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Submission No:	..... 22 .....
Date Received:	..... 3-7-08 .....
Secretary:	.....  .....

26 June 2008

To: House of Representatives Standing Committee on Primary Industries and Resources

### ***Inquiry into the draft Offshore Petroleum Amendment (Greenhouse Gas Storage) Bill***

Please find attached Santos' submission to the *House of Representatives Standing Committee on Primary Industries and Resources – Inquiry into the draft Offshore Petroleum Amendment (Greenhouse Gas Storage) Bill*.

Santos is Australia's largest domestic gas producer, supplying sales gas to all mainland Australian states and territories, ethane to Sydney, and oil and liquids to domestic and international customers. Santos has exploration interests or production operations in every major Australian petroleum province and has the largest Australian exploration and production portfolio by area of any company.

At Santos, we are committed to working with government, the community and other industry to address climate change.

Santos has contributed to the development of the Australian Petroleum Production and Exploration Association (APPEA) submission and endorses its position on this matter. Further to the APPEA submission, Santos wishes to bring to the attention of the Committee key issues for resolution.

### **Key Issues**

#### **1. Upstream Oil and Gas Industry**

- The Bill must not impede the exploration and development activities of the upstream oil and gas industry in Australia.
- The Bill must provide an efficient and effective regulatory framework for oil and gas project proponents seeking to store greenhouse gases as an integral component of their operations.
- The Bill must recognise that the upstream oil and gas industry has considerable expertise in utilising and developing the technologies that are required for carbon capture and storage (CCS) activities both in Australia and on the international stage.
- The Bill must protect the rights of pre-existing title holders (referred to as pre-commencement title holders) and provide for the future growth and development of the Australian upstream oil and gas industry.

## 2. Ministerial Discretions

- The level of Ministerial discretions contemplated in the Bill is expansive when compared, for example, to the petroleum regime in the *Offshore Petroleum Act 2006* (OPA).
- While some of the discretions may be clarified by future regulations and guidelines, the intent of such power in the Bill seems unwarranted and requires clarification.
- While the discretions must be exercised lawfully and for a proper purpose and are subject to review in accordance with traditional administrative law principles, the uncertainty associated with them could act as a disincentive for both investments in future petroleum operations and in CCS operations.
- The discretions create a further level of administrative burden for holders of petroleum titles, who are already subject to the administration of the Joint Authority.

## 3. Enhanced Hydrocarbon Recovery

- The Bill must confirm that holders of petroleum production titles continue to have the ability that they currently have (subject to obtaining normal regulatory approvals) to do whatever is necessary in the title area for the purpose of recovering petroleum in the title area, such as employing enhanced hydrocarbon recovery (EHR) techniques.
- Where CCS activities are undertaken for EHR purposes, they are CCS activities of neither the type nor the scale contemplated by the Bill. To further regulate these CCS activities in any other way would remove a right currently enjoyed by petroleum production title holders.
- Clarification of the Bill is required which may unintentionally restrict the right of holders of petroleum production titles to utilise EHR techniques to a single specific title area.
- Petroleum title holders should be permitted to capture and store both indigenous and exogenous greenhouse gases into one or more title areas operated by them. It is uneconomic, and would produce significantly more greenhouse gases to process and capture greenhouse gases in each single specific title area.

## 4. Third Party Access

- The Bill contemplates certain third party access rules for all aspects of CCS activities to be determined by the Minister, including surface and sub-surface facilities, although the full extent of such powers remains unclear with the detail to be left to regulations.
- The third party access rules do not apply to petroleum facilities, and it is of concern that such powers are being considered for CCS facilities.
- Third party access should be by way of commercial agreement, and not a result of Ministerial discretion.

## 5. Site Closure

- The proposal in the Bill that following site closure, CCS proponents have discharged their statutory liabilities but may still be found liable for breaches of generally applicable statutory law and the common law, provides a significant level of uncertainty, and will be a barrier to the uptake of CCS projects.
- The Bill must provide that the rehabilitation of wells by a petroleum title holder occur in accordance with current standards relevant to good oil and gas field practice, and not another industry standard, such as the CCS industry.
- The Bill must provide that the petroleum holder should not remain liable beyond an approved relinquishment period where it is demonstrated that they have complied with regulations of the day.
- The Bill must provide a specific liability regime where a CCS project impacts an existing petroleum title holder, rather than relying on common law principles.

## 6. South Australian CCS Model

Santos is working closely with South Australian regulators in the development of their comprehensive CCS legislative model. The principles of the current and proposed South Australian model provide an efficient framework for CCS. In particular, in recognition of invested capital and built capacity, Santos supports the following principles that are included in the South Australian model:

- No concurrent CCS titles can be granted over a pre-existing exploration, production, or retention title.
- Pre-existing petroleum title holders are given priority for a CCS title.
- Ministerial discretion is limited with all matters referred to the regulatory body in the first instance.
- Express recognition of the continuing rights of all petroleum title holders to use exogenous as well as indigenous greenhouse gases for purposes of EHR and storage.
- Third party access is by way of commercial agreement, not as a result of Ministerial discretion.

Santos welcomes the opportunity to continue to work with the Department to ensure the development of a legislative framework that will facilitate the development of innovative emission solutions and protect the security of supply of Australia's oil and gas resources.

Should you wish to discuss further any matters raised within this submission, in the first instance please contact Susie Smith, *Principal Sustainability Adviser* on 08 8116 5374.

Yours sincerely



Martyn Eames  
Vice President Corporate and People - Corporate and People