected and retrieved a missing radioactive source in the outback of Western Australia. It took just two hours into a multiple-day project to locate the missing radioactive source, smaller than a 10c piece, along a 1,400 kilometre stretch of highway in remote Western Australia. I'm sure you all saw the media coverage.

The portable radiation detection technology used as an important part of the equipment to locate that source was developed and commercialised at ANSTO and is known as the CORIS360. ANSTO was able to detect the gamma radiation emitted from the tiny capsule while travelling along in a car at 70 kilometres per hour. ANSTO's capability in this area and many others had the result of our 70 years of experience in nuclear science and technology. It was a tremendous source of pride for me and everyone at ANSTO, and it was a testament to the capacity and our ability to commercialise the technology we develop.

This exercise also demonstrated the capacity and collaboration of ANSTO with agencies including ARPANSA and Defence. Finally, I would like to reflect on the capability that exists across ANSTO, ARPANSA, also ASNO and ARWA, and more recently the Nuclear Powered Submarine Taskforce, which positions Australia as an advanced nuclear nation with sophisticated nuclear science and technology expertise to provide benefit to all Australians. I'm joined today by my colleague Mr John Edge, our chief operating officer.

CHAIR: Thank you very much, Mr Jenkinson. Welcome, again, and welcome to the team. On behalf of the committee, we all congratulate you and your team for the work you've done in recovering that capsule. I'm sure there'll be more questions about it this evening as well. With that, I'll go to Senator Pocock.

Senator BARBARA POCOCK: I think some Australians would be surprised to hear your characterisation of Australia as an advanced nuclear nation, but I'll leave that to one side. My question relates to a previous answer at an estimates hearing. At estimates in November, ANSTO indicated that if the facility in Kimba for the disposal of intermediate and low-level nuclear waste doesn't go ahead, the production of nuclear medicine may be impacted. This is a serious claim and quite surprising given ANSTO's primary role is to enable Australia's manufacturing and distribution of nuclear medicine. What evidence do you have to support this claim? What modelling, documentation and internal or external papers have been developed to underpin the claim, and can they be made available?

Mr Jenkinson: Thank you for the question. Yes, I remember the question, and the question on notice was around our ability and capacity to manage waste on site at ANSTO should there be a delay to the National Radioactive Waste Management Facility. I think at the time I said it has the potential in future to affect operations, such as the production of nuclear medicines. At ANSTO we constantly monitor the need for the volumes of waste that we produce and we are, as you know, an interim storage facility until such time as there is a national radioactive waste management facility. But we are a finite site, so ultimately if it got to the stage where, many years into the future, there wasn't a national waste facility, it would start to impact operations on site. We would, of course, work closely with the regulator to ensure that we could develop more capacity on site until such time that there is a national waste management facility.

Senator BARBARA POCOCK: Am I to take from your answer that there are no analyses, no modelling, no document and no papers which actually underpin the statement that the production of nuclear medicine would be impacted if Kimba does not go ahead?

Mr Jenkinson: There's no specific analysis about at what point nuclear medicine production would stop, but there is analysis around when our current waste facilities are full.

Senator BARBARA POCOCK: Previous answers and documentation suggest that there are decades of such capacity available.

Mr Jenkinson: In our current facilities there is storage, depending on the waste stream, up until, for some instances, mid-2030s, and some less than that, but we would have to apply for regulatory approval to build additional capacity on site to store additional waste beyond that time.

Senator BARBARA POCOCK: And such projects could be undertaken, to a degree?

Mr Jenkinson: They could be undertaken.

Senator BARBARA POCOCK: Given the South Australian government's clear statement and commitment to listening to First Nations people in South Australia, and their commitment that they will not support a waste dump proposal if it's against the wishes of the Barngarla people—a stronger commitment, one can only guess, given last week's progress in the parliament of a First Nations voice for all South Australian First Nations people—and given the real risk that this creates for the possibility of a dump in the longer run at Kimba, what contingency plans do you have to produce and store nuclear medicine if the facility doesn't go ahead at Kimba?

Mr Jenkinson: We continually look at the storage capacity on site, and we of course look at the projected time for the national radioactive waste management facility. We work closely with ARWA, and, if there was to be a delay in that, we would be seeking approval for additional onsite storage until such time as a national radioactive waste management facility was ready. We're doing that. It's an iterative process. We do that every year.

Senator BARBARA POCOCK: You're constantly looking at possibilities, alternatives and new capacity available where the waste is?

Mr Jenkinson: Correct, to ensure our operations continue.

Senator BARBARA POCOCK: Thank you. That's a useful level of insight, beyond what we heard last time. I wanted to come to ANSTO's 2021-22 annual report, which indicates the intermediate-level waste storage facility is at contract stage, with completion due in May 2026. Can you provide an update on the status of this project, including when the contract is expected to be awarded or announced?

Mr Jenkinson: I may have to take that on notice to come back with the specific dates. I'm not aware of anything that's meaning that we're not on track, but I'll take that on notice.

Senator BARBARA POCOCK: Thanks. I look forward to your answer on that. Thank you for your answers.

Senator CANAVAN: Thank you, gentlemen. I just wanted to go to an issue that was canvassed at the last estimates around the development of the CSIRO's *GenCost* report. I believe, last time we met, we discussed what interaction you'd had with the CSIRO; I think it was either none or minimal. Could you take us through whether or not you and your staff have had communication with the CSIRO, since the last estimates, around the estimates of cost of nuclear in their *GenCost* reports?

Mr Jenkinson: Yes; we have communicated with them, and we are engaging with the CSIRO. In fact, we have a follow-up meeting coming next week. We're meeting with them to provide input to the next generation of the *GenCost* report around our nuclear knowledge and nuclear information.

Senator CANAVAN: The consultation and the interactions you've had with the CSIRO have been constructive, have they?

Mr Jenkinson: Yes. We're happy that it's progressing and that we'll have an opportunity provide our information.

Senator CANAVAN: That's good to hear. I don't know if you've seen that the CSIRO has put out a consultation draft in December for the next iteration—I think it comes out about midyear. In that draft, there's a significant reduction in the cost of small modular-reactor technologies. Was that a result of the input that ANSTO provided to CSIRO, in your view?

Mr Jenkinson: I don't know if that specifically resulted in that. We are continuing to consult with them and provide information, as we will next week, but we want to ensure that the best possible information goes into that report.

Senator CANAVAN: Will the meeting you have with them next week cover off what's in the draft and some feedback—

Mr Jenkinson: Yes. We have a copy of that, which is forming the basis of how we're supporting and putting information into that report.

Senator CANAVAN: Is there any information you can provide to us on your feedback on what's in the draft at this stage?

Mr Jenkinson: We're taking the information that's available globally. You'll be aware of some licensing changes that have happened in the US regarding SMRs over time and some recent news in Europe about the potential licensing in Estonia. We'll put that into it, but we're really going to put in the most up-to-date information we can.

Senator CANAVAN: Great. Maybe we can drill down to some of the detail here. In the previous iteration, the *GenCost 2021-22* report, which I think was released around July last year, under the current policy scenario, they had nuclear technologies costing around \$18,000 a kilowatt for installation. In the new report, that drops to around \$8,000 per kilowatt in the 2030s—a massive reduction in the cost of nuclear technologies. Is that consistent with what you think is a projection of nuclear technologies to see the potential for large cost reductions of SMR technologies over the next couple of decades?

Mr Jenkinson: I think it is very difficult to give you the costs of SMR technology. It is a technology that is not yet deployed. But we will be providing information to that which will be looking at the assumptions that are currently made, but it is very difficult to come up with cost estimates at this stage.

Senator CANAVAN: I note the learning rates for nuclear technology in the new report have significantly increased. Indeed, the learning rate in 2021-22 was only three per cent. Now, under different scenarios, it is a 10 or 20 per cent increase. Without asking for specifics, does ANSTO see potential for the use of modular production techniques to lower cost for nuclear technologies over time?

Mr Jenkinson: Globally, when you look around, there is great interest in small modular reactors, and a number of countries are looking at them as part of their policy into the future. The type of technologies that are used in them eliminate some of the bigger costs you would see with sighting costs; therefore, it is sensible to think it would potentially bring down the cost of nuclear, depending on the jurisdiction it was used in. I think there is a reasonable assumption it could be coming down but that, as with any new technology we see, the cost tends to come down over time.

Senator CANAVAN: I will read a direct quote from the *GenCost* report. In the 2022-23 consultation draft released in December, the CSIRO say:

... nuclear SMR is deployed globally in all scenarios. This is in contrast to the 2021-22 results where the technology was not taken up in the Current policies scenario. As Current policies evolves toward being a higher abatement scenario, with some countries increasing the ambition in their stated policies, this result demonstrates that nuclear SMR can play a greater role.

So now we have the CSIRO saying that nuclear technologies will roll out for countries reducing their carbon emissions. Does ANSTO, through your consultations that you are involved in with other countries, see that conclusion as a reasonable one, that countries will start adopting nuclear SMR technologies in the decades ahead?

Mr Jenkinson: It would appear that what we are seeing is, across different jurisdictions, some countries, depending on the energy policies and how they are going about it, the SMR suits what they want to do, so we are seeing a broad interest in it.

Senator CANAVAN: Turning away from the CSIRO report, the more general developments going on overseas, I know there are different companies like GE and Hitachi, General Electric—Rolls-Royce as well maybe; I might be getting it wrong—all involved in SMR technologies. Do you have any advice? Is any one of those countries proceeding down this track faster than others? Are there any important interesting developments in recent months in the rollout of the technologies?

Mr Jenkinson: I may be wrong but I think there are around 80 designs out there.

Senator CANAVAN: Eighty?

Mr Jenkinson: I will get back to you on the numbers but there are numbers of them progressing. You hear about New Scale, which just had a licensing progression in the US. They are suggesting they might be deploying a SMR in the US around 2032.

Senator CANAVAN: What does that mean practically, though? Will they have commissioned a plant in 2030?

Mr Jenkinson: Potentially, that is what they are looking to do. There are different time scales we are seeing. These are, to some degree, first-of-a-kind technologies but they are based on existing technology. Obviously, as they progress with this, we will see the technology mature.

Senator CANAVAN: That is an interesting point. To what extent are these 80 designs, or some of these 80 designs, actually advancing technologies, or simply trying to take, I suppose, the reactor like we have in submarines or smaller nuclear reactors and making them more efficient from a modular perspective? Or are they actually better or more efficient turbines or power generating systems?

Mr Jenkinson: They are looking at both of those aspects. Some are taking existing technologies and using it within small modular reactors. Others will be looking at new materials and new technologies for future generations.

Senator CANAVAN: What about China? Do we have much insight into Chinese authorities are doing? All the reporting I see is largely Western or Japanese based companies, but is the Chinese nuclear industry developing these technologies? Do we know much about the developments in China?

Mr Jenkinson: I will take that a notice in terms of what we know, but my understanding is they are definitely developing that technology.

Senator CANAVAN: Turning away from SMRs, towards traditional light water reactors, countries are still rolling those out, I see. Are there technological developments in those designs as well, or is just a rollout of a standard design?

Mr Jenkinson: There currently exist 422 large power reactors globally across 32 countries and there is anticipated to be an increase over the coming years. I would need to do a bit of work to understand specifically what technologies are being rolled out because a lot more interest is being shown in the small modular reactors at the moment.

Senator CANAVAN: Yes, it does seem to be the case and is that very much ANSTO's focus on the SMR developments?

Mr Jenkinson: Our role is to keep across all developing technology to provide information to government to make decisions.

Senator COX: I wanted to follow up on some previous questions in relation to the terms of reference for the National Science Statement refresh. The answer I got back was in relation to centring First Nations perspectives on science, technology and innovation. I just wanted to get a bit of an update on how that is being included in the wider science system as a priority.

Mr Jenkinson: I may take that question on notice. We participate in and put input into that but we're not in control of the document.

Senator COX: Is there an actual document?

Mr Jenkinson: I thought you were suggesting there might be. I am not aware of it.

Senator COX: Here is the terms of reference document I have.

Mr McIntyre: That is probably a question that can be best answered in the next session, when we will have all of our science staff from the department. So if you are happy to defer until that session, we can discuss it then.

Senator COX: I am happy to do that. I am just seeking a bit of an update, so you can take it on notice, or I can hold off until the next session.

Senator O'NEILL: First of all, thank you for your opening statement. I just want to put on the record how much the imagination of Australians, and perhaps around the world, was captured by the process. Much has been made of the analogy of the needle in a haystack. Having had the opportunity to travel around Australia with my husband before we even started our family, I know how big Western Australia is—days and days on the road. This technology you are talking about, in your opening statement you referred to how significant that is in terms of innovation. I would like to get the story of how you got engaged, because you mentioned in your opening statement, Mr Jenkinson, that within just a few hours of your engagement there was a quick breakthrough in finding the item—the 10c piece sized nuclear waste. Is that the best way to describe it?

Mr Jenkinson: It was a capsule of caesium, which is used in a gauge in mining.

Senator O'NEILL: Let's just call it the nuclear capsule. Can you fill out the information for me?

Mr Jenkinson: Thank you for the question. We were contacted by colleagues in WA on the Friday evening, and—

Senator O'NEILL: So this is how long after it has gone missing?

Mr Jenkinson: I think it went missing around 25 January, and I am not going to give my date away. We got contacted in February on the Friday evening. Therefore, the team obviously needed to go through a process to be asked to come and join the task force. Our colleagues in ARPANZA invited us to participate. During the time that work was being done to get us across to WA, we did some testing on site to be able to make sure the equipment we had would be able to detect it. We set up that detection equipment on site in the car. We deployed a source of about the same size somewhere on site, a bit of local hide and seek, and didn't tell the team where it was. On the Sunday, they drove around ANSTO and they very quickly found that source and were very confident that, if the source was close to the road—when I say 'close', we were driving down the southbound carriageway; this was off the northbound carriageway a number of metres to the side—that we would be able to detect it. As they drove past the source on site at ANSTO, the equipment spiked we and they were very confident they would be able to detect it if it was there. They deployed on the Monday night, arrived quite late into WA after some delays, with all the equipment and then started on Tuesday morning. Within two hours of driving south from the mine site, the equipment reacted in a way you would want the equipment to react if you are looking for something, and they just turned around and used the hand-held monitor to find the capsule.

Senator O'NEILL: Every science teacher around Australia, I'm sure, would have had some session on this in their classroom, whether it was at year 3 level right through to year 11, because the practical impact of doing good scientific research, and the description there of your micro effort at a small experiment before you headed off, is also important.

Mr Jenkinson: And I would like to say the inventor of the equipment, who was part of the team, stated that ANSTO was incredibly confident that, if it were there, it would be found.

Senator O'NEILL: ANSTO—if you're not a science nerd, we can be proud of Australia's innovation; it's part of our historical sense of our self. But, with this particular person who created this technology, how did that come about?

Mr Jenkinson: Gosh! The genesis—I can actually remember the individual coming into my office back in about 2012 and saying he had this idea, and he started to explain it to me, and I thought: 'Well, it sounds good. I don't really understand.' It was an incredible idea, which he was calling compressed sensing, which is to filter out all the background noise and just sense what you want to sense and detect what you wanted to detect. Over a number of years of developing that technology through to a prototype about two years ago, the technology was developed. We now have a very sensitive, very accurate gauge which you can put in a room, and it will take a 360 degrees sweep of the room, and it will tell you exactly where any radiation source is in the room and what it is. On this occasion we used it in a slightly different way, because we knew exactly what the source was—caesium. So we were tuned to look for that source and therefore we were able to find it very easily, because the detector was tuned to find it.

Senator O'NEILL: What are the further potential applications of this, having captured the imagination of the world with that? Everybody knows Australia is a pretty big country. I haven't spoken to my cousins in Ireland; usually they're my filtration source: 'we heard about—' and they tell me about something big that happened in Australia. There was a fair degree of international coverage, I expect.

Mr Jenkinson: Yes.

Senator O'NEILL: How does this sort of an event engage you and the opportunities for the distribution of Australian knowledge, our status as an innovative country and the solution to problems that are real and pressing in the practical sense of the world?

Mr Jenkinson: Well, this is a technology that we are commercialising, and we're already out competing for tenders globally for this equipment, and it has multiple potential uses. It can be used in nuclear medicine facilities to detect whether or not there are any leaks or any potential hotspots, so improving safety in the workplace. It can be used in border security to scan containers coming in to ensure there's nothing in the containers that shouldn't be in the containers. It can be used by first responders, as you saw a couple of weeks ago. So there are multiple applications for a technology such as this that span across health and safety, nuclear medicine, national security, defence, to name but a few. We're delighted that a number of these pieces of equipment have already been sold both nationally and internationally, and the interest has gone up.

Senator O'NEILL: I do love the headline of your media release: 'WA outback proves no match for Aussie nuclear know-how'. The concept of actually being able to find this in that huge space is really a testament to the great science that you're doing at ANSTO.

Mr Jenkinson: Thank you. I would like to say there are no days, I think, in my working career where I don't come away from ANSTO with immense pride in what the team do. This is only one example of many inventions, technology and capabilities that we have on site, and it's very easy to enjoy your job when you work with talented people like this.

Senator O'NEILL: I have had the privilege myself of visiting ANSTO and seeing your storage facilities and also the incredibly productive nuclear reactor that you have at Lucas Heights, which creates the nuclear medicine we need. But I actually took a second trip down to Melbourne and had a look at the synchrotron. I want to ask a couple of questions about that, because, again, Australians should be rightly proud of this, and I think it has a significant role right now at this point when innovation is so vital to us. What's this Australian synchrotron used for and could you, in layman's terms, explain so that people who might be listening or read our *Hansard* get a sense of what it is and what it does?

Mr Jenkinson: It's an intensely bright light source. If you think about an x-ray being a light source, this is a light source a million times brighter than the sun. We accelerate electrons around a ring; it's a 216-metre ring, and they travel around that ring about a million times a second. Then that light source is divided off into what we call beam lines, and we use different part of the spectrum to then look at materials. We might look at proteins, crystals, different materials. To give an example, during the COVID pandemic we performed more than 200

experiments on the COVID virus to better understand the structure of the virus so that people could develop vaccines or think about how they could ameliorate symptoms. It's used to support companies doing drug production. It's used to support so many things; it's very difficult to try to bring it down to one or two things. It's really about helping us see the unseen. That's what ANSTO does in so many ways, both the site at Clayton and the site at Lucas Heights. We look and measure things at the level that you can't see, to better understand the universe we live in and therefore design solutions to very difficult problems.

Senator O'NEILL: I'm just looking at my phone to see if I can find an image of a wonderful researcher that I met on Friday who described what it was like for him as a young person being introduced to a microscope and being able to see the world in the way that a microscope revealed. His love of that has led him to be an incredible researcher. He is working at a research facility called Loam, at Orange, looking at how carbon can be stored better in the earth. That's fantastic. This is like a microscope, for people who might not see a synchrotron. It's another way of looking at things.

Mr Jenkinson: Much smaller.

Senator O'NEILL: It opens it up, much, much smaller than what you can see. This is not a common facility around the world, though. I understand that you've had recent engagement with the University of Singapore. Would you like to speak to what that is doing? How did that come about and what are the benefits of such partnerships?

Mr Jenkinson: There are a number of synchrotrons and light sources around the world, of which Australia has one. It's a significant piece of scientific infrastructure in Australia and the Southern Hemisphere. We are engaging with a number of countries, one of which would be Singapore. We have signed an MOU with them that allows them beam time to do their science and allows us to collaborate with researchers in Singapore to help them support their work, and therefore we allow them to use beam time. That has a very positive commercial result for ANSTO as well.

Senator O'NEILL: Do you get anything from the IP that is discerned?

Mr Jenkinson: Depending on the way people use the synchrotron. If they pay for use they can obviously protect their IP, but if it's merit access the IP becomes available for all. It depends on the way they interact with the organisation.

Senator O'NEILL: How many researchers would you say engage with the synchrotron facility each year?

Mr Jenkinson: I'm just checking my numbers. I think the synchrotron has about 4,000 visiting researchers a year, and our neutron scattering facility at Lucas Heights would be around 4,000 to 6,000 a year.

Senator O'NEILL: That's certainly a high level of scientific engagement with others from around the world.

Senator CANAVAN: I have a question for the minister. In light of the updated findings from the CSIRO that nuclear technologies, under their projections, will be rolled out and will be cost competitive, I just want to understand whether the minister has been briefed on these findings?

Senator Ayres: I think what I heard in the discussion was that that work is underway. I didn't hear the conclusion that you've reached in the context of all of that.

Senator CANAVAN: I can read it out again. Perhaps for the record—

Senator Ayres: I would prefer to finish my answer. I don't know why it's such preoccupation for you, but—

Senator CANAVAN: Cheap power. It's not that hard. I know you guys aren't focused on the cost of living—

Senator Ayres: What we are not interested in doing is taking measures that push up the price of power for households and businesses.

Senator CANAVAN: This is going to be cheaper. The CSIRO think this will be cheaper.

Senator Ayres: There is no question that it will push up the prices of power for households and business. It would require unproven, undeployed, uncommercial technology to be deployed in Cairns or Caloundra, in Townsville or Tweed Heads. It's not a smart investment in the Australian context.

Senator CANAVAN: None of this has to do with my question.

Senator Ayres: I know that you are enthusiastic about investing enormous amounts of public money in uncommercial projects, but the government will not do that.

Senator CANAVAN: Chair, methinks the witness protests too much. The question was very simple. It had nothing to do—I got a rant in response to a very simple question: Has the minister been consulted on the findings of the CSIRO *GenCost 2022-23* report consultation draft on nuclear energy costs?

Senator Ayres: I will let you know on notice.

Senator CANAVAN: That was a lot easier. It could have been the first time. I note the media release released on 11 July 2022—this is a release from Minister Bowen and Minister Husic—entitled 'renewables cheapest source of electricity'. It was a media release about the last *GenCost* report, so obviously the ministers were briefed on the report released in July. They say in this joint media release:

The status of nuclear energy has not changed in this year's report. After extensive consultation it concludes there is no prospect of any domestic nuclear projects this decade, given the technology's commercial immaturity and high cost.

I'm just wondering, are there any plans for the ministers to put out an updated media release to inform the Australian public of the new findings of the CSIRO, which are not consistent with that finding expressed in July?

Senator Ayres: What you'll see is that as there are developments—what I can tell you and provide you with more on notice later, if it's required, is that Minister Husic and Minister Bowen's offices were briefed on the consultation draft in December 2022. So they will be considering that report and, I guess, look forward to the final copy. Of course, what the government is focused on is technology that can be deployed now at the lowest cost that will mean that we meet our emissions and cost targets. That's what the government is focused on. We do that against the backdrop of a decade of policy failure, 22 failed energy policies, increasing costs, increasing uncertainty for investors. That's the backdrop—

Senator McDONALD: Chair!

Senator CANAVAN: I'm happy to give him enough rope. He is very good at it.

Senator Ayres: that we're working to.

Senator CANAVAN: I just had a look. Is there any reason why the minister hasn't released a media release about the latest CSIRO *GenCost* report? He has been briefed on it. He released a media release on the last report. Why hasn't the minister put a media release out on this one?

Senator Ayres: I can only speculate, but ministers probably aren't in the habit of releasing press releases about reports that haven't been finalised.

Senator CANAVAN: It seems like your ministers only release information that's convenient to their political arguments, not actually informing the Australian public. It is inconsistent here, the approach to the release of CSIRO reports.

Senator Ayres: As I said, we look forward to receiving the final report.

CHAIR: Thank you very much to the representatives of ANSTO, Mr Jenkinson and your team. Thanks for answering our questions. We release you with our thanks.

Senator O'NEILL: Can I put on the record the name of that researcher that I mentioned? I'm sure he would be very, very honoured to be recorded in *Hansard*. Along with Mr Gee I met with Dr Neeraj Purushotham, one of the founders of Loam Bio—great scientific research going on in New South Wales. I'm very proud of what they're doing there.

CHAIR: Thank you, Senator O'Neill. That is duly recorded in the *Hansard*.

Department of Industry, Science and Resources

[18:29]

CHAIR: The committee welcomes representatives from the Department of Industry, Science and Resources, program 1.1, investing in science, technology and commercialisation. Welcome back, Secretary Quinn; long time no see. Are you and the program ready for questions in program 1.1?

Ms Quinn: Yes, we are.

CHAIR: Senator McDonald.

Senator McDONALD: This morning I started asking questions about the women in STEM program. Am I at the correct place and time now?

Ms Quinn: Yes, you are. You asked about boosting STEM. There are two different programs that could be, so, if you could clarify, we'll make sure we've got the right person at the table.

Senator McDONALD: It's the Elevate: Boosting Women in STEM program.

Ms Quinn: Okay, fire away.

Senator McDONALD: According to business.gov.au, a grant of up to \$41.2 million has been available to boost the next generation of women in STEM. Can you confirm that the whole \$41.2 million has been allocated to

the Australian Academy of Technological Sciences and Engineering to fund their Elevate: Boosting Women in STEM program?

Ms Campbell: The question is for the allocation of the funding?

Senator McDONALD: That's correct. The whole amount was allocated to the Australian Academy of Technological Sciences and Engineering?

Ms Campbell: That's correct. There is \$41.2 million of funding allocated from financial year 2021-22 through to 2027-28.

Senator McDONALD: Has ATSE provided detailed costings, project proposals and plans to the department?

Ms Campbell: Yes. I don't have the details of those to me, so, if there is a specific question to that, I might need to take it on notice, but we work closely on monitoring that program.

Senator McDONALD: Terrific. The ATSE website said applications opened on 29 July 2022 and closed on 1 October 2022. When was the money made available? Which budget was that?

Ms Campbell: The funding started in financial year 2021-22. With regard to which budget that was, I don't have that in front of me.

Ms Richards: It was in the budget last year, 2022.

Senator McDONALD: That was the first one?

Ms Richards: Yes, it was in March.

Senator McDONALD: Right, the March budget under the coalition. Terrific. So applications opened on 29 July and closed on 1 October. Have any scholarships been allocated yet?

Ms Campbell: Again, I don't have the specifics of that, but, yes, my understanding is they have been allocated and they have commenced this year. They were scholarships for 2023.

Senator McDONALD: Terrific. I was going to ask you when they would start to be allocated, and they have been obviously announced; otherwise, the students wouldn't be studying. Are the scholarships broken down by state or by metropolitan region or by regional metric?

Ms Campbell: There are three groups for those scholarships. The first is undergraduate study, the second is postgraduate study and the third is leadership. For the latter, that's women who have already studied in the STEM field progressing into a leadership study.

With regard to the geographical spread, that's reflective of the applications. I don't have the specifics of the geographical spread or locations in front of me, but they were awarded with reflection to the applications from those specific regional areas.

Senator McDONALD: On notice, would you please be able to provide me some information on where the successful applicants came from?

Ms Campbell: Certainly.

Senator McDONALD: How will performance for the program be monitored and/or reviewed?

Ms Campbell: This funding is awarded under a granting agreement, and part of that is that there are project milestones and reporting. That sits under our grant agreement and is monitored as such. They have milestones to meet. Because this is a longer-term project, we also work with ATSE on the delivery of this program. I attended a meeting recently on their progress against the commencement of this year, so it is a piece of work that we are closely involved in.

Senator McDONALD: Terrific. What does the department consider a successful return on investment?

Ms Campbell: I can provide more specifics to that regarding the milestones and what is required to be delivered. Over the six years of the program there'll be 500 scholarships awarded. Part of that will be reporting on how many scholarships are awarded per delivery year—

Senator McDONALD: That will be success. What about the success of the students? Would graduating be a success milestone as well?

Ms Campbell: I can only talk to the delivery of programs. That is, of course, something that we'd be looking for, but we can provide the specifics of this project to you.

Senator McDONALD: That would be terrific. I recently visited the Sustainable Minerals Institute in Brisbane. I was disheartened to discover that of all the PhD students only one was Australian. The rest came from overseas. As I asked each one, 'How did you end up in this career and in this role?' they said that they'd had to do STEM as part of their high school studies, whereas I know in Australia that so many young people are choosing

not to do STEM, either because they think it is too hard or for whatever other reason. So I can congratulate you. I think it's a terrific program and I look forward to updates on how it's rolling out.

CHAIR: Senator Bragg?

Senator BRAGG: Can I ask you about the national robotics strategy?

Mr McIntyre: You can start with me and then the other relevant staff.

Senator BRAGG: Can I ask you about the other fund that the government is proposing to set up?

CHAIR: The national reconstruction fund? That's next.

Mr McIntyre: That's correct.

Senator BRAGG: So this is robotics? Have you appointed a council—an advisory committee—on this?

Mr McIntyre: That's correct.

Senator BRAGG: Who announced that?

Mr McIntyre: Minister Husic is responsible for that committee.

Senator BRAGG: Did he announce it?

Mr McIntyre: Yes.

Senator BRAGG: How many expressions of interest did you have for that?

Mr McIntyre: I'll defer to Anthony Murfett, who's handled the process of setting it up.

Mr Murfett: For the robotics committee, we consulted extensively around Australia on the nominations we could put forward to the minister for consideration, but there was no expression of interest process run.

Senator BRAGG: Was there no process to express interest?

Mr Murfett: There was no process to run an expression of interest. However, there was extensive consultation across Australia—including WA, Queensland, New South Wales and Victoria—to ensure we looked at the breadth of experience needed to inform the strategy. I would say that, in looking at the make-up of the nominations put forward, we looked at a range of criteria like diversity and social inclusion. We know with robotics there are matters around ethics and trust, so we needed to ensure we could put people forward with those skill sets, considering the impact of robotics on workers, so there was a comprehensive discussion around Australia to identify potential nominees.

Senator BRAGG: Was there an extensive discussion with industry?

Mr Murfett: It was with industry, with academia, with a range of stakeholders that could be impacted by robotics. I guess you would appreciate, Senator, that with robotics and the opportunity that it presents to support a range of sectors, it was important to engage widely.

Senator BRAGG: I understand it's a sensitive issue, but there was no formal process to take expressions of interest, so that means the department had its own selection matrix or some form of criteria. Is that right?

Mr Murfett: Consistent with many appointments and what the department does in providing advice to government, we look at the particular area, in this case robotics. I outlined some of the key themes we'd seen in some of our preliminary consultation about what we needed to think about in increasing adoption of robotics. In light of that we identified the key skills that would be useful to provide insight into thinking about robotics.

Senator BRAGG: Was that a matrix?

Mr Murfett: There was a prepared matrix, yes.

Senator BRAGG: Can you supply that?

Mr Murfett: I can take that on notice.

Senator BRAGG: Did you assess each candidate against that matrix?

Mr Murfett: This is going to the matter of providing advice to government. I've outlined the process that we followed, which is we engaged extensively across Australia to identify the relevant experts. We then identified the key skills that we thought could provide that advice, and that advice was provided to government.

Senator Ayres: This committee is an internal advisory committee. It doesn't have an oversight capacity or a decision-making role. It is an advisory committee, and it is a matter for the minister who is appointed. It's designed to provide advice to government, and ultimately, while there's a process that has been gone through here—and it is a good thing—it is a matter for the minister who has appointed the committee to provide advice to him.

Senator BRAGG: It is a committee of the department, though, isn't it?

Senator Ayres: It is an advisory committee.

Ms Quinn: It is not formally a committee of the department. It is a group of people who are providing advice into a process. It is not at all uncommon for that to happen for lots of different processes, but it's not formally a decision committee with any governance role in the department.

Senator BRAGG: How often do they meet with the minister?

Mr Murfett: At this stage we've convened the nominees and those that are on the community, I believe, three times. The minister attended one of those meetings, which was on 13 December.

Senator BRAGG: Was there a list of people that you recommended to the minister?

Mr Murfett: As part of providing advice to the minister, yes, there would be a brief prepared with a list of candidates for his consideration.

Senator BRAGG: Were all of those people that you recommended accepted?

Mr Murfett: That goes to advice to government. I've outlined the advice that we provided. We provided a brief to the minister and consulted broadly. But it is an advisory committee and for the minister to decide.

Senator BRAGG: Were there people that were rejected?

Mr Murfett: I can't answer that question because it goes to advice to the government.

Ms Quinn: It's highly usual that we would provide more names than there are spots on committees. We apply different options et cetera, so just as a general rule it is rare that, if the target is three, we would provide three names. We always provide an excess, in that sense, depending on the criteria and the make-up, because it depends a little bit on precisely what the minister is looking for in some roles. It wouldn't be at all unusual if the selection was smaller than the broader list that is provided for consideration by a decision-maker.

Senator BRAGG: Were these people interviewed by the department beforehand?

Mr Murfett: There wasn't formal interview process as part of this. As I think I've outlined, we went out, we consulted, we spoke to a range of people, and we put forward nominations for the minister to consider.

Senator BRAGG: Do people who come onto these committees have to sign any pieces of paper or anything?

Mr Murfett: Could you repeat the question?

Senator BRAGG: Do they have to sign any pieces of paper? I know you say that it's an informal advisory group, but what do they have to do?

Mr Murfett: From a process perspective, I think we've run through the nomination. Nominations are made. The minister appoints people to an advisory committee. Once we know who the appointees are, there's a formal letter that is often written to the candidates. The candidates then confirm, or otherwise, if they wish to be part of the committee. If they do wish to be part of the committee then there is a more formal document that sets out the terms of reference and expectations of committee members. In this case, some of the detail is that they'd be in place until around 31 March this year. It talks about making sure they abide by our conflict of interest policy and sets out some of the broad conditions. And, as the minister had said, it is providing advice and input into opportunities for Australia around robotics.

Senator BRAGG: Are there any conduct expectations—that these people won't bring this body of work or the department into disrepute?

Mr Murfett: If I could refer you to our website. The terms of reference are there. It's clear about what the expectations are, including the terms of reference, which outline being consistent with the PGPA Act and a range of other areas. I'm happy to provide that on notice.

Senator BRAGG: Yes, okay. But are there any confidential matters? I think the idea of industry consultation is quite a good idea. I'm not hostile in any way; I'm just trying to understand.

Senator Ayres: This isn't an industry consultation group. This is an advisory group.

Senator BRAGG: You wouldn't use this group to test ideas with?

Senator Ayres: Yes.

Senator BRAGG: What's the point of it then?

Senator Ayres: Yes, absolutely you would.

Senator BRAGG: So it is industry consultation?

Senator Ayres: Well, industry consultation is a slightly different exercise.

Senator BRAGG: Okay. But surely this group is going to be looking at concepts in this robotics space, right?

Senator Ayres: Yes.

Senator BRAGG: Otherwise, what else is it going to be doing?

Mr Murfett: Senator, the way I would characterise it is that an advisory committee has been appointed by the minister. They are selected for relevant skills—and I've outlined things from ethics workers, research and development—so there's a greater pool of diverse views in providing advice on robotics. I would expect that, in any development of things such as strategy to do with robotics, there'll be a broader consultation across industry. The beauty of having an advisory committee is that there is a sounding board, but, of course, there is always going to be broader consultation, and its role is outlined in its terms of reference.

Senator BRAGG: Are the members asked to be discreet? Is that part of the obligations, when they sign this piece of paper?

Mr Murfett: I've mentioned the terms of reference, and there is a confidentiality clause, which we can provide on notice. That would be the expectation in any committee, and, as we're testing ideas, there's a level of discretion.

Senator BRAGG: I imagine you wouldn't want this committee to bring the department into disrepute. I want to ask you about one of the comments made by one of the members of the advisory committee. Mr Andrew Dettmer has said publicly that the opposition leader is Voldemort. What do you think about that?

Mr Murfett: I'm not aware of the article you are referring to, Senator, and I can't offer an opinion.

Senator BRAGG: Are you proposing that this committee would, ideally, maintain the good standing of the department?

Mr Murfett: As the secretary outlined earlier, it's a usual process of government to set up a committee with a range of experts who can provide advice to government. We've been very clear on what the terms of reference are and what the expectations are, and I'm happy to provide all that material on notice, if that is required.

Senator BRAGG: Is there a social media policy?

Mr Murfett: I would have to take that on notice, Senator.

Senator BRAGG: Will you look into some of these inflammatory posts? There are others.

Mr McIntyre: If I may: when the government appoints such advisory committees, it is our expectation that we want people who bring a variety of different relevant experiences to their role. It's typically not the case that the government or the department would be seeking to gag the way those people might undertake their broader role. You're correct; it's very important to the department to maintain its reputation. But it is also important to have people from a range of backgrounds who will continue to operate in a range of other roles, and typically we would not place on them onerous obligations which require them to curtail the kinds of comments they might choose to make on issues unrelated to their involvement in our committees.

Senator BRAGG: So you think it's okay to say that Voldemort thing?

Mr McIntyre: I'm not saying that at all. That's not what I said at all. I said that we expect that members of committee will have a variety of other roles in society outside their participation in the robotics committee. If they were making comments about the robotics committee we might have an opinion, but if they're making broader comments that fall outside that role it's not really a matter for the department.

Senator Ayres: It was about five minutes ago that I became aware that Mr Dettmer had been appointed to this advisory body. It is an excellent appointment. He is one of Australia's leading contributors on Industry 4.0 and on a range of these related questions. I'm not surprised that he has been appointed.

Senator BRAGG: You think it's a good idea for people to make comments about other people's appearances, do you?

Senator Ayres: I don't really have much of a comment to offer on the range of views that people express on industry advisory groups. It doesn't seem to me to be scarcely relevant.

Senator BRAGG: If you're appointing people into these positions, surely there's got to be some quality control. You can't have members of committees that are providing privileged advice to government going out there and saying all sorts of crazy things, particularly about people's appearances. I would have thought you would be concerned about the risk to the reputation of the department.

Ms Quinn: This is an advisory committee to the government. The minister made the appointments. They have been chosen for their expertise in the area of robotics and what the implications would be for industry, workers and the broader social structure of Australia—so they bring their expertise. That would be our area of focus. As

my colleagues have said, people make comments in other courses of events et cetera, and that's outside our jurisdiction. I have no kind of comment on that.

Senator BRAGG: Do these people get paid?

Mr Murfett: No.

Ms Quinn: They're providing their expertise for free.

Senator COX: I've got some questions in relation to the carbon capture technologies program.

Ms Quinn: I'm not sure that that's here. Carbon capture is a policy responsibility of the department of climate change, in the separation of the MOG carbon capture and storage policy—

Senator COX: My bad! I will direct it to them.

CHAIR: Thank you, Ms Quinn. Thank you, everyone who has come to participate in program 1.1: investing in science, technology and commercialisation. Senators have exhausted their questions for this program, and we release you with our thanks.

Proceedings suspended from 18:53 to 20:03

IP Australia

CHAIR: Good evening, everyone. Welcome to estimates after dark. The committee welcomes IP Australia and its representatives. Welcome, Mr Schwager. Would you like to make an opening statement or just proceed to questions?

Mr Schwager: There's no opening statement from us.

CHAIR: I know Senator Cox has questions, so I'll go straight to you, Senator Cox.

Senator COX: It has been identified that the current IP framework provides limited protections for culture, cultural practice, stories and knowledge and that standalone legislation is a possible solution to this. Is there any standalone legislation currently being worked on?

Mr Schwager: Thank you for the question. We are looking at options for that, and have been looking at options for that for some time, including through the development of a report on options for standalone legislation. That would feed into the government's current commitment to produce standalone legislation for Indigenous knowledge, and we are in the process, as I said, of doing an interim report on that. I can throw to my colleagues for more information.

Ms Tregurtha: As part of the National Cultural Policy, one of the commitments is to work on standalone legislation for the protection of traditional knowledge and cultural expression. The Office of the Arts is leading that work together with the NIAA, but IP Australia is very much supporting that. You're quite right; traditional current IP frameworks don't deal effectively with traditional knowledge and cultural expression, particularly in the context of community ownership and the ability to manage that collectively rather than on an individual basis, which is how the current system works. That's one of the key issues. The first stage of this will be to work closely with First Nations people to look at the scope of the problem we're trying to solve here, what matters and the key things we want to address through this process, so we can start to work up something we can do broader consultation with in the second half of the year.

Senator COX: Is there any thinking about how you might be inclusive, given we've got 200-plus First Nations people across the country and the importance of this legislation, as you say, reaching not just artwork but also the breadth of cultural knowledge and IP that needs to be protected? Is there any of that thinking happening yet?

Ms Tregurtha: Absolutely. We're very conscious of the diversity of issues we need to look at. It obviously is a concern around art and counterfeit art, but that's just one aspect. There are the cultural stories, there's dance, there's knowledge related to plants and bush foods—all sorts of issues. There are questions about protection and respect but also use for Indigenous businesses and how that might all play in together, and of course many people have many different views across the community. The first step we're taking is to think about how we first design a consultation approach which is going to enable us to tap into all those different perspectives and views so that we can bring something together that can be the subject of some further consultation.

Senator COX: Will Australia draw on any of the US or Panama frameworks to inform this legislation? Is that something you've looked at?

Ms Tregurtha: Yes, we have looked at those. What's happening internationally is really useful. They're very different frameworks. I think the US framework is a bit old, actually; it focuses on craft and arts specifically. The framework in Panama is more of that community ownership perspective, so we're very much looking at that.

There are issues about, 'Do you have a registered process or is that actually a barrier?'—lots of different aspects coming out of the practice across the globe that we'll be looking at.

Senator COX: Essentially, whilst the government is in the interim stages—and I appreciate you're trying to develop a consultation piece around this—there are many businesses out there marketing themselves as First Nations. In fact they're marketing themselves particularly around the products; I'm glad you mentioned not just artwork but also cultural products that are the use of native botanicals and bush foods. There are also cultural items that are not owned and operated by First Nations people themselves; in fact, they're black cladded in lots of situations. Is there anything being done in the meantime to prevent any of this?

Ms Tregurtha: In the sense of the IP framework, which is really what we look after at IP Australia, as well as the standalone legislation aspect we are also looking at whether we need to make changes to our existing legislative frameworks—trademarks, for example—to better deal with those sorts of issues where people are seeking to use or leverage Indigenous images or words in a way that might be inappropriate, where no consultation or consent is being sought or where it's not associated with an Indigenous business at all. That's another tranche of our work through our Indigenous work plan. We have six broad categories, and that is one of those categories.

Senator COX: It's a very deep issue, and one that I would like to hear the government recognise as very deeply hurtful to First Nations people in this country. Essentially, it's the stealing, or the appropriation, of our culture. If we just pick one element, that of native botanicals, one tea company, for instance, in this country is now looking at a \$7 billion economy which black people in this country don't see any of. We are seeing them put a kangaroo on their product, and all of a sudden it's an Indigenous product. It deeply worries me that some circles of this government are promoting that; I saw that at COP27 this year. We need to take action, so I'm glad to hear you're doing some of the work. But there needs to be more and it needs to be quicker because these companies are developing their international markets, and they're marketing these products as First Nations cultural based products when they are, in fact, not. Thank you for your work. Minister, do you have any comment that you would like to make?

Senator Ayres: Nothing beyond what's been said except to say—it's not really for this committee, but I can tell you that, broadly, in trade discussions around the world at the moment, there is an increasing level of interest in these sorts of issues, in First Nations IP, from countries in the region in particular but also more broadly than that. I am watching these developments very carefully, and I have representations made to me directly by First Nations led companies in this space that are doing a lot of pretty interesting work. You are right to raise the issue from that social justice perspective. There are risks and issues out there, and I think you're pointing to those correctly. There's also enormous opportunity. I'm pleased to hear about the work of IP Australia, but there are other areas of government that will be engaged in this.

Senator COX: I suppose one of the easier solutions to that is Indigenous inclusion chapters. As I take off now to the Senate trade committee—and I've raised this in the trade treaties committee as well—Indigenous inclusion chapters would go some way to addressing that. If you can take that on notice and have some conversations, I'd be appreciative of that. I think there's an easy solution; we just have to move along with it. Thank you.

CHAIR: Thank you, Senator Cox. That was a really interesting, important line of questioning.

Senator O'NEILL: I followed up after my colleague Senator Stewart asked some questions yesterday on First Nations. The consultation is massively improving. There is cultural knowledge that is being sought now. It has value. Who is being paid for their cultural knowledge in this engagement rather than just being asked to participate? At what level is Indigenous thought, leadership and cultural knowledge being prized at the decision-making level? That seems to be a structural problem that we've inherited, and our processes—such as the challenge of IP as individuals, which some First Nations people might choose as appropriate for what they do, and the community option—are to par.

There will be people who have cultural knowledge that doesn't fit a particular program or model of leadership or structure that we have, but they nonetheless have leadership and elder status that brings a different set of perspectives. I guess my question is: how much thought has gone into ameliorating those sorts of structural problems in the way that you are proceeding with this work?

Mr Schwager: We've tried to move fairly carefully, consistently and slowly, taking note and advice from a whole range of different Indigenous people on this. We've tried to talk to experts—particularly Indigenous IP experts, academic IP experts, practising lawyers and Indigenous lawyers—and we've been talking to people at Garma and people in the land councils. We've been trying to go out into the community as much as possible and

have been talking to a range of people who are the owners of stories, either at a family or at a clan level of Indigenous knowledge, and trying to understand what perspective they might be coming from.

When it comes to then trying to put in place frameworks and structures to recognise and protect that Indigenous knowledge that is so complex and integrated, we use those clan structures. I'm not Indigenous and so I'm very respectful about listening very carefully to those different experts. What we will do, and what we're hoping to do over the next six months, is put a lot of work into formalising our consultation processes through a partnership arrangement. The correct terminology is 'partnership arrangement', I think.

Senator O'NEILL: You'll have First Nations people embedded in IP Australia?

Mr Schwager: Totally. As part of the partnership stuff, effectively we'll be working with them. Our own Indigenous staff are very much involved in this, but, of course, we don't have as many Indigenous staff as we would like, and we're trying to increase that as well.

Senator O'NEILL: At what level do they make the decisions? As a Labor member, the power of those voices in our caucus has changed the whole nature, tenor and quality of the conversation, so I'll just leave that question with you.

Mr Schwager: As we try to build that capability in our own cultural competency, both within the agency and in partnership with Indigenous people, following the examples that are being set up through the Closing the Gap initiatives, we're also engaging specific Indigenous advisory people to help us with this process. We've had a group of three experts, particularly, help us over the last 12 months on this. That will continue and we will only be escalating that going forward.

Senator O'NEILL: As paid consultants?

Mr Schwager: Yes.

Senator O'NEILL: Thank you, Chair.

CHAIR: I don't think other senators had questions beyond that really important line of questioning, so we are in a position to release you. We thank you very much for your attendance. Thanks for answering our questions and you go with our thanks.

Department of Industry, Science and Resources

[20:20]

CHAIR: Welcome back, Secretary Quinn. Nice to see you again, again. The committee welcomes representatives from the department for program 1.2, Growing innovative and competitive businesses, industries and regions. I assume you are happy for us to just proceed straight to questions.

Ms Quinn: I just have one correction to my colleague's evidence earlier today, on the Elevate program. Senator McDonald, you asked about the timing of the program. It was the May 2021 budget, not the March 2022 budget. So I just wanted to correct the evidence on that for the *Hansard*.

CHAIR: Thank you very much, Ms Quinn. I'm looking to see who would like the call.

Senator McDONALD: I think that's me. I understand the Office of Supply Chain Resilience has moved from the Department of the Prime Minister and Cabinet into the Department of Industry, Science and Resources. Is that correct?

Ms Quinn: That is correct, yes.

Senator McDONALD: Thank you. Why was this change made?

Ms Quinn: The government did a few rearrangements of responsibilities. There were three task forces that came into the department from the Department of the Prime Minister and Cabinet. All of those that came into the department were very heavily connected to our core purpose, and supply chains was one of them. We also got responsibility for the digital economy, and we got critical technology as well.

Senator McDONALD: What is the resourcing for this office?

Ms Quinn: I will just check.

Ms Pickworth: While my colleagues come to the table: since the Office of Supply Chain Resilience came in, with the reorganisation, we've now got a Sovereign Capability and Supply Chains Division, and those two bodies would work together.

Ms Looney: I'm happy to take that question. I have some approximate numbers on our current staffing numbers with OSCR, which is the Office of Supply Chain Resilience. We have a total of 30 ASL. Currently we have 18 on staff, and we're recruiting four additional staff there.

Senator McDONALD: Whereabouts are those 18 staff located?

Ms Looney: The majority of them are based in Canberra, but we have some staff who are working remotely from other areas within Australia and internationally as well.

Senator McDONALD: Whereabouts internationally, out of interest?

Ms Looney: We have a staff member who has just located in the UK and also one who will begin working with us in the Philippines. Sorry, I should say: one who works with us but has been relocated to the Philippines.

Senator McDONALD: We were talking about this the other night. Is that part of the department's flexible working arrangements or another arrangement?

Ms Looney: We have quite a lot of different issues. We have overseas staff posted. We have some staff who might be temporarily overseas. We do have a flexible work policy that allows for people, in certain circumstances, to work in different locations. We have a number of staff highly qualified, with particular skills. If there are appropriate security arrangements, they can work from overseas.

Senator McDONALD: Ongoing effects of the pandemic, exacerbated by geopolitical tensions, continue to expose significant vulnerabilities in Australian supply chains, with major economic impacts. Can you please outline what critical goods are at risk of disruption?

Mr Wong: The Office of Supply Chain Resilience was set up to undertake the monitoring of supply chains that are at risk and to identify and manage critical vulnerabilities. We use the Productivity Commission's framework, which they published in the 2021 report. So, using our methodology where we assess criticality and vulnerability, which includes import vulnerability, our import dependence as well as the degree to which we rely on a particular supplier, we've identified seven categories of goods, and they're on our website. The first of these is personal protective equipment, the second is pharmaceuticals, the third is agricultural chemicals, the fourth is semiconductors, the fifth is telecommunications equipment, the sixth is water treatment chemicals, and the seventh is critical plastics.

Senator McDONALD: What is the government doing to identify critical agricultural input vulnerabilities?

Mr Wong: What we in the office do is undertake a data analysis to understand what our supply chain vulnerabilities are and what our import dependencies are. Based on our analysis, we would then undertake consultation with relevant industry partners to understand those supply chains and what risks they face, and then, based on that, we'd make an assessment of criticality and vulnerability and provide advice to the government on what risks the sector might face.

Ms Looney: Senator, I might just add that we do work very closely with the other portfolios within government. While we do the coordination work, often the responsibility for assessing what appropriate measures would be to address issues may be the remit of the relevant portfolio.

Senator McDONALD: What impact are gas prices having on manufacturing urea and agricultural fertilisers in Australia?

Ms Looney: I think that would be a question for our colleagues in the Department of Agriculture, Fisheries and Forestry.

Senator McDONALD: That wouldn't come under supply chain resilience?

Ms Looney: We do look at that, but they would have the information about that specific issue of the gas prices impacting the manufacturers within their sector.

Senator McDONALD: I appreciate the specialisation of the ag department, but I was assuming that the Office of Supply Chain Resilience would be across sectors, and I'm a little disappointed that it's been pushed off to another department.

Ms Looney: We are engaged with them on the issues. I'm just pointing to the fact that specific references from industry on those issues would be a matter for DAFF, for the fertiliser, but my colleague can expand on that.

Senator McDONALD: Bad news: they referred us to you.

Mr Wong: Senator, under the administrative orders, agricultural sector issues do sit with DAFF, but we do work with them closely. It's probably worth saying, in answer to your question, that high energy costs, which in many ways were driven by the Russia-Ukraine crisis, as well as export controls from China in 2021, did have an impact on urea prices. That shock does not seem to have persisted. If I can read out some stats for you: over the past 12 months—this is the year to 10 February 2023—the price of urea has actually fallen by 60 per cent. In the industry engagement that we've done, it does appear that the general consensus is that the situation is easing, and key suppliers are reporting low to no concerns with urea supply.

Senator McDONALD: So, given that Ag has referred me back to you, I'm going to just give you a few questions. If you wouldn't mind going back to Ag, sorting it out, taking these questions on notice and then, between the two departments, providing that to me? Terrific; thank you. I've asked you about the impact of gas prices on manufacturing urea and agricultural fertilisers in Australia. You've talked about the 60 per cent fall in urea costs, but if you could talk to whether there is a global supply shortage. I want to ask if China still has restrictions on the export of urea. To the best of your knowledge, where or which countries does Australia import its urea from—both agricultural and technical grade urea, which, as you know, goes to AdBlue? What is the total consumption of both agricultural and technical grade urea in Australia by metric tonne? What proportion of our domestic usage or consumption of urea do imports represent? Are there any domestic manufacturers of urea in Australia currently?

Can you provide a list of prospective urea projects in Australia. We know about the Perdaman urea project and the NeuRizer urea project in South Australia. For each project, could you please advise the proposed feedstock for urea production, the time frame for the project and the projected output by metric tonne. And can you confirm if the department still has any formal arrangements via contract or grant with Incitec Pivot for the domestic supply of urea for diesel exhaust fuel? That's the end of my questions for that section.

Ms Quinn: I'll note that on that last one it's our colleagues at the department of energy on the diesel component, but we can liaise with them.

Senator McDONALD: If you wouldn't mind. To my mind, that's all supply chain resilience, and so that coordination across departments would be terrific. Thank you.

Senator DUNIAM: I have questions on the issue of manufacturing, with the recent announcement—I think it may have been yesterday or the day before—relating to the Opal white paper plant in Victoria and, attached to that, the issue affecting Parkside timber mill in Western Australia. Is that something you're familiar with as well—perhaps not either of the witnesses at the table, but the department more generally?

Ms Pickworth: We're certainly aware of the announcement of the Opal closure. I'm not aware of the other mill, but colleagues may be.

Senator DUNIAM: I expect these answers may be largely the same as the answers that my colleague has received, because you are an agency that provides advice but the portfolio agency—in this case DAFF—would be the lead agency, I gather. What work has been done in response to the situation that has evolved around Parkside in Western Australia, which is a timber mill that uses native timber? With the impending phase-out of native forestry in Western Australia, that mill has decided to shut up shop two years early. That will have an impact on manufacturing here—pallets, pellets for wood burners, timber desktops et cetera and other products they make. And what impact will the Opal decision have on our supply chains and domestic manufacturing?

Ms Anton: On Parkside, I can't give you any specifics at this stage. I don't have information on that. I can say that we have been looking at the situation with Opal, and our colleagues in OSCR, who were just up, have certainly looked at what that means for the supply of white copy paper in Australia. They are monitoring that impact. Global supply chains for that item are quite diverse, and we don't expect that Australia will be facing any interruptions to supply on that matter.

Senator DUNIAM: Will it have any flow-on impacts? Obviously, with the resource that is consumed by a white paper mill, there are other products generated from the fibre of the tree, be they pellets for wood burners, palings for a fence or whatever—who knows? Has there been any analysis done on the impact on those markets? The premium product is the white paper, and that market is now gone for the Opal mill in Maryvale that has closed down. Have we done any analysis on those by-products or other products that come from the fibre of the same tree?

Ms Anton: Not specifically. My understanding was that not all of the operations of that site were closing—that they were going to continue to do some cardboard manufacturing there—but I don't have the specifics on that.

Senator DUNIAM: Ms Looney, did you have something to add?

Ms Looney: We've not been made aware of any issues regarding by-products from that facility. We've been in contact with our colleagues at DAFF and others, and we can take that on notice, if you'd like, and get back to you on that.

Senator DUNIAM: That would be great—on notice, any impact on the market and on manufacturing operations for any other products that came out of the same resource.

Ms Looney: Certainly.

Senator DUNIAM: Back to Parkside in Western Australia: the department is not aware of that closure? That is a native timber mill. The name of the town escapes me, but they relocated there about two years ago. I think there are 80 employees. The closure was announced last week. You're not aware of this one?

Ms Looney: No; at the Office of Supply Chain Resilience that has not been brought to our attention.

Senator DUNIAM: Could you take on notice, then, the same questions related to that mill and also whether the Department of Agriculture, Fisheries and Forestry has been in touch. The onus is on them, I gather. You don't sit out there waiting and hoovering up information on every sector in every industry. I'm certain that that is not your job; that is the other agency's job. If you could let me know whether they've been in touch about that, I'd be grateful.

Ms Pickworth: Certainly.

Senator ALLMAN-PAYNE: I have some questions about the National Reconstruction Fund. The Minerals Council of Australia, in their submission to the department's consultation on the NRF, has said that carbon capture and storage should be considered as value-adding and low-emissions technology. They state:

CCUS offers great potential for Australia in terms of enhancing the sustainability of coal and gas industries ...

That is another way of saying that carbon capture and storage will expand the coal and gas industry and extend its longevity. What is there to stop the NRF funding going towards CCS projects?

Ms Luchetti: We have just completed extensive consultation in relation to the NRF. We have received over 230 submissions and held about 46 virtual or face-to-face meetings and various meetings with stakeholders. We're in the process of pulling that information together and providing advice to government, and that will inform government deliberations in relation to the investment mandate, so I can't give you a definitive answer in relation to that.

Senator ALLMAN-PAYNE: If I'm understanding you correctly, then, unless it's stipulated otherwise, for example in the investment mandate, it's open to the fund to fund carbon capture and storage?

Ms Luchetti: No. What I've said to you, Senator, is that we are in the process of pulling together the investment mandate and providing advice to government on the investment mandate and also the priority areas declaration. You're asking me to go to advice that we're providing to government, and I can't do that, as we're going through our budget deliberations.

Senator ALLMAN-PAYNE: No, I haven't said that. I said: is there anything at the moment in the way the legislation is proposed—the draft bill—to stop the NRF—

Ms Luchetti: As you would be aware, Senator, the legislation is framework legislation, very much based on the CEFC legislation. The explanatory memorandum points to the investment mandate and the priority area declarations, and that's where the further detail will be.

Senator ALLMAN-PAYNE: If I'm understanding where you're telling me correctly, there is the potential for carbon capture and storage to be allowed if it fits within the investment mandate.

Ms Luchetti: It will be a decision of government.

Senator Ayres: What I can tell you is that in the sector of the fund that's relevant to the question that I think you're asking, there are the items that are called out—components for wind turbines, production of batteries and solar panels, new livestock feed to reduce methane emissions, modernising our steel and aluminium manufacturing capabilities, hydrogen electrolyzers, innovative packaging solutions to reduce waste. If we're going to achieve our objectives to rebuild industry capability in this country; to diversify our industrial base, particularly in our regions and outer suburbs; and to reduce our emissions in line with the commitments that we've made domestically and internationally, these are all critical areas for us to be able to achieve those objectives. The reason the officials have to be circumspect is that there's a consultation process. We've been seeking views, and all views in this area are welcome. But we've been pretty clear as a government and pretty clear prior to being in government what the purpose of this particular fund is going to be.

Senator ALLMAN-PAYNE: So, do I take from your answer, Minister, that it's not the government's intention to include carbon capture and storage in the investment mandate?

Senator Ayres: Well, there's a pretty strong track record here of approach to funds like the CEFC. There have been different views across the parliament about how a fund like the CEFC should be utilised, and I think one way of measuring the government's approach to some of these questions is to look at the approach we've taken to the operation there. But the investment mandate will be the subject of very broad consultation.

Senator ALLMAN-PAYNE: I guess our concern is that this legislation may go beyond this government. The current minister might not have any intention, unless there's something explicitly there. There were similar things in the CEFC that prevented some investments that probably wouldn't be regarded as clean technologies. That's our concern, and that's why we're asking.

Senator Ayres: Well, these guys are opposed to it, so they're voting against it. One of them couldn't remember the name of the fund earlier on.

Senator ALLMAN-PAYNE: I'm not going to go into—

Senator Ayres: So, if there's a different government, this task of rebuilding the industrial base in Australia, which involves significant electrification, which involves an enormous opportunity to do—

Senator ALLMAN-PAYNE: Could I maybe ask you to stop there, only because—

Senator Ayres: I just want to point out that there's—

Senator ALLMAN-PAYNE: I understand the politics of it.

Senator Ayres: There are a set of risks here—

Senator ALLMAN-PAYNE: Yes, thank you—

Senator Ayres: and these guys are too ashamed to ask questions—

Senator ALLMAN-PAYNE: I'm just conscious that I've got limited time—

Senator Ayres: because of their position. I'm glad that you're asking questions.

Senator ALLMAN-PAYNE: Minister, I have got limited time, and I think—

Unidentified speaker: [inaudible]

Senator Ayres: Well, I haven't heard anything all day—nothing all day.

CHAIR: Minister, and senators: Senator Allman-Payne has been waiting patiently to be able to ask her questions, and she has the call.

Senator ALLMAN-PAYNE: Thank you. I might go to the next question, because I understand the politics of it. I'm just trying to understand what things are in and out, potentially, and what the legislation can and can't prevent at this point in time. So, what would be helpful for me to understand—and I understand that the department can't tell me what's in or out—is: Does the department consider that CCS would come under the remit of a low-emissions technology?

Ms Luchetti: What I can say, with probably a little bit more detail, is that the priority area declaration, which will be a disallowable instrument, will go into that level of detail that you're looking for. It is giving further guidance to the NRF board around investments they may wish to undertake. And I would assume that it would be under that low-emissions technology priority area, under the priority area declaration.

Senator ALLMAN-PAYNE: Alright. So, you're saying that CCS could come within the definition.

Ms Luchetti: If the government made that decision, then it would potentially fall under that low-emissions priority area—potentially.

Senator ALLMAN-PAYNE: Can I just clarify a bit further, then. At the moment the government has announced and proposed priority areas. It's just a list—broad things like low-emissions technologies. Are you saying that those priority areas will be more detailed than that and there will be a list of things under that heading that say what can be included and what can't?

Ms Luchetti: The priority area declaration will have greater specificity in terms of where the NRF can invest.

Senator ALLMAN-PAYNE: Okay. Thank you. That's helpful. My next question: How will the department administer a different priority area or investment mandate? Under the proposed legislation, if a future minister said that the LNG industry is a priority area for the NRF investment, then the NRFC would then have to invest in LNG, wouldn't it?

Ms Quinn: As my colleague said, the intention is that the priority area declaration be a disallowable instrument. If that were to be changed by government it would have to change the instrument, and so it would be a matter for government.

Senator ALLMAN-PAYNE: But it could go in there and, potentially, that instrument could not be disallowed and therefore that would be allowable.

Ms Quinn: That is the instrument which would provide the guidance of the priority areas, reflecting the will of government and the parliament.

Senator ALLMAN-PAYNE: Yes. I think what I'm hearing is yes, it could potentially be used for that, as currently proposed, if the investment mandate or the priority area allow that to happen and it isn't disallowed in the parliament.

Ms Quinn: Yes.

Senator ALLMAN-PAYNE: Is the NRF intended to support business as usual or low-value-add activities? It isn't in the bill, but it was in the department's consultation discussion paper. I'm just wondering why it was taken out.

Ms Luchetti: The legislation that's before the House is very much framework legislation. The object of the act is about diversifying the economy and transformation. The investment mandate and the consultation document that you saw were to inform that investment mandate, and there will be greater detail in that investment mandate. The NRF is about transformation, it's not about funding business as usual.

Senator ALLMAN-PAYNE: Okay. So it wouldn't be for low-value-add products like paper, or crates or—

Ms Luchetti: It's about transformation and diversifying the economy.

Senator ALLMAN-PAYNE: That's great. Is there any legal requirement, either existing or proposed, for the minister to consult the department on determining the priority areas for the NRF investment?

Ms Luchetti: The priority areas were the election commitment of the government. We are in the process of implementing those priority areas. Like I said before, we're doing further work around that priority area declaration, which is a disallowable instrument.

Senator ALLMAN-PAYNE: So, technically, the minister could just decide—obviously, it will go through cabinet or a process—what they are. There's no requirement for consultation?

Ms Luchetti: The government have been very clear in terms of those priority areas through their election commitment, and—

Senator ALLMAN-PAYNE: I understand that part. The question I'm asking, though, is that, hypothetically, the minister could, without consultation, just determine what those priority areas are. I think that's what I'm hearing.

Ms Luchetti: Yes.

Ms Quinn: It would still have to go through parliament as a disallowable instrument.

Senator ALLMAN-PAYNE: Yes, noting all of that.

Senator Ayres: And the priority areas have their roots in a CSIRO report from a four years ago—I think it was a report led by David Thodey and others—which identified key sectors for industrial transformation and for commercialising Australian research. That's where they derive from. The evidence that has been given is absolutely correct: having the priority areas as a disallowable instrument is very significant. I think it alleviates some of the concerns that you might raise, but it also allows for the future of industrial transformation and scientific development to change over time. This fund is designed to operate, essentially, in perpetuity as having a continuous capacity to invest in new capability. So there will need to be some scope for change.

Senator HUGHES: Pardon me, Chair. Senator Ayres, could you table that report?

Senator Ayres: You can dig it up on the internet.

Senator HUGHES: No, could you table it, please?

Senator Ayres: I don't have the report with me, but it's a well-known report.

Senator HUGHES: Secretary, you know how this works—it would be great if that could be tabled. I don't appreciate being told to look it up on the internet; it would be good if you could table it for the committee. Thank you very much.

Senator Ayres: If it can be tabled then it should be tabled, but it's a very well-known foundational report—

Senator HUGHES: Then you should be very happy to table it then.

CHAIR: Okay, we'll go back to Senator Allman-Payne, but a request has been made to table a document. What was it, sorry?

Senator Ayres: I'll just dig up the name of the report, because I don't want to be incorrect. It's called the recovery and resilience report; somebody will dig it up for us.

CHAIR: Well, if somebody finds it we can consider tabling it. Senator Allman-Payne.

Senator ALLMAN-PAYNE: The plan is currently for the National Reconstruction Fund to be able to acquire equity. I'm wondering under what conditions the NRFC would or could take a controlling stake in a company?

Ms Luchetti: They're still details that are being worked out as we finalise the investment mandate. The act has flexibility around investments where, as we finalise investment mandate it will go into further detail and give further guidance to the board.

Senator ALLMAN-PAYNE: I note that the NRF will invest in mainly Australian owned companies. I'm interested to know what will be the threshold for mainly Australian owned? Is there a definition, or is the department working on a definition? I note that the Australian Chamber of Commerce and Industry think that it should be set at 75 per cent Australian equity ownership.

Ms Luchetti: The bill currently sets out a definition around Australian owned, and we'll give further guidance through the investment mandate to the board in terms of the specificity that they might be looking for.

Senator ALLMAN-PAYNE: In terms of mainly Australian based, is there a definition for that?

Ms Luchetti: I'd have to take that on notice, because I think it's in the act as a definition.

Senator ALLMAN-PAYNE: I'm thinking about companies—for example, oil and gas companies and producers—that make a big song and dance about being Australian, but we know that they're nearly 95 per cent foreign owned, so I'm just really keen to understand what that definition is. Last question: for clarification, the proposed bill appears to explicitly ban grants—with the exception of states and territories—under the definition of 'financial accommodation'. I want you to confirm that we have that right.

Ms Luchetti: That's correct, Senator, yes.

Senator ALLMAN-PAYNE: Thank you. I might have one question on notice, if that's alright. I'll put it in writing.

CHAIR: Of course. You indicated, Senator Bragg, that you were ready for the call before.

Senator Ayres: On the solely or mainly Australian owned question, the CEFC Act has a provision—I can't quite say that it's precisely the same, and we'll provide that on notice, but it's essentially modelled on it. It says:

The CEFC Board will have regard to the following circumstances, conditions and/or other matters (as relevant) when determining whether an investment is "solely or mainly Australian-based" ...

- where the relevant project will be primarily located
- where the relevant project will be primarily used or exploited
- where the activity being funded by the investment will be primarily undertaken
- where the expenditure for the project will be primarily incurred—

and it goes on; I won't take up the committee's time, but there is a definition. It's worth looking at that, but we'll provide you on notice with the section that's relevant for the CEFC, and that's what the corporation definition is.

Senator ALLMAN-PAYNE: Thank you.

CHAIR: Thank you. Senator Bragg.

Senator BRAGG: What sort of preparations are being done by the department on staffing this proposed Reconstruction Fund?

Ms Luchetti: In the last budget the department was funded \$50 million over two years to stand up the agency. The focus has primarily been around standing up the legislation and the investment mandate. Once the bill has passed, we'll start working through the standing up of that agency. We've got some preliminary work already going on at the moment around potential structure and what it might look like.

Senator BRAGG: Will it have a CEO?

Ms Luchetti: Yes, it will.

Senator BRAGG: Or a managing director?

Ms Luchetti: At this stage it's a CEO, as outlined in the bill as well.

Senator BRAGG: A board?

Ms Luchetti: Yes, Senator.

Senator BRAGG: Have you approached anyone to be the CEO of this organisation?

Ms Luchetti: No.

Senator BRAGG: You haven't approached Ahmed Fahour?

Ms Luchetti: No, Senator.

Senator BRAGG: Are you sure about that? I'm just checking you're sure about that. Is that a yes?

Senator Ayres: I'm not aware of—

Ms Luchetti: The recruitment hasn't started on the CEO.

Senator BRAGG: There hasn't been any informal engagement?

Ms Pickworth: No, not on the CEO or the board, no.

Senator BRAGG: Cool. Do you know Minister Husic? Yes, I'm sure you do. He said that, if the coalition were successful in scuttling this fund, it would put our national security at risk and restrict investment in quantum and critical technologies pledged under the AUKUS agreement. Do you know about these statements in the newspapers on 14 February?

Ms Luchetti: Yes, I've read the statements.

Senator BRAGG: You know about them?

Ms Luchetti: Yes, I've read them.

Senator BRAGG: Did you help with them? Did you provide any advice to support that position?

Ms Luchetti: Not that I'm aware of. I'd have to take it on notice in terms of the rest of the division.

Senator BRAGG: It's an interesting statement to make. It's a very inflammatory statement. Is this a statement that is based on the submissions on the bill or what?

Ms Quinn: You're asking us about a statement from the minister—

Senator Ayres: It's probably best directed to me.

Senator BRAGG: Where did it come from?

Senator Ayres: Where did what come from?

Senator BRAGG: The statement.

Senator Ayres: The statement was made by the minister.

Senator BRAGG: Yes, and why did he make that statement?

Senator Ayres: If you lifted your gaze and looked around the world, you would see that there is enormous effort in industrial transformation going on around the world, mobilised not just by economic concerns but by questions of sovereign capability and industrial capability. You'll have seen in the United States very significant government engagement and investment in industrial transformation for a host of reasons, one of which is absolutely about the future security, industrial capability and sovereign capability of Australia. It goes to our future prosperity and our future security.

Senator BRAGG: Thanks for that.

Senator Ayres: And it's work that we're engaged in with our partners overseas. There is a relationship between all of these questions.

Senator BRAGG: I understand that. It's a significant statement to make though when the minister says national security is put at risk, isn't it? Is it a big statement for the minister to make?

Senator Ayres: It is absolutely linked to our future security and prosperity, and undermining this proposition—for which the government had a mandate at the election but which is absolutely related to our future regional and national security—undermines national security. I think that's a reasonable proposition to make, and people ought to understand their responsibilities on these questions.

Senator BRAGG: Thanks for that. Did the Department of Defence make a submission to the public consultation?

Ms Luchetti: I'd have to take that on notice. I don't think so, but I'd have to take that on notice.

Senator BRAGG: If they did, maybe that would be the basis of these inflammatory statements.

Senator Ayres: It's an utterly unexceptionable statement. It's a matter of common sense.

Senator BRAGG: It sounds like the Department of Defence may not have made a submission.

Senator Ayres: It doesn't require a submission from the Department of Defence to understand—

Senator BRAGG: Yes, but these are the people who are advising—

Senator Ayres: that our future industrial capability is core to our future national security.

Senator BRAGG: The last time I looked the defence department made these statements, not the industry department. What about the Department of Foreign Affairs and Trade? Did they make a submission?

Ms Luchetti: Not that I'm aware of. What I can say is that we have an interdepartmental committee that meets. It's whole of government. We do meet with our colleagues regularly to work on the NRF.

Senator BRAGG: Has the department sought any advice from Defence or from Foreign Affairs and Trade in relation to this fund and its connection to AUKUS? Apparently there's a connection to AUKUS and national security.

Ms Luchetti: Like I said before, the department works with the Department of Defence and other departments in relation to the National Reconstruction Fund and establishing it, remembering that defence is a priority area of the National Reconstruction Fund and, under enabling capabilities, critical technologies are there as well. They are the sorts of conversations we do have with Defence. It's about the opportunities that exist in those two areas.

Senator BRAGG: So there have been meetings and there has been advice?

Ms Luchetti: We've been working, like I said, with the Department of Defence and other government agencies on the development of the National Reconstruction Fund.

Senator BRAGG: Have there been meetings?

Ms Luchetti: Like I said before, we've had interdepartmental committee meetings.

Senator BRAGG: How many?

Ms Luchetti: We meet fortnightly.

Ms Quinn: I note that this is a significant government initiative that has also been through a cabinet process. Through that, all the ministers get to provide their views in the discussion. So there have been quite a large number of discussions in government. It has gone through a full cabinet process. There is further to go as part of the decision-making process. As my colleague has mentioned, there is defence capability; but there's also agriculture, fisheries and forestry and there's transport. So there are quite a lot of areas that require input from other departments and their ministers as well.

Senator BRAGG: The government took the fund to the election promising to fund how many different priority areas?

Ms Luchetti: Seven.

Senator BRAGG: Are these still the seven that you are sticking with or have those changed?

Ms Luchetti: They are the seven the government is sticking with, yes.

Senator BRAGG: What sort of analysis or modelling was done before? The then opposition took these seven priority areas to the election. They won the election. They are sticking with these seven. This is perhaps a question for you, Minister. What was the basis for the selection of these seven?

Senator Ayres: What was the basis of the Labor Party's election commitment?

Senator BRAGG: This is a hearing into these matters in detail, so I am wondering what modelling or analysis was undertaken to choose these seven things. Usually we say a government isn't too good at picking winners, so there must have been some methodology behind it.

Senator Ayres: Not a minute was wasted during the period that members of the Labor caucus and the broader policy community were engaged over the COVID period and the years surrounding that in opposition. A lot of hard work was done by the Labor leader and his colleagues in developing this policy framework. It was informed in no small part by modern developments in industry policy and by the CSIRO report that is publicly available but the senator here has dragged out of me to be tabled. There was a considerable amount of work done on that. That is not an unusual thing for a party of government that's serious about bringing a constructive agenda.

It happened against the backdrop of the fact that we have had a crisis in our industrial capability in Australia over the course of the last 30 years. The previous government oversaw 40,000 jobs disappearing offshore when they kicked the auto industry out of the country. We have drifted down to 91st in the world in the Harvard economic complexity index. That's an utterly unsustainable proposition for a country that is going to be relying upon our industrial capability in our region, economic security, social cohesion and in all sorts of other ways. So we have watched good jobs flowing offshore, and the Labor Party developed a policy framework that is a modern, effective, capable and mobile approach. We took that to the election. It was the subject of a lot of public debate and discussion. It is a piece of policy work that I think people on the Labor side are very proud of.

Senator BRAGG: You've made it clear that this is a judgement made by a political party, which is fine, but has the department given any advice on these priority areas as selected by the now government?

Ms Quinn: As part of the policy development process, we would've provided information about the priority areas—how important they are for parts of the economy and how they line up on different metrics. There is a fair degree of overlap with the national manufacturing priorities that were used for some of the grant programs that we currently administer. They're not exactly the same; there are different nuances. As part of that, we would've provided advice on what the contribution to the economy is, how many people are employed—all the usual things you'd expect as part of the policy development process.

Senator BRAGG: Did you give advice that there were other things that were worth considering that weren't part of this politically driven approach?

Ms Quinn: That goes to the precise nature of the advice that we provided, which is not something we usually—

Senator BRAGG: It's very secretive, though, isn't it? It's very inconvenient for me.

Ms Quinn: We don't usually reveal the direct advice we provide to the government of the day.

Senator BRAGG: Well, given the ongoing secrecy, I'll have to abandon my questioning.

CHAIR: Thank you very much, Senator Bragg. I'll do a quick time check, noting that we are due to move to our next witness. I understand that Senator Hughes, Senator McDonald and Senator O'Neill have some questions. I'm going to move to five-minute blocks on the basis that we're over time and senators have questions. We'll see how we go. I take this opportunity to table CSIRO's *COVID-19: recovery and resilience* report, as requested by Senator Hughes. It's also available on the interweb, as noted.

Senator Ayres: As Molly Meldrum would say, do yourself a favour.

CHAIR: Senator Hughes, you have the call.

Senator HUGHES: Thank you so much, Chair, and thank you, Senator Ayres, for your tip on how to locate this report. I do notice, though, that you refer to seven areas of focus. Could you run me through the seven areas?

Ms Luchetti: They are: renewables and low-emissions technologies; transport; value-add in the agriculture, forestry and fisheries sectors; value-add in resources; defence capability; and enabling capabilities. What happens in the enabling capabilities—

Senator HUGHES: Can I just stop you there for a second? That's very different from the industry opportunities in the report that's being referenced. I was just referred to a report, which I looked up and found, thank to Senator Ayres's tip. The six industry opportunities don't reflect the seven that you've just said, so where does that disconnect come from?

Ms Luchetti: I don't have that report in front of me.

Senator HUGHES: Senator Ayres just told you you can look it up on the internet. They have six industry opportunities. They have digital, energy, food and agribusiness, health, manufacturing, and mineral resources. I know we're short of time now. How did transport become one of the focus industries? According to the report you so kindly referred me to, Senator Ayres, transport was not one of them.

Senator Ayres: As I said, in very large part, this report and others that are available informed our thinking.

Senator HUGHES: No, no; you referred me to this specific report, so how did transport now become part of it?

Senator Ayres: Yes. As I said, it in very large part informed our thinking about this approach of identifying sectors that are of critical value for our future in terms of solving the key national problems that have been set out here. This report, amongst other pieces of work, informed our thinking. As I indicated before, there is no time to waste—

Senator HUGHES: You so kindly referred me to this report. What other reports were there that brought transport into the fray, or was this a purely political decision?

Senator Ayres: The transport sector—honestly, really?

Senator HUGHES: I'm really aware of the transport sector, but it is not one of the ones that your pointed-to report was focused on.

Senator Ayres: Just let me make this—

Senator HUGHES: You made a big deal about this report. You smugly told me to go look it up. I did. Transport's not on here, so how did transport become a priority? All I am asking you is to refer me to the reports where transport is mentioned that you used to make this decision, or acknowledge that there is no report that

mentions transport and this is political. It's one or the other, and we are short of time, Senator Ayres. I have other things to get to.

Senator Ayres: I can tell you that one of the things that influenced transport going onto this list—and I'm delighted there's some interest in the Labor Party's policy-making process. One of the things that informed our view that what we need to do as a country is focus on investments in public transport—

Senator HUGHES: This is not the question. I specifically asked you—

Senator Ayres: to move through to—

Senator HUGHES: Excuse me, in the spirit of time I'm asking what reports were used and I'd ask you to table them.

Senator Ayres: The way this works is—

Senator HUGHES: Was there one by the Transport Workers' Union?

CHAIR: Senator Hughes and Minister! Minister, you're making the point that I'm about to make, which is that when a question has been asked and we're waiting for the answer—

Senator HUGHES: After one minute he's not answering the question I asked him—

CHAIR: This is running down time.

Senator Ayres: One of the things that influenced our thinking about this is the fact that your colleagues in the New South Wales Liberal Party offshored billions of dollars—

Senator HUGHES: Sorry, Chair, a point of order. The minister is running down time by not answering—

Senator Ayres: worth of public transport, which cost—

Senator HUGHES: I would ask the minister to table all reports that were used, which—

Senator Ayres: thousands and thousands of jobs.

Senator HUGHES: Minister, I'm making a point of order!

Senator Ayres: And what it did—

Senator HUGHES: I'm making a point of order, Chair!

CHAIR: I'll respond to your point of order: unless—

Senator HUGHES: The question was about the specific reports that were used to make this decision—

CHAIR: That's not a point of order, Senator Hughes!

Senator HUGHES: I would ask him to answer the question—

CHAIR: That's a debating point, it's not a point of order—

Senator HUGHES: Answer the question! We can all run the clock down and we'll all be here for a long time—

CHAIR: Well, Senator—

Senator HUGHES: so you can make a point that he answers the question or we can all still be here—

CHAIR: Senator Hughes! You've asked a question which is about how—

Senator HUGHES: It was specifically about which reports were used.

CHAIR: You didn't even let me—

Senator HUGHES: That was the question—

CHAIR: You didn't even let the chair speak, Senator Hughes. You've asked a question about transport and whether there were reports that underpinned the decision to include transport. The minister has the call. You may not like the answer that the minister gives, but the minister has the call.

Senator HUGHES: What happened to the reports?

Senator Ayres: As I was saying, one of the things that influenced our thinking was a series of decisions by the New South Wales Liberal government to offshore public transport projects—principally, rail projects, but also ferries, trams and other projects. What happened there is that thousands and thousands of outer suburban and regional jobs disappeared offshore; billions of dollars worth of projects disappeared; the projects were delivered late and with poor-quality outcomes; and the projects were delivered over budget. So when I consider what it is—

Senator HUGHES: Chair! Minister, I appreciate that you may not know what reports were used and that you may need to consult with Minister Husic, and therefore—

Senator Ayres: It's difficult to answer while you're being shouted over—

CHAIR: Senator Hughes—

Senator HUGHES: Well, I'm prepared to give you this on notice—

CHAIR: Senator Hughes, you're doing what is known as repetitive questioning. You've asked a question, you're receiving an answer—

Senator HUGHES: No, I'm not, Chair.

CHAIR: Well, you may not like the answer that has been given. Do you have another line of questioning?

Senator HUGHES: Could you table all reports. Check in with Mr Husic; he might be able to update you on that. I might start with the department; they may be better briefed. Is the department currently contributing to any whole-of-government work on combating inflationary pressures in the economy? If so, could you update us on what those details are and what work is happening?

Ms Quinn: The main involvement that we've had in terms of direct responsibilities related to inflation has been the work on gas, which we talked about extensively earlier today under our resources priority area. We've been working with the government across other sectors to implement a range of policies to put downward pressure on gas prices and therefore onto inflation. I'll just direct you to the Treasury estimates yesterday, where they articulated their estimates of what impact electricity and gas prices—

Senator HUGHES: But, worryingly, they haven't been asked to do any modelling on the safeguard mechanism. It's very concerning, where Treasury's work is up to, so I'm asking you if you have worked with any other departments on any other industry impacts on the inflationary pressures? It won't just be gas.

Ms Quinn: The priority area has been gas, and I point to the Treasury's analysis that it would take about half a percentage point off inflation through electricity and gas prices. The second area where we are doing work is on supply chains. In terms of the implications for supply chain pressures onto the Australian economy, we heard that we have the Office of Supply Chain Resilience. That looks at particular areas and what's happening in the international geostrategic environment with shipping and issues to do with COVID lockdowns in China et cetera. That's another area where we work across government which has implications for an impact on inflation. They would be the two main areas, just off the top of my head, but I'm happy to take other components where we've had an influence on inflation on notice.

Senator HUGHES: I'm very interested in whether you've done work with DQ, particularly on the cement industry and the use of clinker, particularly clinker manufacturing going offshore to China and then coming back, versus it feeding into emissions out of Australia.

Ms Quinn: I'm happy to take that on notice. It might come up in the supply chain resilience work.

Senator HUGHES: Have any other departments or agencies raised any concerns with you with regard to the NRF and its potential impacts on inflation?

Ms Quinn: I'm not wary of any issues at all. I'm aware of positive statements that Secretary Kennedy made yesterday when he was asked this question about whether the NRF would add to inflationary pressures. I refer you to his evidence, which I concur with, which is that it's about improving the supply side of the economy; it will be phased over time and, as such, if it does anything, it will put downward pressure on inflation because it will be building resilience in the Australian industrial base and also adding to productivity.

Senator HUGHES: Ultimately, have you done any modelling, undertaken any analysis of the potential inflationary impact?

Ms Quinn: No, we haven't, but—

Senator HUGHES: Why not?

Ms Quinn: Because it's not necessary.

Senator HUGHES: You don't think, in an inflation crisis, a cost-of-living crisis, that there should be some investigation of modelling? Is this just a government that's walked away from any economic principles, modelling, understanding of what's actually going to happen from their decisions?

Senator Ayres: It's probably worthwhile—

Senator HUGHES: Seriously—we've got Treasury saying no impact on the safeguard mechanism and we've got no modelling on this. Are we just throwing a pencil at a dartboard and seeing where we land?

Senator Ayres: It's probably worthwhile reviewing the evidence of the Secretary of Treasury from yesterday—

Senator HUGHES: Well, it's probably worthwhile you reviewing DQ's and a couple of the others. Those mortgage holders of Australia should be superconfident with you guys pulling the levers.

Senator Ayres: I don't know what happens in the other committees—

CHAIR: Senators!

Senator Ayres: if you shout over evidence—

Senator HUGHES: Chair, I'm happy to leave that there and come back with another block.

Senator Ayres: I will finish my answer, if that's okay. It is worthwhile reviewing the evidence given yesterday by the Secretary of Treasury, because it does speak to and does support that proposition that the secretary just outlined.

Senator HUGHES: They haven't been asked to do modelling on the safeguard mechanism, so—

CHAIR: Senator Hughes!

Senator Ayres: You've asked a question about the fund.

Senator HUGHES: Wow!

Senator Ayres: The secretary just answered the question about the fund, and investment in productive capability is not generally viewed as being inflationary.

CHAIR: Thank you, Minister. Senator O'Neill.

Senator O'NEILL: I hope that we can finish in the way that you asked us today—in an orderly, respectful and courteous manner. These are the new standing orders, which are reflected in the opening statements by each of the chairs.

I just want to go to the National Battery Strategy because I know it's captured the imagination of Australia, and Australians are investing in battery technology themselves. The *National Battery Strategy issues paper* mentions various other bits of work being undertaken by the government, some of which have been the subject of discussion this evening: the National Reconstruction Fund, the Powering Australia plan, Rewiring Australia, A Future Made in Australia, and the Critical Minerals Strategy. Could you please provide us with an outline of the work that the department is doing to ensure that these important pieces of work are actually all joined up and moving in the same direction—the leadership that's required to do that and the capacity to integrate. What's happening there?

Ms Quinn: As you said, there are a few strands that go together to create the National Battery Strategy and the NRF and the Critical Minerals Strategy. We do think about integrated holistic advice in this space. Being the Department of Industry, Science and Resources, it covers all of our remit. We have internal processes to align the sequencing of the policies that we're responsible for, and we work with our colleagues across the Public Service to align the sequencing of their policies so that integrated advice can go before cabinet. We think of it in a supply chain sense in terms of the Critical Minerals Strategy, which looks at taking things straight from the resources sector up to the processing and then into the industrial processor side.

There are a few things happening as well in terms of supporting science and technology research in the middle through CRC programs and the like that are connected to the strategies. The battery strategy and the NRF go together. The NRF is a financing mechanism in terms of co-finance, in particular, and the battery strategy is about aligning the different components that you need in the system, particularly across states, to make sure that there is clarity on what everyone is doing. The Powering Australia component is about the transformation in the electricity sector and the industrial sectors. They've also got their electric vehicle strategy, which relies on batteries. So most of it's through the craft of the Public Service of aligning the timing, the sequence, the decision making, the sharing of information and the engagement with stakeholders in a coherent way so that we're not asking people to fill in lots of different pieces of paper. We're sharing information as we go, and then, of course, there's a cabinet process to integrate that in the government's decision making.

Senator O'NEILL: It sounds very complex but orderly and careful. Is that a fair way to summarise the approach?

Ms Quinn: We are working hard to make sure that things are integrated to minimise the disturbance to the system and to maximise the information before government to make the strategic decisions it will make on these strategies and the implementation of the policy programs.

Senator O'NEILL: I have the National Battery Strategy document here before me. That's one of the great things about being here in estimates—you get to look at documents that you might not otherwise look at. I am

particularly interested in the listing of particular capabilities for each of the states. As a New South Welshwoman, I'm very pleased that we've got priority; we're first on the list:

... home to battery minerals, energy storage projects, research and several local battery manufacturers. This will be boosted by the NSW Government's \$250 million Renewable Manufacturing Fund. Battery projects are reported in their accelerated NSW Electricity Infrastructure Roadmap, including the 850MW/1,680 MWh Waratah Super Battery.

Then it lists all the others. This sense of competitive federalism to be a part of the process seems to be something that's creating a bit of tension, which can be a very good thing. It's set out in the paper. What's the role of this competitive federalism in terms of the national strategy to get the coordination harmonised not just strategically but practically across the nation to ensure benefit to all?

Mr Tan: As you say, working with the states is incredibly important on an issue like batteries. Each of the states are obviously very, very keen to invest in batteries. All of the states have renewables and targets, and they are all very interested in batteries. Australia is a relatively small country; it just makes a lot of sense for us to coordinate as closely as we can with the states and territories. In particular, one of the election commitments that we're working through at the moment is the Australian-made battery precinct with the Queensland government. We're working very, very closely with the Queensland government on implementing that. We've had a number of very close conversations with all of the other states as well to identify the different actions that are underway in each of the jurisdictions. We absolutely think of this as a national battery strategy, and for us it's absolutely integral that we reflect the good work that is happening in each of the states and territories.

Senator O'NEILL: Not playing one off against the other but trying to find a harmonious way forward for everybody simultaneously—I'm sure the value-add that comes from that is quite significant.

Mr Tan: Ultimately, a really important part of why we are developing a national battery strategy is having that coordinated vision of where Australia is trying to head with its battery industry. Working with the states is absolutely critical to that.

Senator O'NEILL: It's something that governments can do, and businesses can't quite achieve, so it's a very significant contribution. A lot of the focus in the listing of capabilities across the states is on natural resources and what lies within, but there's also a degree of smarts that are built into a battery—intellectual capacity and skill development. Can you run me through what those smarts are in addition to the raw materials and how we can really value-add with those areas as well?

Mr Tan: One of the areas that Australia has a real comparative advantage in is in the research and development that goes into batteries and battery manufacturing. There are three main centres of excellence around the R& D for batteries here in Australia: Deakin University has a battery centre which is well-known globally and does very impressive work; in WA there is the Future Battery Industries CRC, which is also doing fantastic work; and in Queensland there's the National Battery Testing Centre, which provides capability across Australia for issues around battery testing, which is a really critical part of being able to manufacture batteries domestically.

Senator O'NEILL: I think Australians are more and more enamoured of the idea of having a battery industry and being able to access that technology for themselves and the jobs they want to create or they want to take up. I think the role of helping our green energy transformation is going to be important. What kind of thinking has gone into how we ensure the battery industry itself doesn't have an impact that we would be unhappy about? How can we make sure the battery industry is clean and as environmentally friendly as possible?

Mr Tan: That's one of the issues we sought comment on through the *National battery strategy: issues paper*. In general, when you speak to people in the batteries industry in Australia and with investors, one of the things that is often pointed out is that a real strength for Australia is its ESG standards. To me, it makes good sense for the businesses that are manufacturing batteries or looking to manufacture batteries here in Australia to really focus on some of those ESG standards. That is one of the areas of recognised strength for Australia.

Senator O'NEILL: Thank you.

Senator McDONALD: Which minister currently oversees major project status—Minister King or Minister Husic?

Ms Quinn: Minister Husic.

Senator McDONALD: How many projects currently have Commonwealth major project status?

Ms Pickworth: Just to clarify: are you talking about the Major Projects Facilitation Agency?

Senator McDONALD: I'm asking about Commonwealth major projects. Do you have any in your growing initiative and competitive business industries and regions program?

Mr Krbaleski: There are 25 projects that have major project status. They're on the website.

Senator McDONALD: How many projects have lapsed in the last 12 months?

Mr Krbaleski: I will have to take that one on notice.

Senator McDONALD: Can you provide on notice details of when they ceased major project status and why, please?

Mr Krbaleski: Yes.

Ms Looney: I might just add to that. We can answer your question on notice, but once a period of being deemed a major project and giving that status expires there is an opportunity for those project proponents to apply again, to extend the major project status, if it is that they continue to need the support that the facilitation agency provides to them.

Senator McDONALD: That's great news; thank you. How many major project status projects are for new projects in oil, gas or carbon capture use and storage?

Mr Krbaleski: I'll take that on notice.

Senator McDONALD: Can you also provide on notice a breakdown of each project by state and industry or sector? Thank you. How many projects are currently under assessment by the department for major project status?

Mr Krbaleski: I don't have that with me, but I'll take that on notice.

Senator McDONALD: Could you please provide brief summaries of these applications when you do that? Thank you. How many projects or proponents have been submitted to the minister for approval of major project status?

Mr Krbaleski: I'll have to take that one on notice as well.

Senator McDONALD: Has the minister approved all projects that have been submitted to him recommending major project status?

Ms Looney: Can I just double check: when you refer to the minister, do you mean the current minister that has responsibility for major project status?

Senator McDONALD: Yes. At the beginning, while you were coming in, we confirmed that that was Minister Husic.

Ms Looney: Apologies. Thank you.

Senator McDONALD: And I'd like to know if any projects that have gone forward to the minister have been rejected.

I just want to go back to the National Reconstruction Fund and the list of sectors that have been included—sorry, just before I do, in talking about these major projects and investments: Minister, I know you were insistent earlier about respecting the trust that trading partners and international investors have shown in Australia's resources and energy sectors. Are you aware of the Japanese ambassador's comments this evening?

Senator Ayres: No.

Senator McDONALD: He has said within the last hour or so: 'As Japanese ambassador to Australia, I wish I could say, "No worries, mate." But the reality is there is a growing concern, especially on the part of Japanese businesses, so the Japanese government has been conveying those concerns to Australia's friends and colleagues at every level.' Minister, what are you going to do to address that concern instead of just dismissing it?

Senator Ayres: There's a very consistent approach from government. We went through quite some evidence earlier today in the resources section that made it very clear that Australia is a trusted partner—

Senator McDONALD: That's not what our partners are saying, Minister.

Senator Ayres: and that Australian gas and coal is very important in supply chains—

Senator McDONALD: Indeed; it is.

Senator Ayres: in the region in particular, and that we will continue to be—for all sorts of reasons, not just commercial and economic—a trusted and reliable partner in gas and coal.

Senator McDONALD: Has the department provided any briefing or advice to the minister that if the NRF is not passed this will have a direct impact on the AUKUS agreement?

Ms Quinn: I'm happy to take that on notice. We have provided quite a lot of briefings on different scenarios on NRF design et cetera. I'm happy to take that on notice and check.

Senator McDONALD: Has the department undertaken any independent modelling or analysis which has also independently assessed that these are the priority areas for the Australian economy?

Ms Quinn: As my colleague mentioned, these were the government's priorities. They have taken them to the election and indicated that they're the priority areas. We have provided analysis on the implications that would have—the size of the sectors, the number of people employed, the opportunities in that—and we are doing further work in this process. My colleague talked about the priority areas declaration and the investment mandate discussion and consultation. There's also the co-investment plans process, which is around looking at the opportunities and what other regulatory and policy frameworks go together to support the priority areas. Through all of that, there is advice and analysis and verification of the importance of different sectors. That's what we've been doing. Through all of that there is advice, analysis and verification of the importance of different sectors. That's what we've been doing.

Senator McDONALD: I want to ask specifically about the space industry. Have you done any analysis or provided any advice about why the space industry has not been included?

Ms Quinn: We do provide advice to the government on the importance of the space industry and how it connects to other parts of the system, given that a lot of space industries are related to robotics and other technology issues and manufacturing. We certainly have provided advice on space, and space is one of those enabling technologies, and also potentially comes under the Defence capability. There are elements of space in our priority areas.

Senator McDONALD: Have you done consultation with the sector on how you're going to assist them in moving from being a priority area to not being listed as a priority area?

Ms Quinn: That's not actually the government's position, so we wouldn't have done consultation on that framing of that question. Just to repeat what I said earlier, we've certainly looked at analysis of how important the space industry is and how it integrates with other sectors. And we're working with the space industry in terms of implementing some of the grant programs et cetera. The framing, as you put it, is not something that we would have consulted on because it's not the government's position.

Senator McDONALD: I've got a list of sectors that have shared the same concerns about believing that they were a priority previously, and aren't any longer, for example the recycling industry and complementary medicine manufacturers.

Goodness, there you go, the chair is looking at me keenly to wrap up. I might provide a series of questions on notice around sectors that are no longer priority sectors under this government.

Senator Ayres: And, of course, many of those sectors would have been engaged in the consultation process.

CHAIR: I believe that that concludes the questions that we have for the Department of Industry, Science and Resources for program 1.2: growing innovative and competitive businesses, industries and regions.

Thank you very much for your attendance and answering our questions. A special shout out to Secretary Quinn for her endurance and answers today. You go with our thanks. We are going to take a break before CSIRO.

Proceedings suspended from 21:37 to 21:44

Commonwealth Scientific and Industrial Research Organisation

CHAIR: We welcome representatives from the Commonwealth Scientific and Industrial Research Organisation. Welcome back to estimates. Thanks so much for bearing with us as we run a little bit late. Welcome, Dr Marshall. Do you have an opening statement that you would like to table?

Dr Marshall: Yes, I do, Chair.

CHAIR: Thank you. We'll table your opening statement for the benefit of the committee, and incorporate it in the *Hansard*:

Thank you, Chair and Committee, for the opportunity to update you briefly on the recent activities of your national science agency, CSIRO.

Over the summer, we continued to see extreme weather impact communities through the combined impacts of a La Nina cycle and climate change.

These increasingly severe and widespread events underpin the importance of reports like our 2022 State of the Climate report, which CSIRO released with the Bureau of Meteorology in November.

While the world has failed to decrease emissions, and we will continue to feel the impacts throughout this century, science gives us hopes for adaptation to the impacts of climate change.

This is at the heart of CSIRO's \$90 million Towards Net Zero mission, which was launched in October with partners including the Queensland Government and the Climate Change Authority.

The mission is working with key stakeholders in agriculture, transport and resources to reduce emissions in some of our hardest-to-abate industries. And just as Australia gave the world the winning solar cell design, Australian innovation can also

address 15% of the world's greenhouse gas emissions through FutureFeed- a seaweed-derived feed additive to reduce emissions from livestock.

Turning to the health, this month scientists from CSIRO and Queensland University of Technology used artificial intelligence to develop a world-first benchmark for measuring brain atrophy- or thinning—in neurodegenerative diseases.

This includes Alzheimer's disease, the most common form of dementia, accounting for 60 to 80 per cent of cases. A great example of collaborative intelligence, combining the best of human and machine brains.

Assessing the onset and progression of Alzheimer's using brain magnetic resonance imaging—or MRI—has traditionally been challenging as changes in the thickness of the brain's cortex are extremely small, often in the sub-millimetre range.

Using the power of machine learning, the scientists were able to produce a set of artificial MRI images of brains with predefined signs of neurodegeneration in the cortex region, the outer layer of the brain most affected by Alzheimer's.

Before these findings, there was no way to conclusively determine the sensitivity of the various methods used to measure cortical thickness in Alzheimer's patients.

While AI might seem like the latest and greatest in the science world, science still has plenty to give to one of Australia's most successful and oldest innovations- drought-resistant cotton.

This week we completed a \$25 million upgrade to our CSIRO facilities at the Australian Cotton Research Institute at Myall Vale near Narrabri in northwest NSW, in partnership with Cotton Seed Distributors.

CSIRO's cotton breeding work began 50 years ago and 100 per cent of cotton now grown in Australia is a product of CSIRO science and is world-class. These new facilities are another example of our long-term commitment to creating new industries in rural Australia.

Trying to create a drought-resistant cotton seed in what's considered a dry country probably felt like reaching for the stars all those years ago. But stargazing is also something we happen to love.

It's especially good in Western Australia, where the level of light and noise interference is incredibly low.

In November, we were honoured to receive a new name for our observatory in Western Australia from the Traditional Owners of the land where the observatory resides.

Inyarrimanha Ilgari Bundara, the CSIRO Murchison Radio-astronomy Observatory, already hosts several telescopes and will be home to the international SKA-Low telescope. In December, the international SKA Organisation announced the start of SKA-Low construction on the site.

CSIRO also continues to play a key role in solving Australia's innovation dilemma.

CSIRO's ON Program is a world-leading innovation catalyst, inspiring Australia's scientists to turn their science into real world solutions for our greatest challenges.

In December, we announced support for the next cohort of 10 deep-tech game changers from Australia's universities and research community, all selected to develop their high-potential science through the ON Accelerate program.

None of this would be possible without our extraordinary people, our most important asset.

Over the past few years, CSIRO people have doubled the value they deliver to Australia, which is measured through an annual independent audit, and has grown from \$5 billion in 2014 to \$10.2 billion in 2022.

I thank every member of Team CSIRO for their hard work and commitment, and am happy to take your questions.

CHAIR: Would you like to make a few opening remarks before we commence questions?

Dr Marshall: Thank you very much, Chair. I'll be very brief. I'd like to say two things. CSIRO managed to launch our Towards Net Zero mission with about \$90 million of funding mostly from industry. It's in partnership with the Queensland government and the Climate Change Authority and a number of industry partners. The key focus of the mission is to help Australia reduce emissions from our most difficult-to-abate sectors, like steel manufacture, cement manufacture and agriculture. We've already had our first win in that sector by creating a unique Australian product that's now selling through Europe and the United States that addresses 15 per cent of the entire world's emissions—those from cattle. It's a remarkable example of Australian agriculture and Australian science working together to solve a seemingly impossible problem.

The second one I would touch on has to do with Alzheimer's disease. That's work in health, partnered with Queensland University of Technology, where we used a combination of artificial intelligence and our deep medical knowledge of the human brain to come up with a way to simulate the effects of various diseases in the brain so that the usual technique of assessing the onset of Alzheimer's, which is magnetic resonance imaging, could be better trained to spot the onset of the disease. Those are two remarkable examples of some of the work that 5½ thousand great Australian scientists and researchers do every day to make Australia a better place. Thank you for the opportunity to share that.

CHAIR: Thank you, Dr Marshall. That sounds like absolutely extraordinary work, and I'm sure senators will have more questions to draw out that work and other such examples. I will give the call to Senator Davey, who has some questions. Senator Davey.

Senator DAVEY: Thank you very much. I'm very pleased to hear you highlight some of the agricultural work you do, including the work with cattle and, in your opening statement, to see you identifying the work you've done with cotton seed distributors, which is really important and proves to the world that we are world leaders in agricultural production and minimal water use. That brings me to water. The CSIRO is a partner with the Bureau of Meteorology for the Water Information Research and Development Alliance, or WIRADA. It's a partnership that delivers, according to the blurb, 'the innovation required to improve Australia's water information and make water data more reliable and accessible'. This year, we've seen a lot of issues with the data and reporting, and I questioned the bureau about those at length the other day. There are criticisms, in regard to the recent numerous floods, that many of the river and rain gauges are misplaced and that the river and rain gauges, as I heard from the bureau, are owned by hundreds of different organisations and have different levels of technology and telemetry and numerous gaps in the information. So how do you assure yourselves that WIRADA and the data being collected for use in your programs is accurate?

Dr Marshall: That's a great question, Senator, and we should brief you at some other time on our mission called AquaWatch. That's using space data to assess water levels across the country and to do a better job of managing and monitoring that. We'd love to brief you in detail on what we're doing there.

Senator DAVEY: I will take you up on that offer, absolutely. I did ask the bureau whether they were using satellite technology in their monitoring, so I will take you up on that. But now back to WIRADA.

Dr Mayfield: In terms of the work that we do in those areas, as we said before, the CSIRO doesn't operate any of these gauges, but we do use data from them and we do rely upon groups like BOM to be maintaining those particular measurement devices. As you do each water assessment, one of the things that you have to do is reconciliation of the data and making sure you're working with the right information. So I would expect that we are picking that up as we do analyses for our various projects that we do, whether it's for the National Water Grid Authority or for other customers. But, in terms of specifics of that, I couldn't go into that for you at this stage. I'd have to take that on notice.

Senator DAVEY: Okay. The bureau uses the Australian Water Resources Information System. There are far too many acronyms in the water, but that's AWRIS. Did CSIRO contribute to that at all, or is that a completely separate body of work?

Dr Mayfield: WIRADA has been there for a long time. I haven't been familiar with its activities of late, so again I would have to take that on notice to get an update, but we've been doing a lot more in the greater water assessment work of late for the National Water Grid Authority.

Senator DAVEY: Is the work you do for the bureau done on a fee-for-service arrangement? How does the funding play out? Who's paying for it?

Dr Mayfield: We tend to work in partnership with them, and they obviously have an operational onus on what they have to do with much of the information, whereas we do studies based on particular questions, so we're coming in at a different level. Sometimes we'll do that with BOM personnel; sometimes it will just involve our own, or other third parties, but it depends on what the actual analysis that we're doing is.

Senator DAVEY: How often are these periodic assessments done?

Dr Mayfield: When you say 'periodic assessments', can you clarify that for me?

Senator DAVEY: Is WIRADA periodically assessed and reconciled?

Dr Mayfield: I would say that, as we do each piece of work, that's an integral part of doing an integrated water assessment—you have to reconcile your data and make sure that you haven't got erroneous data in there. I think it's part of every assessment that we do.

Senator DAVEY: Are you doing it on an ongoing or rolling basis or—

Dr Mayfield: No. We're probably doing them more when there's a problem commissioned, whether it's the Murray-Darling Basin Authority or northern Australia, where they want to do things like the Bradfield study; we're doing it on specific studies that have been requested.

Senator DAVEY: That might be a good segue; I understand you've done work for the National Water Grid Authority?

Dr Mayfield: We have.

Senator DAVEY: Was that using the WIRADA system or was it more for groundwater?

Dr Mayfield: We've done a range of projects for the National Water Grid Authority. Probably the most recent piece of work that we did was around the Bradfield schemes, understanding the merits or difficulties with those,

and it uses a whole range of different data sources. WIRADA would be one, but there are multiple sources that we can use. You want to use as much data as you can.

Senator DAVEY: Is the work you've done for the National Water Grid Authority publicly reported anywhere?

Dr Mayfield: I'd have to check on each report, but obviously the reports are provided to the customer. I believe the Bradfield reports were released. We've also done work around the Northern Australia Water Resource Assessment. Those reports were all publicly made available, so the majority of the work should be available, I would expect.

Senator DAVEY: I understand you've done a lot of regional-scale groundwater systems reviews or work—and this is predominantly in the Northern Territory and north-western Australia. Are there about 49 intermediate groundwater systems that you've reviewed?

Dr Mayfield: I don't know if it's 49, but we did some programs around the geological bioregional assessments and bioregional assessments before that; they all involved understanding water and how it was interacting with various systems. Then we also did the work that I mentioned before, which is called NAWRA, which is the northern Australia water resource assessments, which are probably the ones that you're referring to, and they were done for three major basins—or catchments, I should say.

Dr Marshall: In that one the team built a machine that hangs on the bottom of a helicopter, looks down through the ground and detects the water underground, and they actually mapped it. It's quite extraordinary.

Senator DAVEY: Is that almost a radar version of LiDAR?

Dr Marshall: It's nuclear magnetic resonance, the technology, but it's essentially finding underground water with a coil of copper wire.

Senator DAVEY: So we do have a nuclear industry in Australia! Sorry, that was a bit cheeky of me. I've got to take every opportunity! Those groundwater reviews, was that looking at trying to establish how much groundwater there is and whether that groundwater would be suitable for irrigation or consumptive purposes? Was any work done to evaluate how much may be available in a sustainable manner to use for consumptive purposes?

Dr Marshall: In some places, yes.

Dr Mayfield: With the NAWRA work, it was trying to understand both the below-ground and the above-ground resources, with trying to determine what is the sustainable available water and to determine whether there were potential uses of that water, whether it was for agriculture or other applications. That was the intent of the work.

Senator DAVEY: My final topic of the night: I understand you're doing some work for the Murray-Darling Basin Authority, looking at the modelling for the Basin Plan and whether it is still fit for purpose. Is that trying to be as succinct as possible?

Dr Mayfield: There's some work coming up which is around redoing the sustainable yields for the Murray-Darling Basin and, with this particular iteration, ensuring that we're having an updated look at the climate impacts on that.

Senator DAVEY: To clarify: sustainable yields are completely different to sustainable diversion limits? Is sustainable—

Dr Mayfield: I'm probably using the words a bit loosely there. I think it is the diversion limits, ultimately, but I'll double check that for you. Let me check that.

Senator DAVEY: I'll let you take that on notice.

Dr Mayfield: Yes.

Senator DAVEY: I'll hand over the call.

CHAIR: Senator Rennick.

Senator RENNICK: Hi, guys, how are you going?

Dr Marshall: Well, thanks, and you?

Senator RENNICK: Good, thanks. I want to refer to a publication or a figure released by—I'm not sure if Paul Graham still works at the CSIRO or not, but he was the CSIRO's chief energy economist back in 2017, and he said that it would cost Australia \$500 billion to convert Australia to renewables. Given that we want to get to

82 per cent—or the Labor Party wants to get to 82 per cent—by 2030, do you still stand by those figures or have they increased since 2017?

Dr Mayfield: Maybe I'll start off. I think the work you're referring there to is the work with ENA, Energy Networks Australia, and the Network Transformation Roadmap.

Senator RENNICK: 'Technological innovation will drive change in Australia's energy system' by ECOS.

Dr Mayfield: Oh, it's different. We've done a few iterations of that.

Senator RENNICK: Yes, I'm sure you have.

Dr Mayfield: In terms of that question, Mr Graham is present tonight, so I can invite him to the table if you'd like to talk to him.

Senator RENNICK: Yes, that would be great. How are you going, Mr Graham?

Mr Graham: Good, thanks. Over the years, a number of different organisations have asked us to look at the total investment cost for transforming the energy sector, usually towards some sort of low-emissions state, by 2050. What we find each time we do it, and we do it with the best of knowledge at the time, is that it tends to get a bit cheaper, that number, over time. When we would have done that work in 2017, we were still probably underestimating the amount of cost reductions that were available to technologies like solar, wind and so forth. When we redo those numbers now, we might get a lower number.

Senator RENNICK: What's your number, or what do you estimate?

Mr Graham: We haven't published one in a while. Actually, the bigger problem we run into now is that we have so many scenarios that have, potentially, a hydrogen export sector that the number might have gone up in the respect that we're trying to build new industries out of more electricity generation, which means that sector gets bigger, sometimes twice as big as we might have expected in 2017. The number moves around depending on what you're saying is happening to the future of electricity-using industries—

Senator RENNICK: It happens a lot in renewables. I note today that Wesfarmers said they had a cost blowout with their lithium mining, so I find that comment that costs are coming down interesting because in lithium mining costs are going up, and that's a large part of storage, as you know.

Mr Graham: We just published the latest *GenCost* and we found that, on average, the cost of most technologies has gone up 20 per cent in the last year, so we've recognised that too.

Senator RENNICK: Costs have gone up by 20 per cent?

Mr Graham: On average—some technologies by more.

Senator RENNICK: Was that all renewables, or just with regard to batteries?

Mr Graham: Across both generation and storage technologies. Batteries were one of the technologies that had gone up higher than 20 per cent.

Senator RENNICK: That's quite the rate of inflation. Is \$500 billion still a ballpark figure, or a trillion or—?

Mr Graham: It's still a ballpark figure, yes.

Senator RENNICK: Five hundred billion—thanks. That's all I need to know for that one.

Dr Mayfield: I think it's important that you define the scenario that you're costing.

Senator RENNICK: It's modelling; I get it.

Dr Mayfield: If you don't define that well enough, the number can be very—

Senator RENNICK: I think the chief executive and I have a very similar opinion when it comes to modelling. We'll just leave that one at that. There was a study done back in 2013, I believe—it's been pulled off the CSIRO website, but it's still on the ABC website—that said that, on average, about 2.2 billion tonnes of carbon is taken up by plants each year within Australia. I would have thought, if that was the case, that we would be well and truly at net zero now with that sort of uptake.

Dr Mayfield: I'm not sure what particular report you're referring to, but obviously—

Senator RENNICK: I'll put it to you on notice. The lead author was Dr Vanessa Haverd of the CSIRO Marine and Atmospheric Research division. It was a carbon audit back in 2013.

Dr Mayfield: Carbon sequestration through land use, and changes in land use, is an ongoing area of close observation to try and understand what certifiable reductions you can have. We have more up-to-date work than 2013.

Senator RENNICK: Is that a ballpark figure?

Dr Mayfield: I'd have to see the context in which that statement was made.

Senator RENNICK: I'll put it to you on notice.

Dr Mayfield: It depends on where you draw your envelope.

Senator RENNICK: Sure, but the current measurement for humans, the Australian people—is that at about 500 million tonnes, or are we just below that now?

Dr Mayfield: Currently, we're putting out about 485, I think.

Senator RENNICK: Even if that was out by a factor of 75 per cent, we'd still be at net zero?

Dr Marshall: If it helps, the department of energy's data shows that, for emissions, we're down 25 per cent across the board since 2007.

Senator RENNICK: Since 2007. The coalition was in government for most of that time, so we've really reduced emissions. Fantastic!

Dr Marshall: That's on the department's website.

Senator RENNICK: We are really good for the environment, aren't we? My last question is: do gases trap convection? I find it confusing that we use this 'greenhouse gas' term, when a greenhouse is a solid glass object. I was taught in grade 8 science that, basically, materials come in three forms: liquid, gas and solid objects. I didn't know that gases could trap convection, in the same way that a greenhouse would trap rising air, cool and then condense. I don't see how gas can do that.

Dr Marshall: I think we were talking about this before—the phenomena of the atmosphere being like a blanket around the earth.

Senator RENNICK: I don't like that description. Does gas trap convection or not?

Dr Marshall: We know from temporary measurements going back a very long time that the earth is about 16 degrees warmer because of the residual greenhouse gases—CO₂, mostly—in the atmosphere.

Senator RENNICK: Or gravity.

Dr Marshall: I'm not sure I understand your point.

Senator RENNICK: I know you don't think gravity has a part in it. We'll take that up another day; that's fine. I just want an answer: does gas trap convection?

CHAIR: Does gas trap convection?

Senator RENNICK: Heat's transmitted in three ways: convection, conduction and radiation.

Dr Marshall: It's the radiation that gets absorbed. The earth radiates heat. Mostly it's infrared—

Senator RENNICK: I understand all that, but that's not the only factor.

Dr Marshall: Certain molecules absorb infrared better than others. Water vapour absorbs really well. CO₂ absorbs really well. Methane absorbs really well. When they absorb the energy, they heat up and so you warm the atmosphere.

Senator RENNICK: It's not the question I asked you. Do gases trap convection?

CHAIR: Senator Rennick, you said that it was your last question. Are you happy for Dr Marshall—

Senator RENNICK: Well, he's going down the path of radiation, and I didn't ask about radiation; I asked about convection.

CHAIR: We're just at the end of your block, so we'll let Dr Marshall finish his answer to your question and then I'll allocate the call.

Dr Marshall: So: do gases trap convection?

Dr Mayfield: Maybe I can try and clarify. There's conduction, convection and radiation. They're the three modes of heat transfer. Convection is heat transfer through the movement of a fluid, whether it's a gas or liquid. Gas doesn't trap it. Moving gas is convection. If you look at the earth, the boundary condition you have to put there is the edge of the atmosphere. There is no movement of gas out across that, so radiation is the only way it can happen. That's why we talk about radiation.

Senator RENNICK: And it's trapped in the atmosphere by gravity.

Senator CANAVAN: I have a couple of quick questions to start with on the H₂-Hub in Gladstone. I believe the CSIRO is involved in this project. It's a three-gigawatt electrolyser plant and ammonia. How much water will it require, and where will that come from?

Dr Mayfield: In terms of the CSIRO being directly involved in the project, I don't believe we are.

Senator CANAVAN: It's on your website.

Dr Mayfield: The information comes off our website—

Senator CANAVAN: Yes.

Dr Mayfield: which I believe is the hy-resource site. It actually captures different projects and information around Australia, but it doesn't—

Senator CANAVAN: Right, so you don't work on those projects?

Dr Mayfield: We're just reporting on those.

Senator CANAVAN: A notice board, so to speak.

Dr Mayfield: It's a noticeboard as part of the knowledge transfer that we're doing as part of our mission.

Senator CANAVAN: In that knowledge transfer, have you investigated, or do you have any information to share with us about where the water is going to come from?

Dr Mayfield: I don't have any information on that specific project as to what they see their water source to be. Each project will have to determine what they want to use as their primary water source.

Senator CANAVAN: How much water does a kilogram of hydrogen require when made from an electrolyser?

Dr Mayfield: Theoretically, it's about nine kilograms, but, if you then look at the actual balance of plant that's required around an electrolyser, it's probably between 64 to 100 kilograms of water. Some of it is for cooling. There's the water that goes in that's converted, and then there's water in the associated plant.

Senator CANAVAN: Normally I would express water in litres. Is it one kilogram for a litre. That's what I remember from school.

Dr Marshall: Yes.

Senator CANAVAN: So you're saying 64 to 100 litres?

Dr Mayfield: Sixty-four to 100 when you take into account the balance of the plant, depending on what technology you're doing and how you're doing your cooling and things like that. It varies.

Senator CANAVAN: You could express that as litres instead of kilograms?

Dr Mayfield: Yes.

Senator CANAVAN: Right. I'm asking because there are a lot of people concerned in that region about the lack of water, and, if we have these very large hydrogen hubs coming in, as promised, where is that water going to come from? We're a pretty dry continent with scarce water resources. I know you're not particularly looking at this project; you're not involved, but have you looked more generally at where we're going to get that water, given the demands and desires to make this much hydrogen?

Dr Mayfield: We're involved in some of the hubs, and those are the sorts of questions they're looking through. There are a range of sources they can contemplate. Which one they choose, I don't know. It will depend on the circumstances. You can use recycled water. You can do desalination, which is probably not the best choice. You can use ground resources, or you can use potable water, which is probably the least likely resource you would use.

Senator CANAVAN: That's good to hear. I'm not sure why we would burn our most important and scarce resource and export it to another country. It's strange that you say desalination is probably the lowest option. We just had the department of climate change here for a separate inquiry, and they said that they're increasingly looking at desalination when I raised the potable water issue. They said, 'Oh, we'll do desalination.' But you don't think that's a good option.

Dr Mayfield: It depends on what the resources are in the particular location you're looking to do your hydrogen production, and it may influence where you do your production. But there's a hierarchy in terms of cost that you have to look at.

Senator CANAVAN: I'd have thought one of the big issues of desalination in Gladstone or Townsville, where there's another hydrogen hub proposed, is: where are you going to put all the salt? Are you going to put it all out on the reef? The people do sort of say, 'We'll just build a desalination plant.' Well, hang on. Where are you going to put all the salt? The Great Barrier Reef is just next door. It's not going to be a good idea.

Dr Mayfield: These same problems need to be resolved when you're looking at desalination plants for normal drinking water—where does the brine go, and how do you dilute that? I'd expect these to be all elements that will go through a normal project concept phase to feasibility and environmental approvals as well.

Senator CANAVAN: There's also a debate here about what green hydrogen is—and I realise you might not be the keepers of that taxonomy. Is it generally considered that hydrogen produced from nuclear energy would be considered green?

Dr Mayfield: I think the common views are that if it's from gas it's blue and if it's from black or brown coal it would be brown or black. For green, typically, they think about PV or other renewables. If you have zero-emission nuclear I think you could call it green as well.

Senator CANAVAN: Great! It's great to hear that again—that wasn't the view of the department of climate change. That's really good to hear. Just speaking of nuclear, I want to go to the *GenCost 2022-23* report. I think you released a consultation draft in December last year, and there do seem to be some changes in regard to your treatment and consideration of nuclear. I'm going to quote from page 39 of the *GenCost 22-23* draft:

... nuclear SMR is deployed globally in all scenarios. This is in contrast to the 2021-22 results where the technology was not taken up in the *Current policies* scenario.

Am I reading this right, that the new draft *GenCost* report indicates that nuclear will be, or is going to be, on your projections, a commercial technology in the decades to come?

Dr Mayfield: I'll invite Mr Graham to reply to this in a second, but in terms of where we've got to with GenCost and the last iteration: there was no new appreciable information for us to use this time around. But we did recognise that we didn't see it was plausible to be brought in before 2030. The report reflects that.

Senator CANAVAN: Yes.

Dr Mayfield: Beyond that time, we're maintaining a watching brief. We don't have a position one way or the other as to whether it will occur, we're just trying to understand those costs as more deployments take place. I'll see if Mr Graham wants to add anything to that.

Mr Graham: The current policy scenario changes as people's current policies get updated. We look at the International Energy Agency's World Energy Outlook. They update the various policies that they include as current existing policies. As we've gone to update GenCost, that scenario has become more stringent in terms of the amount of emissions abatement in the current policy scenario, and that will probably continue to happen over time as, globally, governments ramp up their policies.

What has happened with this latest *GenCost report* is that we have a more stringent current policy scenario: nuclear SMR has come in a bit sooner and been deployed in that scenario, whereas when we ran it in the previous version of the report it wasn't deployed. Because it is deployed now, the cost reduction in that scenario is lower.

Senator CANAVAN: I'll come back to that last point. I'm just a little confused about the word 'stringent'. What does that mean in this context?

Mr Graham: Essentially, every scenario that we include from current policies to global net zero by 2050, or global net zero post 2050, represents global emission pathways. The current policies pathway is a steeper emission reduction pathway than it was when we ran GenCost the previous year.

Senator CANAVAN: Right, so that encourages more—

Mr Graham: So we say it's more stringent, that's the other way of saying it.

Senator CANAVAN: It encourages more low-emission sources, effectively?

Mr Graham: Yes.

Senator CANAVAN: Right, I understand that. Just on that last point you made about it reducing in cost. One of the changes from the previous GenCost to this one seems to be the learning rates for nuclear. I believe that in July last year you had the learning rate—I think, from memory—at just three per cent and it's now up to 20 in the initial development phase and 10 per cent in the mature phase. Is that correct? Have you increased the assumptions around the cost reductions—or the learning rate, in other terms—for nuclear? And, if so, why have you done that? On what basis has that been changed?

Mr Graham: I don't think those have changed, but maybe there's a bit of confusion. We have conventional nuclear in our global electricity model.

Senator CANAVAN: Right.

Mr Graham: Because that's a more mature technology it gets a lower learning rate—something like the three per cent that you mentioned. Nuclear SMR we regard as a newer technology, with greater opportunities to reduce its costs, and so it gets a higher rate of 10 to 20 per cent or something of that order.

Senator CANAVAN: I'm looking at page 24 in the consultation draft, if you've got that in front of you. That's got the learning rate at 20 for the development phase and 10 for the mature phase.

CHAIR: Senator Canavan, can I ask whether a couple more questions will conclude you?

Senator CANAVAN: Yes, it won't be long. I am just trying to find the equivalent table in the previous report. I think you're right, because it's described as SMR—you changed the actual designation on the table, but you haven't changed the learning rates.

Mr Graham: That's correct.

Senator CANAVAN: So what is driving the cost? That raises another question for me. In the GenCost in July you seemed to have that current policy scenario dropping the cost of nuclear down to around \$8,000 per kilowatt, I think, whereas in the previous report it was \$18,000, a lot higher. What causes that drop if the learning rates haven't changed?

Mr Graham: The learning rates are there, but you can't have that learning unless the technology is deployed, and it just wasn't deployed when we ran the scenario last year.

Senator CANAVAN: Right.

Mr Graham: You can only get these cost reductions if you deploy the technology.

Senator CANAVAN: Just one more follow-up. On that chart I was referring to on page 40 of the December report, the consultation draft, you get that initial drop in costs—I'm looking at the lines that drop down—but then it just flatlines. I thought in that table we had a learning rate of 10 per cent in the mature phase. Why are there no more cost reductions for nuclear SMR after about 2034 or so?

Mr Graham: This is not unique to nuclear SMR. Some technologies have a period where they are needed by particular countries and they are deployed, and then at some later point they will switch to some other technological solution. So when it goes flat like that, it just means that deployment stopped for some reason, and some other technology was deployed.

Senator CANAVAN: Is that an endogenous change?

Mr Graham: That's endogenous. It's a choice the model is making, yes.

Senator CANAVAN: What drives that? If the costs have come down considerably and they stop using it—I don't understand how that would work.

Mr Graham: The cost of lots of different technologies are changing at different points in time, so it just makes sense to invest in some at some points and then others at other points.

Senator CANAVAN: But this is a bit like a cliff and then it goes flat. Normally, in most economic models, you would see a marginal change. What causes the big shift change there? If it's endogenous, that doesn't make a lot of sense to me.

Mr Graham: For technologies that don't have much of a current level of deployment, it's easy for them to double their capacity. Those learning rates are the learning rates you get for every doubling of your cumulative capacity, so if you are starting from a very low capacity, it's easy to double your capacity and get really quick cost reductions, but then over time it gets harder to double—

Senator CANAVAN: I appreciate the discussion, Mr Graham. You are just confirming my complete cynicism in all economic models. I say that as somebody who has built them myself. They're usually a total load of rubbish. That you for outlining all of that.

CHAIR: A surprising end to the questions!

Senator Ayres: The lowest possible cost of SMRs in that report is \$8,000 per kilowatt hour?

Senator CANAVAN: It's not an hour, Minister, but I'm happy for you to read through it. I'm happy for Mr Graham to answer your question, even though that's not usually the done thing; I'll ask it on your behalf. That graph on page 40 is dollars per kilowatt of install capacity, not per kilowatt hour. I don't see a kilowatt hour figure. I'm happy for you to take it on notice, Mr Graham.

Senator Ayres: An extraordinary proposition—

Senator CANAVAN: But there's very low fuel costs—

CHAIR: I do thank Senator Canavan for kindly agreeing to conclude his questions. I remind senators that we are 20 minutes over time. It's getting very, very late, and we are getting very, very tired. I've got two senators who have questions. I remind senators we are moving in 10-minute blocks. Senator Roberts, you have the call.

Senator ROBERTS: Thank you for appearing again tonight. I've got four segments, but from the sound of that, I'll probably only get to two or one. Very briefly, Minister, I will be asking about CSIRO reports and then asking the CSIRO about energy generation. Minister, the government's climate and related energy policies in

compliance with the UN's 2050 net zero dictate have a huge effect on our economy and incur huge costs to the budget and to the people, particularly workers in mining and manufacturing.

Firstly, ministers in this government and in previous LNP governments have said they take advice on the scientific basis for climate policy and legislation from the Bureau of Meteorology and CSIRO. I'm now going to ask some specific, fundamental questions about the basis of your policy and legislation that severely impact budgets and our national economy.

MPs across parties have advised me in writing that they have never been given scientific evidence for cutting human production of carbon dioxide. Others advocating cuts and climate-related changes to energy policy have been unable to provide the evidence and underpinning the policies in legislation. The evidence that the minister gave to me on Monday's Bureau of Meteorology session made it very clear and proved that the government does not understand what is science. My freedom of information requests and Parliamentary Library searches have failed to find any bureau or CSIRO reports to ministers or MPs providing the logical scientific points with the empirical scientific data showing that carbon dioxide from human activity needs to be cut. I would like to table this document that I made. It's only summarising what I'm about to read so it is very clear what I would like from you, Minister. Senator McAllister took this during the BOM session.

Firstly, my constituents and I need to know the scientific basis for your climate and energy policy and legislation. On notice, please provide CSIRO reports, scientific papers and government papers that provide logical scientific points as the basis for your government's climate and energy policy and legislation. A 'logical scientific point'—this seems to be missed by many politicians—is empirical data within a scientific, logical framework that quantifies the specific effect of carbon dioxide from human activity on climate as the basis for policy. That is, per unit of carbon dioxide from human activity, what is the effect on atmospheric temperature, ocean temperature, severe weather, storms or other climate variables? In each case, please provide the report title and the specific page numbers presenting the logical scientific points on which you rely. That's my first question.

Senator Ayres: I suppose we will examine—there is, as you know, an overwhelming scientific consensus on the questions that you raise. I suspect that no amount of information that could be provided to you would satisfy you on these questions, but, in the interest of time—and I see that you've asked for this to be on notice—I will see whether it's possible to provide you with a series of reports that go to these questions. But I suspect that you will be back at future estimates asking fundamentally the same question and that no amount of reports or other material will satisfy you.

Senator ROBERTS: I note that that is an implied smear. It doesn't bother me, because—

Senator Ayres: No, I've sat in estimates with you many times, and you've asked the same question over and over again. There is an overwhelming evidence base and scientific consensus on these questions.

Senator ROBERTS: Then it will be easy for you.

Senator Ayres: I'm not a scientist.

Senator ROBERTS: All I'm asking for is the reports that CSIRO provided.

Senator Ayres: And you've asked for them on notice, and we will try one more time to satisfy you.

Senator ROBERTS: Thank you.

The second question is along the same vein. Where is the cost-benefit analysis for developing and assessing policy alternatives? On notice, could you please provide the cost-benefit analysis that's been done to justify the climate and related energy policies?

Senator Ayres: At this late stage, I think the chair would be very grateful if I don't offer any commentary!

Senator ROBERTS: Okay. I take it you are going to take that on notice.

Senator Ayres: Sure.

Senator ROBERTS: Thank you. The third question is also to be taken on notice. What is the specific quantified effect of carbon dioxide from human activity on climate? This is essential for measuring progress, implementing policy and tracking policy impacts and effectiveness. So, on notice, could you please provide that?

Senator Ayres: We'll do our best.

Senator ROBERTS: I'll now turn to CSIRO. This may have been covered by Senator McDonald in some parts. Energy primacy is fundamental for human progress—it's basic for human progress. There's a huge budget effect on the related climate and energy policies that are going through. That has a multiplier effect throughout the economy. I'm very interested in your *GenCost 2022*. Could you briefly explain the new build methodology referenced in your *GenCost 2021-2022* report and exactly what this means.

Dr Mayfield: When you say new build methodology, are you talking about the learning curves? Can you be a bit more specific?

Senator ROBERTS: How did you put together GenCost 2022? What are the fundamental basics, principles and methodology you used to assemble GenCost 2022?

Dr Mayfield: I'll kick off, and I'll ask Mr Graham to add some more. We do a number of things with GenCost. The first one that we do is levelise the cost of electricity analyses, where you're looking at each particular technology and understanding the inputs in terms of capital operating costs. We also try to include what the firming costs are that come with the variable renewable technologies. Then you can calculate it at the levelised cost of electricity. It gives you one method of comparing each of these technologies that will go forward, and that's done for the benefit of AEMO, who use that as part of their integrated system planning work. So we do that analysis based on the best updates we can get on costs from engineering companies and from the industry. The second one that we do is look at some scenario work, where you bring it together in the system and try to understand how that might look as you do various projections forward. So those are the two pieces of work.

Senator ROBERTS: GenCost 2022 assumes a future reduction in unit costs of large-scale solar and battery storage of 48 per cent and 58 per cent, respectively. This compares with a predicted reduction of eight per cent for onshore wind and of three per cent for coal. What do you base this more than halving of unit costs for wind, solar and batteries on, given lithium is over 10 times—I think it's 13 times—more expensive today than it was just two years ago?

Dr Mayfield: The methodology that's being used as you go through there is this learning curve methodology, and it looks at the historical data that's actually occurring as people build things and then uses the maturity level as well to understand if that curve will continue or start to flatten out. That's the underlying methodology that we're using. Mr Graham might want to elaborate on that.

Senator ROBERTS: Before you go, Dr Mayfield, what I'm understanding from your message is that onshore wind and coal are well down the learning curve, so there's going to be little opportunity for improvement.

Dr Mayfield: They're more mature, so the opportunities are less, and the learning occurs as you build out. As Mr Graham mentioned before, as you build out more and more capacity, you get the chance to learn. But, as you get more mature, that does slow up.

Dr Marshall: It's also volume. There have been a lot of wind turbines made around the world.

Senator ROBERTS: Yes, economics of scale. Do you want to add, Mr Graham?

Mr Graham: I'll just add that, when we were starting GenCost, we did think about lots of different forecasting approaches. There are different ones: you can do expert surveys; you can extrapolate through time what you've seen historically. The learning curve approach appealed to us because it's more scientific based, in the sense that you can point at historical data and observe technology learning rates as a physical fact—but not all of them because new technologies don't have such a historical record. But, even in that case, you can look at the learning curves that other new technologies went through, and it turns out they all go through fairly similar stages. It just suits us as a science organisation to have a basis of projection, where you can look back in fact based on how the methods are implemented.

CHAIR: Senator Roberts, you're at time. Do you have one final question?

Senator ROBERTS: Yes. I've got many others. I'll put them on notice. GenCost 2022 assumes capacity factors of 40 per cent for wind and 26 per cent for solar. For financial year 2022, the national electricity market capacity factor for wind is actually 29 per cent compared to your assumed 40 per cent. For solar, it's 19 per cent compared to your assumed 26 per cent. I understand that the peak time capacity factors for solar and wind are both less than 10 per cent, and that's crucial for reliability at peak times. Those are significant differences. Your assumed capacity for wind is 50 per cent higher than the actual history on the NEM. These are very big margins of error when we need very precise generation for our energy market. Why are you so optimistic about the capacity factors compared to real-world data?

Mr Graham: There are two points to note there. When AEMO, for example, does any modelling of the electricity markets, they don't use the *GenCost* capacity factors. They use their own renewable-energy-zone, half hourly, detailed weather based capacity factors for each renewable energy zone in the NEM. The purpose of the capacity factors in our report, in *GenCost*, is we are trying to give people a range of the future levelised cost of each of the technologies. When we're doing that we want to look at relatively new technology and the range of potential capacity factors that it would achieve, keeping in mind that that's probably going to be a bit better than historical because historical technologies just aren't as good as technology gets better over time. So the range that

we use in *GenCost* is about new technologies being deployed in the future, and they will be a bit better than the historical average.

Senator ROBERTS: There's an assumption they will be better?

Mr Graham: Yes, based on observation that technologies do get better.

Senator COX: I'll ask some questions in relation to comments made recently by Professor Andrew MacIntosh about a report from GISERA in relation to the claims of the life cycle of greenhouse gas emissions from the fracking industry in the Beetaloo Basin. Can you outline for me the peer review process in relation to this report?

Dr Mayfield: I can kick that off for you. You're referring to the offsets report for the Northern Territory?

Senator COX: Yes.

Dr Mayfield: We apply our normal peer review process on that work, so we have internal peer review and we use specific experts where required as well. So that work has undertaken that process. The work that was done there also has been based on updated research that we've reported through the Climate Change Authority recently on different sequestration techniques. We're very comfortable with the peer review that's taken place and the quality of the work that's there. We understand Professor MacIntosh disagrees, but we've been through a full peer review process.

Senator COX: Professor MacIntosh claims that this report should be rewritten. What's CSIRO's response to this?

Dr Mayfield: We disagree with him.

Senator COX: Sorry, what was that?

Dr Mayfield: We disagree with him.

Senator COX: What's CSIRO's response to the claims that GISERA and this report was unduly influenced by the gas industry?

Dr Mayfield: The work that gets done through GISERA, the whole governance model that we apply there, is about making sure that the work that's commissioned is commissioned in an independent way, so the research advisory committees for each state determine what work gets done. They have a community representation that has the majority vote in there, so it's actually done by community. CSIRO delivers that work and applies its peer review processes, so there is no opportunity for industry to influence that, either in determining the scope of work that we do or how we report it. They do tribute some money. In the Northern Territory case it's about three per cent of the budget that we use.

Senator COX: So there's an internal peer review—not external. Is that correct?

Dr Mayfield: It can be mixed in terms of the specific peer review process that's applied. Dr Barrett, from our resources program here, can talk you through the specifics of the peer review.

Senator COX: That would be great.

Dr Barrett: The particular research report that you're talking about, commonly called the offsets report, was brought together in a series of stages. A very important and key component of that work was the work done around the life cycle emissions for the development scenarios in the Beetaloo basin. We took the scenarios for development from the ACIL Allen report that was used in the Northern Territory hydraulic fracturing enquiry, and we took the uppermost emissions level—what was referred to as the GALE, which is a scenario of about 1,000 terajoules a day of gas production. Utilising that scenario for development, we then generated the emissions scenarios. That was done through a third party, in conjunction with CSIRO, called Life Cycle Strategies Pty Ltd. They specialise in these types of analyses. The report that was generated out of that was reviewed by three scientists: two from Curtin University in Western Australia and a third scientist who is a principal scientist in life cycle works. That formed the core in terms of the emissions estimates that were generated in the offsets study.

The abatement options, in particular the land abatement options, were taken from a study that was done in 2020 by Roxburgh et al. It's a CSIRO piece of work. The land abatement potential was dependent on the availability of land, the potential for carbon gain on that land and the economic viability of those offsets. All of that information then came into the final offset report, which then went through the standard CSIRO peer review process internally. It was reviewed in relation to another report that CSIRO produced for the Climate Change Authority, and then the final report was released last week. That was how it was all brought together and the review process that happened throughout that piece of work.

Senator COX: In relation to that, Dr Barrett, are any of the financial contributors to the development of this report proponents or titleholders of Beetaloo basin contracts or licenses that currently exist?

Dr Barrett: The contributors to the funding of that work include the Commonwealth government, the Northern Territory government, CSIRO and the industry who are operating in that region, because they are members of GISERA. In that particular study—

Senator COX: I am asking specifically about titleholders and proponents that have a vested interest, commonly known as state capture, because the claim has been made about the report being unduly influenced by gas companies—gas companies that are operating in the Beetaloo basin. Giving me a blanket statement like, 'It's industry', doesn't allow me to see who's contributing financially and who may have a level of influence on the outcome of a very important report talking about the life cycle of greenhouse gas emissions, particularly in the Beetaloo basin.

Dr Barrett: The most important aspect in terms of the governance model there is that all the contributions from all the parties, be it the gas industry, the state government—or territory government in that case—the Commonwealth or CSIRO, essentially go into a pot. They're combined. It's the community dominated research advisory committee that determines whether or not a project is funded. If that committee does decide that the project is funded, then, under the terms of the GISERA Alliance Agreement, that project must go through to its finish and it must be 100 per cent transparent, and there is no opportunity for any of the members other than the researchers to make edits or review or change any of the contents of the reports that are produced.

Senator COX: Thank you for clarifying that. Can I ask some questions quickly about the Airbus Avalon air show. Maybe the minister would like to answer this. I'd like to ask some questions about CSIRO's involvement in the Avalon air show, noting that CSIRO is scheduled to make several presentations at that event. The topics seem pretty tame compared to the rest of the program. Is CSIRO aware of this event's links to defence and military?

Senator Ayres: It sounds like a question the CSIRO can answer. I'm unaware of either the air show or the program or—

Senator COX: Are you aware of the program and the links that it has to defence and military?

Senator Ayres: I think CSIRO is in a position to fill you in.

Senator COX: It's pretty much classed as an arms fair, if you look at the detail of what's actually being showcased at the Avalon air show.

Dr Marshall: Our primary work with companies like Boeing goes back I think to the sixties, when there was a concern that supersonic or high-altitude aircraft would be damaging the ozone layer. CSIRO did some of the first research in the world to determine whether that was the case or not, and fortunately it's not, so we're able to fly between countries now. Since that time we've worked on environmental aspects of Boeing's manufacturing to make them more environmentally sustainable. We've worked on safety equipment. Today, every single Boeing aircraft has a unique Australian material, called topcoat, that makes the manufacturing process more sustainable and more efficient. Generally we work with companies to achieve, basically, national benefit for Australia. Boeing today, because of the relationship with CSIRO, employs over 4,000 engineers in Australia rather than having their own in the US, where they're headquartered. It's a great example of attracting a big company to come in and create jobs and economic growth in the country.

Senator COX: Okay. But given this is looking at the detail of quite clearly trying to justify CSIRO's involvement, do you think that fits with the purpose of what our national science agency should be attached to—an arms fair? Do you think that now, in the evolution of that relationship, actually represents that?

Dr Marshall: Senator, I think when I mentioned that one thing in the opening statement about the net zero emissions, as you are probably aware, emissions from aviation are in that hardest-to-abate category.

Senator COX: Certainly.

Dr Marshall: And Boeing and Qantas very kindly supported us to come up with a road map for getting to net zero in aviation that involves biofuels and hydrogen production. We think hydrogen production, for example, could be a \$50 billion export industry for Australia, which is really important given the world is slowly but surely stopping buying our coal and gas. We'd like to create some export industry to replace that so that those jobs aren't lost and that economic value isn't lost. So, again, I'm aware that the Avalon air show has a military presence, but it also has a very strong civilian presence. Our interest is in how aerospace can help create jobs and economic growth in Australia.

Senator COX: Okay, thank you. In relation to the enhanced oil recovery projects, have public servants employed by CSIRO been working on the EOR projects?

Dr Mayfield: Can you specify which EOR projects you're talking about? We work on CCS. In the US they use carbon dioxide injection for EOR, but we don't do that in Australia, as a rule. So I'm not quite sure which projects you're referring to.

Senator COX: Okay. I believe there was a link there—that there was some money spent on research in enhanced oil recovery projects. Is that correct?

Dr Mayfield: I would have to check that for you, Senator.

Senator COX: Okay. I'm happy for you to take these on notice and get back to me.

Dr Mayfield: It could be related to our CCS work, which is all about emissions reduction.

Senator COX: Okay. That's probably what it's in relation to. I am happy to put them on notice, given the time of night.

CHAIR: That would be appreciated. Thank you very much, Senator Cox.

Senator McDONALD: The CSIRO had an investment with v2food. There was an article on Beef Central today confirming that the factory at Wodonga has closed. What exposure has CSIRO had to that investment? Can you tell me what that means for CSIRO?

Dr Marshall: I haven't looked at the numbers in the last month, but, as far as I'm aware, the value of v2food is well over half a billion dollars, so we have a small equity investment because we created that company to create jobs in Australia. It's been a really positive thing for us. I'm not aware of the closing of the factory in Wodonga, so I will have to get back to you on that.

Senator McDONALD: Thank you. Yes, it's breaking news just today that they have made the decision to close the Wodonga plant. Perhaps your investment arm hasn't had an opportunity to brief you. Given that CSIRO put money into it, they will no doubt give you an update on what's happened to that.

Dr Marshall: We actually built the pilot manufacturing line in Werribee, and that was one of the reasons we were able to create the entity so quickly. As it grew bigger and bigger, because Woolworths and Hungry Jack's now distribute those products, it's been a great Australian agriculture innovation success story.

Senator McDONALD: After doing a meat definitions inquiry, I probably have—although, I have to say, v2food never held itself out to use meat terminology, so perhaps it was others. You're also doing some research into cow-free milk. Could you talk to me about that?

Dr Marshall: There's another company we created called Eden Brew. It's also a plant based milk alternative for people who are lactose intolerant. We've tried to be careful. If I can go back to v2food, one of the things that we really dug into before we started was to ensure that it would be additive to agriculture. We have a mission to try and get Australian exports well over \$100 billion by the end of the decade. We only want to do things that are going to be additive, not competitive. The data that Hungry Jack's and Woolworths shared with us was the percentage of vegetarians and vegans that wanted to buy some sort of meat alternative was growing, so we served into that market. They actually led us to the milk alternative as well. There are a lot of alternatives, such as almond milk and soy milk. Australia has a really interesting advantage, because we can grow very, very reliably high-quality, safe, healthy, plant based material that we can then use to get into the market in Asia, where there is a lot of lactose intolerance. Again, we want it to be additive to Australia's exports because we have this \$100 billion export goal.

Senator McDONALD: On notice, could you give me a response on the impact to CSIRO of v2food and an update on where you're up to with the cow-free milk investment? I also want to comment on how patient you've been, Chair. It has been a pleasure on a sometimes very trying day. Thank you. Good job.

CHAIR: Thank you for your feedback, Senator McDonald. That does, indeed, conclude our questions. Dr Marshall, thank you very much, as always. Thank you to your team for coming and answering our questions and for all the work you do. We appreciate it. You go with our thanks.

There being no further questions at this time, the committee's consideration of the 2022-23 supplementary budget estimates will conclude. I thank Minister Ayres and the offices of the Department of Industry, Science, Energy and Resources portfolio and related agencies who've given evidence to the committee today. Thank you also to Hansard, broadcasting and the excellent committee secretariat. I declare the hearing adjourned.

Committee adjourned at 22:49