



4 September 2015

Committee Secretary
Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
CANBERRA ACT 2600

Origin response to matters raised in the Inquiry into the Landholders' Right to Refuse (Gas and Coal) Bill 2015

We refer to your letter dated 4 August 2015. Origin Energy (**Origin**) thanks the Environment and Communications Legislation Committee (**Committee**) for the opportunity to respond to comments made at the Inquiry into the Landholders' Right to Refuse (Gas and Coal) Bill 2015 (**Bill**).

Origin is Australia's leading energy company. Being integrated, Origin has diverse operations spanning across the energy supply chain, from gas exploration and production, to power generation and energy retailing. We are also the largest green energy retailer in Australia and have investments in renewable energy technologies.

Our diverse business brings us into contact with a range of people. Therefore, how we approach and build relationships over time is important. We are committed to all of our stakeholders, including landholders and customers, and we have a strong focus on ensuring the sustainability of our operations.

Through Australia Pacific LNG, an incorporated joint venture with ConocoPhillips and Sinopec, Origin is the Upstream Operator of one of Australia's largest Coal Seam Gas (**CSG**) to Liquefied Natural Gas (**LNG**) projects. Origin has the longest track record of any major CSG company in Australia, having drilled our first CSG exploration well in Queensland in 1993. For over 20 years we have been working with local communities to gain access to CSG resources.

CSG is natural gas contained within the coal seams. Natural gas plays an essential role in the Australian energy market and in the Australian economy. Natural gas is used to generate electricity, in industry and to heat homes. Natural gas is also an important transitional energy fuel in the global challenge to reduce carbon emissions. When used for electricity generation, natural gas produces up to 70% less carbon emissions than coal. Natural gas is a cleaner burning and safely transportable fuel, and it has an important role to play in the response to climate change.

It is for these reasons that Origin considers it essential to ensure that the role of natural gas in Australia and globally is appropriately represented during the Committee's considerations of this Bill. We also consider that it is important for the Committee to be able to review issues before it with full and contextual information. Therefore, in the attached document, we provide a response to the matters raised before the Committee which may adversely reflect on Origin.

We also support the submission made to the Committee on 29 May 2015 by the Australian Petroleum Production & Exploration Association (APPEA) and reiterate comments made in that submission about the importance of good public policy.

The Queensland CSG industry is one of the most robustly regulated in Australia, and we consider that our projects have undergone rigorous and effective approval processes. Origin supports a sound regulatory framework which is vital in helping to ensure the safe and responsible development of Queensland's CSG resources, whilst facilitating further investment and participation in the industry.

In many cases, Origin has exceeded its legislative obligations and we have provided examples of this in the attached document. Origin is committed to working with all stakeholders and landholders in a constructive way and we strongly support policies and approaches that support co-existence. We strive to achieve balance and sustainability in all of our activities.

Origin also considers that legislation, regulations and policy frameworks need to be consistent to provide certainty to all parties involved. Legislative duplication and constantly changing regulations cause cost and delay issues for industry and also cause uncertainty and confusion for landholders and communities. We therefore encourage the Committee to be mindful of the existing robust regulatory framework and effective codes of practices already in place for the CSG industry during their considerations of the proposed Bill.

We thank you again for the opportunity to respond to matters raised during hearings of the Committee on Monday 27 July 2015 which may adversely reflect on Origin. Our response to these matters is attached.

Yours sincerely

David Baldwin
Chief Executive Officer Integrated Gas

Incl: Attachment 1 - Response to comments made about Origin during the Senate Committee Hearings

ATTACHMENT 1

Response to comments made about Origin during the Senate Committee Hearings

During hearings of the Committee on Monday 27 July 2015, a number of matters were raised which may adversely reflect on Origin. The following statements are offered in response to those matters raised.

1. Benefit to community

Comments were made in the hearing that Origin adversely impacts on the communities in which we operate.

Origin takes a sustainable and long term approach to providing value to local communities, by ensuring that the regions in which we operate can sustain themselves as well as our operations during and after the development of every project. When we build and operate our facilities we create economic value. Our energy developments often require significant capital expenditure with local, regional and national communities benefiting through:

- procurement of goods and services from local suppliers where possible;
- creation of employment opportunities;
- investment in needed community infrastructure; and
- payment of taxes, rates and royalties.

The Australia Pacific LNG Project was subject to a rigorous environmental impact assessment process that included the identification and appraisal of potential impacts that could arise from development and operation of the project infrastructure. Origin's EIS process involved more than 6,000 stakeholders including landholders and non-government organisations during an 18 month period.

The Australia Pacific LNG Project has made significant economic contributions to the broader community. Our regional community investment programs are designed to support sustainable population growth, the development of skills, education and training, community safety and wellbeing, and natural resource stewardship. Since the commencement of the Australia Pacific LNG Project, Origin, as the Upstream Operator, has spent \$18.3million on community investment. Approximately 15,000 employees and contractors were working on the Project during the peak construction phase.

In terms of the community, more than \$35 million was committed by Australia Pacific LNG to social impact mitigation including community investment initiatives across the project area, and \$29.9 million has been spent to date. Australia Pacific LNG has also contributed \$90 million towards funding for Queensland road infrastructure upgrades and maintenance.

Origin is confident the Australia Pacific LNG Project has been developed in a way that respects the communities in which we operate and shares value with these communities.

2. Land Access

Comments were made during the hearing about Origin's approach to land access.

Origin seeks to establish strong landholder relationships built on trust and mutual respect to support project delivery and operations. We follow rigorous, formal processes from pre-planning through to post-activity land rehabilitation.

Origin's preferred approach to accessing land for its activities is, to obtain the agreement and consent of landholders, based on an open and transparent relationships built over time. Overwhelmingly, Origin has found that it has been able to work constructively with landholders to ensure that the access to land is on agreed terms.

Under Queensland legislation, before work (other than low impact work) can begin, a petroleum authority holder must negotiate a Conduct and Compensation Agreement (CCA) with the landholder and occupier. During the 2015 financial year, we signed 59 compensation agreements with our landholders. Overall, we have signed more than 900 agreements over 700 properties as part of the Australia Pacific LNG Project.

Origin also consults extensively with landholders about the design and location of infrastructure on their land and gives landholders time to consider our development plans. Our usual negotiation periods are well in excess of those periods set or required under legislation. During negotiations, Origin provides time for landholders to input into the terms of access and obtain legal and other expert advice. Origin's land access agreements are drafted in plain English, and adjusted to meet the needs of landholders. They clearly outline when, where and how we will access land, carry out our activities and rehabilitation work, as well as the compensation payable.

Negotiations with landholders are commenced well in advance of when access is required, usually more than 12 months prior to the proposed start date of activities. During the negotiation process, Origin consults with landholders about their business activities and requirements and, as far as practicable, attempts to locate infrastructure and schedule activities to minimise disturbance to landholders.

How we approach and build landholder relationships over time is important to our business and our ongoing relationships with the community. Our effective management of land access activities helps to maintain the ongoing confidence of both landholders and regulators throughout the life of our projects and operations.

3. Quantum of compensation

Comments were made during the hearings about inappropriate or insufficient compensation payments.

Origin is confident that the amounts of compensation paid to landholders are well in excess of what is required under the statutory criteria. We have paid compensation to landholders for a large range of activities in order to construct, and commence the operation of, the infrastructure associated with the Australia Pacific LNG Project.

Out of courtesy for our landholders and to respect our duty of confidentiality, Origin does not believe it is appropriate to discuss negotiations with specific landholders. However, Origin can confirm that Australia Pacific LNG has paid between \$80 million and \$100 million in landholder compensation between FY11 and FY15 (5 years).

Furthermore, although field development plans for the next five years are not firm, when Origin considers the financial commitments arising out of existing agreements, together with our best estimate of potential future commitments, Origin estimates that Australia Pacific LNG will pay compensation between \$110 million and \$140 million between FY16 and FY20 (5 years) as the Project moves to an operational phase.

4. Health and environmental impacts

Comments were made during the hearing that CSG has had negative health and environmental impacts.

Approval of the Australia Pacific LNG project was granted only after both the Federal and Queensland Governments undertook a rigorous assessment of the planned operations and activities. The Federal and Queensland Governments – through different statutory approval mechanisms - imposed some 1500 conditions and reporting requirements in relation to the construction activity and ongoing operations.

Comments were made during the hearing which suggested that residents are suffering health impacts from the exposure to CSG. A Queensland Health study¹ found that:

“The available evidence does not support the concern among some residents that excessive exposure to emissions from the CSG activities is the cause of the symptoms they have reported.”

Furthermore, claims made by residents in 2013 that CSG was causing “Black Rain” and therefore resulting in health impacts were found to be unsubstantiated. A program of scientific sampling analysis confirmed the black rain was organic insect residue identified that the “Black Rain” was related to organic material which was excreted by insects known as Lerps.

Origin also notes the following excerpt from QGC’s submission to the Committee on 29 May 2015:

In addition, the Australian Institute of Petroleum’s 2013 Health Watch Report, which follows the long term health of 20,000 past and current petroleum industry employees, shows that they have better health than the general Australian community and are less likely to die of diseases such as cancer, heart disease and respiratory conditions. This is evidence that people who spend a substantial amount of time in gas fields are in good health.

¹ Queensland Health, ‘Coal seam gas in the Tara region: Summary risk assessment of health complaints and environmental monitoring data’, March 2013.

5. Gaseous water bores

Comments were made during the hearings about gaseous water bores.

Historical Queensland Government records have documented the presence of natural gas in Surat Basin water bores as far back as the 1960s, pre-dating coal seam gas activity in the area by several decades². This record is consistent with anecdotal evidence regarding the presence of natural gas in water bores in the Surat Basin.

The presence of gas in water bores is particularly common in areas such as Hopelands, where the Walloon Coal Measures (the geological layers that Australia Pacific LNG will access to extract CSG) are shallow and are used for stock water supply.

As required under the *Water Act 2000*, Origin (on behalf of Australia Pacific LNG) conducts baseline testing of all accessible landholder bores within its tenements before production commences in their area. This data, combined with historical records, provides valuable information to government, landholders and the CSG industry. The baselining program helps to determine any pre-existing issues and provide a baseline to compare with future monitoring results. Tests include pressure and bore level, water quality and the presence of gas.

Of landholder bores tested to date, more than 80 per cent have recorded various levels of gas within the bores prior to CSG operations taking place in these areas. This further confirms that the presence of natural gas in Surat Basin water bores is common and naturally occurring.

6. Make Good Agreements

Comments were made during the hearing about Origin's approach to Make Good Agreements.

CSG related water extraction is generally not expected to significantly impact farm ground water. The Queensland Water Commission's report into Underground Water Impact found that 97.5 per cent of the 21,000 bores in the Surat Basin would not see any impact arising from CSG extraction activity. Underground water sources used by landowners, graziers and farmers are typically separated from the coal seams by hundreds of metres of low permeability rock.

However, in a small number of cases, CSG activity could affect bore water levels in specific locations. Where reduced groundwater availability is identified as a result of CSG production, we are required to make good any impacts.

Origin has actively engaged with landowners, as required under the *Water Act 2000*, to negotiate make good agreements and work with landholders to find make good solutions that suit the landholder's business needs.

² Queensland Government Mining Journal, 'Natural gas occurrence in the Brigalow area', September 1967.

Examples of remedial or “make good” actions taken by Origin include:

- increasing the depth of landholder bores or sinking new bores for the impacted landholder;
- lowering, modifying or replacing pumping equipment;
- supplying treated CSG water to supplement landholder supplies; or
- providing alternate compensation.

In Origin’s experience, some landholders have sought make good measures for bores which are collapsed, damaged or no longer in use (some for more than a decade). In other circumstances, the ‘make good’ measures desired by the landholder are not commensurate with the predicted or actual impact on groundwater levels.

In these circumstances, Origin has taken the time to engage with these landholders and, in some circumstances, as a gesture of goodwill, provided compensation to enable a landholder to improve water infrastructure on the land or expand surface dam capacity in alignment with that landholder’s current water management strategy.

7. Landholder complaints

Comments were made during the hearing about Origin’s approach to the management of complaints.

Across Origin, we seek to actively monitor feedback from the community and provide formal mechanisms for recording and responding to complaints. Our Landholder Relations Advisors, together with our Regional Community Relations staff, seek to manage complaints in accordance with our Complaints Management Plan.

In the 2015 financial year, we received 112 landholder complaints relating to Australia Pacific LNG activities. Complaints were predominantly related to concerns about workforce behaviour (e.g., failure to close private property gates and use nominated property access routes), noise, dust, and traffic.

We have undertaken a variety of measures to address these complaints including dust suppression activities and noise mitigation actions. There has been a steady decline in the receipt of complaints compared to previous periods which is consistent with the Australia Pacific LNG Project moving from construction to operations. In particular, traffic and transport complaints have reduced significantly highlighting our reduced presence on roads.

8. Pipeline maintenance

Comments were made during the hearing about the venting of gas from the Australia Pacific LNG pipeline.

Origin carries out maintenance of its pipelines from time to time. In carrying out maintenance, the safety of its employees, contractors and the community is paramount. Recently, Origin was required to replace a valve in its pipeline. The maintenance work was carried out in accordance with the Environmental Authority and the applicable Environmental Management Plan. The relevant Australian

Standard (AS2885.3 Pipelines – Gas and Liquid Petroleum – Operations and Maintenance) which applies to pipeline maintenance and identifies venting as a safe and acceptable method for minimising gas in order for maintenance to occur. Notification to landholders was provided as required and the maintenance was successfully completed.

Venting gas to depressurize a pipeline is considered a lawful and safe method of depressurizing a pipeline to allow maintenance to occur.

9. National Pollutant Inventory data

Comments made during the hearing regarding emissions across the Western Downs region raise concerns over the volumes of emissions that have been released from the Australia Pacific LNG Project into the atmosphere.

It appears those comments are based upon data taken from the Commonwealth Department of the Environment's National Pollutant Inventory (NPI). This data should only be used with sufficient context. Without such context, it is not possible to correctly categorise the significance or otherwise of a particular volume of emissions.

The NPI web site (<http://www.npi.gov.au/npi-data/understanding-npi-data>) recommends those seeking to review the data to consider several factors, including:

- *The NPI is a database of emissions which have been calculated using a variety of techniques. The accuracy of these calculations may vary according to the technique used.*
- *Changes in reported emissions can be due to a variety of factors, including improved environmental performance, increases and decreases in production, changes to the process, installation of pollution-control equipment such as fabric filters, first time reporting of a substance for the first time and updated emission calculation techniques.*
- *NPI data shows what is being released from an emission source, but whether emissions of a substance cause pollution to air, land or water depends on additional factors — such as the amount of substance emitted, where it is emitted, the weather conditions at the time, and the topography of the land.*

Origin is confident that the Project's emissions are in compliance with the Project environmental approvals and are in line with standard industry operations.

GISERA, the Gas Industry Social & Environmental Research Alliance, is undertaking significant research on greenhouse gases (GHGs). One of the aims of GISERA's research is to detect and measure methane and other GHGs in the Surat Basin, and identify sources of GHGs to provide emissions data on a regional scale.

10. Comments regarding bribery

Comments were made during the hearing which suggested that Origin used bribery to achieve agreements.

Origin strongly refutes these suggestions.

Origin is committed to carrying out business without bribery or corruption, as set out in Origin's *Anti-bribery and Corruption Directive*.

Due to Origin's international operations and business interests and joint-venture partners, Origin is not only subject to the anti-corruption provisions of the *Australian Criminal Code Act 1995* (Cth) (and similar Australian state and territory laws), but also to the United States' *Foreign Corrupt Practices Act 1977* and the United Kingdom's *Bribery Act 2010*.

We are committed to adhering to each of these laws.