

# TRANSCRIPT

## STANDING COMMITTEE ON THE ENVIRONMENT AND PLANNING

### Inquiry into unconventional gas in Victoria

Hamilton — 23 September 2015

#### Members

Mr David Davis — Chair

Ms Samantha Dunn

Ms Harriet Shing — Deputy Chair

Mr Shaun Leane

Ms Melina Bath

Mr Adem Somyurek

Mr Richard Dalla-Riva

Mr Daniel Young

#### Participating Members

Mr Jeff Bourman

Mr James Purcell

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#### Witnesses

Mr Greg Burgoyne (affirmed), Chief Executive Officer, Glenelg Shire Council;

Mr David Madden (affirmed), Chief Executive Officer, Moyne Shire Council;

Mr David Rae (affirmed), Acting Chief Executive Officer, and

Cr Chris O'Connor (affirmed), Mayor, Corangamite Shire Council; and

Cr Peter Dark (affirmed), Mayor, Southern Grampians Shire Council.

**The CHAIR** — I welcome back David Madden, David Rae, Cr Dark and Greg Burgoyne to provide evidence on the unconventional gas inquiry. I am going to ask for submissions. Can we begin with a short presentation from each of the councils, and then we will come back to questions.

**Mr BURGOYNE** — I will make a start. I will read from this, if you do not mind. Glenelg Shire Council at its ordinary council meeting on 26 August 2014 declared Glenelg shire to be an unconventional gas field-free zone. The council and our community expect that any processes related to mining are consultative and that consultation should be early and often, robust, based on a risk-assessment basis, transparent and sustainable.

Glenelg Shire Council shares the concerns of our community, and those concerns include: a reduction in environmental standards seen as a high risk; the safety of groundwater supplies for domestic and agricultural use; the green reputation of our food and fibre industries, which are significant in the Glenelg shire and surrounding shires; the need for compliance controls and independent testing compliance with conditions of approval; the need for strong and clear policy and regulation of the mining industry from an exploration stage right through to remediation, including production; increased use and impact on local infrastructure, which is a cost burden on the community; lack of input from property owners in the decision-making process; and the need for a dispute resolution process that should be open and transparent and in place prior to the commencement of any mining activities.

We recognise in Glenelg shire that the purpose of exploration is to identify resources for exploitation. The process of extracting these resources and the benefits it will provide to the local community and the state need to be balanced with the risks and impacts on the community and the environment. Thank you.

**Cr DARK** — Thank you for the chance to present. I will also read. The Southern Grampians Shire Council has passed two motions relating to unconventional gas exploration. At its meeting in May 2014 the first Southern Grampians Shire Council resolution relating to unconventional gas confirmed council's:

... commitment to the full disclosure of the social, environmental and economic impacts of unconventional gas mining through a transparent and open and consultative process —

and stressed —

... the importance of protecting the state's food and fibre production, water aquifers and livability, noting the current and potential increased food and fibre production in the rural areas of the Great South Coast Group of councils —

and commended —

... the state government's moratorium on hydraulic fracturing and stressing the importance of carrying out scientific studies to understand and respond appropriately to the potential impacts of onshore gas mining on Victoria's surface and groundwater.

In June 2015 the following resolution was adopted:

That Southern Grampians Shire Council formally declares itself unconventional gas free in response to community concerns on the impact on water resources essential for communities and agriculture

Part of the discussion we had was about how:

The protection and careful management of the Southern Grampians water resources are important to the sustainability of our communities and our agricultural communities and other industries requiring quality water resources.

There are possibly significant risks to agricultural productivity, environmental values, human health and social wellbeing from unconventional gas extraction. These risks are not yet fully understood, particularly with regard to the impact in south-west Victoria, which relies heavily on groundwater to support agriculture production and water supply for human consumption, noting the importance of the food and fibre production to our economy.

Southern Grampians Shire is dependent on agriculture, which is the largest employment sector in the shire. Agriculture accounts for around 80 per cent of land use in the Southern Grampians Shire and 20 per cent of employment. Agriculture in the shire boasts a total product of over \$220 million per annum with nearly half a million hectares of agricultural land under production and a net operating cost of around \$210 per hectare compared to \$121 for the state average.

The council has invested heavily in undertaking a land capability study across the shire to identify the potential for diversification and the intensification of the agricultural industry. I believe we are one of the only shires

recently to do this study. This study, which includes a climate change lens out to 2070, shows that this region has untapped potential and is comparatively well placed to continue to support global food production. Therefore in the context of the analysis described in this report, which we can pass on, it is clear that Southern Grampians in particular and the south-west region of Victoria in general have all the conditions to be a significant player in ensuring that the envisaged growth potential in agriculture can be realised.

One of the obvious natural advantages in the region is the plentiful groundwater availability to support this. The impacts of unconventional gas need to be considered when taking in the long-term impact on this vital resource, not just the short-term opportunity. The average life of an unconventional gas well is 10 to 15 years. The financial gains for the region in relation to employment, increased commerce in local towns, access payments to landowners and donations to community organisations from the gas mining companies may be significant, but the potential adverse impacts have the potential to be much longer lasting. The state government will also receive royalties from gas mining, but the long-term costs could dwarf this should the precious water supply be contaminated.

The impacts of unconventional gas extraction will cost local government boundaries in south-west Victoria and across the state. A bioregional response across the region covered by the Great South Coast Group of councils would provide the best opportunity for a fully considered response to these potential risks. While commending the scientific studies and full and transparent community engagement program being undertaken, Southern Grampians Shire Council has resolved to formally declare itself, as I said, unconventional gas free in response to the potential impacts. Given the potential economic, social and environmental risks, it is recommended that the state government ensure the protection of this vital economic resource. The best way to ensure this is to not jeopardise the natural assets that play such a vital role in global food production. Thank you.

**Mr RAE** — Thank you for the opportunity. I wish to table Corangamite Shire's submission to the inquiry if I may, and I will then speak to that submission. There is a copy for members there. Corangamite Shire, as you would be well aware, is located in south-west Victoria. The economy is underpinned by a highly productive agriculture industry. The shire also has an important tourism industry with 2.5-odd million visitors annually to the Twelve Apostles, with Port Campbell as a key tourism hub. Corangamite Shire also has an important gas industry within the shire located in close proximity to Port Campbell. There are three large gas processing facilities within the shire that receive and process gas extracted from offshore fields in Bass Strait. The gas plants provide important direct employment opportunities for members of the community. They also contribute to the broader economy of the shire. Affordable natural gas is important for industries within the shire, particularly dairy processing, which also provides significant employment opportunities for our community.

Corangamite is in a unique situation in that our community has direct experience with the offshore gas industry that is largely well accepted. We believe this inquiry into unconventional gas is important; however, we also believe the inquiry should consider issues associated with conventional onshore gas as well. In that respect I would like to deal with those two matters separately if I may.

Corangamite understands there are potential reserves of gas located onshore, particularly in the Port Campbell area, and it is likely that these gas reserves can be extracted without fracking. We believe this gas should be treated in a similar manner to offshore gas reserves, and the moratorium that currently prohibits exploratory drilling should therefore be lifted. If exploratory works prove that gas resources are available, extraction of these reserves is supported by Corangamite subject to the usual environmental approvals.

Regarding unconventional gas, we accept that a current moratorium on fracking is appropriate given community concerns and the lack of information available specifically to Victoria. Given the importance of our agricultural industry, a precautionary approach is supported, particularly given community concern about fracking and its potential environmental and groundwater impacts. However, we do not support the moratorium on exploration activities, including drilling, for unconventional gas. It is difficult to make informed decisions on the viability or potential economic significance of unconventional gas unless we can actually know if the resource exists and the nature of that resource. Any exploration activities should be subject to high levels of environmental control and landowner consultation. We also note in our submission the Reith report in relation to the establishment of a royalties for regions scheme for unconventional gas if it is supported. Thank you.

**Mr RAMSAY** — Can I just get clarification. Did you say you support the moratorium or you did not?

**Mr RAE** — We support the moratorium on fracking, but we would like to see the moratorium on exploration lifted to understand what reserves are actually in existence within the shire.

**The CHAIR** — And also on conventional gas.

**Mr RAE** — On conventional gas.

**Ms SHING** — So the moratorium lifted for the purposes of exploration only, just to be clear.

**Mr RAE** — Yes.

**Ms SHING** — Conventional is not part of the inquiry, but you are looking at a lifting of the moratorium for the purposes of exploration around unconventional gas.

**Mr RAE** — Correct.

**Ms SHING** — Okay, within the terms of reference.

**The CHAIR** — I am just reflecting the evidence that you have just provided now, and it is clearly stated in your submission.

**Mr RAE** — Correct, yes.

**Mr MADDEN** — This inquiry is very relevant to our community. Our council recently received a presentation by a proponent who believes a new part of the onshore Otway Basin is very promising for gas production. The area of interest is the middle third of our shire. It has been indicated by the proponent that gas can be extracted using conventional drilling methods, but council has no surety that that will be the case. That is where we are up to. On page 2 of our presentation we talk about the potential benefits of having developments in our shire. I should say that in Moyne Shire our largest ratepayer is Origin Energy through the Mortlake gas-fired powered station. We also have the large ratepayers in wind farms and of course the dairy plants. They are our largest ratepayers, so Moyne is used to having large industrial-type developments amongst the rural areas. It still does not mean that dairy is not really important for Moyne as well as other farming activities.

We actually sent our mayor and one of the directors to Queensland for a three-day course to actually understand a bit more about this because local government does not profess to be an expert on unconventional gas. I suppose in our submission, which I know you have before you — —

**The CHAIR** — We understand the conundrum.

**Mr MADDEN** — Okay. Following the three days they had in Queensland learning about it, I suppose, on pages 3 and 4 of our submission the mayor and the director decided that it really raised a number of questions that needed to be addressed. You will see in our submission in bold it is the areas we think — we do not want to tell the committee what they should do — the committee needs to work through to actually make the decision about unconventional gas. I suppose that was the learnings they received from the course, which I was told was quite good.

On page 5 of our submission we talk about the legislative and regulatory framework. We believe that the committee needs to look at that. Moyne has been quite frustrated from time to time around wind farms where we believe the government continues to treat it as a planning matter because it is private development. We feel as though for wind farms there needs to be policy decisions around an integrated whole-of-government approach, and we are still not seeing that with wind farms. We hope that if the unconventional gas gets up, or even the resumption of normal mining, that there is a good policy framework to control it. That is probably all I need to say at that stage.

**The CHAIR** — Thank you for those submissions. I want to come to the Corangamite submission. Chris, there are a few points that Simon has partially fleshed out. I just want to get absolutely clear in my mind: you support conventional gas extraction from a capped well.

**Cr O'CONNOR** — Yes.

**The CHAIR** — You do not support fracking — or you support the moratorium on fracking — but you do support exploration.

**Cr O'CONNOR** — Yes.

**The CHAIR** — The reason for supporting exploration is?

**Cr O'CONNOR** — We hear lots and lots of comments about the possible reserves that may be there. We even hear coal seam gas, which we are fairly sure we have not got, but we continually hear coal seam gas, coal seam gas, coal seam gas. Our understanding is we have not got coal seam gas — certainly of no commercial value whatsoever. Maybe some in the Otways, but we do not really understand the real resource we have got. We assume we have got shale and tight gas; we do not know. We are all sort of running around talking about it, we are all against it and all that. We actually do not even know. We may not even have any. Maybe if we did a little bit of exploration we may not even need to be here. We just think it makes sense to do some exploration or allow some exploration to happen just to actually understand the resource that we may or may not have down the track so we can start working out the risks and tolerances and put some regulation around it if it was ever to be extracted et cetera. We just think it makes common sense to at least do some exploration to find out what our reserves are in the south-west.

In saying that, our real concern with all this is that our conventional gas industry is, to a degree, under threat because — and I did hear the Deputy Chair mention that conventional gas is not in the inquiry but I think it has been dragged in — we cannot do any more exploration for conventional gas. For instance, at one of the gas plants right now they think there is a gas reserve just straight down from the plant, which should be really cheap and easy to extract under conventional methods, but they are unable to. We are able to go down to the same depth and go out to sea and do it under the ocean, but we cannot do it on land. Our actual conventional gas industry is being threatened to a degree by the current moratorium. We would like to see it taken out. That is our main concern: to have it taken out and allow further exploration for conventional gas, as we have always done.

We have got hundreds of wells, or 150 wells or something, within the south-west that have never been a problem, and not really under question. But with unconventional gas the jury is out. We understand that. Everyone in the room has some great assets, agricultural assets. We do not want to see those put at risk, obviously, but we do think that we should at least understand the reserve we have so we can make some informed and good decisions for the future.

**Ms SHING** — Thank you for your presentations and for the comments that you have made in relation to the inquiry into unconventional gas. The thing that I would like to focus on with your additional evidence today is the community sentiment of pretty strident opposition to any form of unconventional gas. That has been alluded to in Cr Dark's and Mr Burgoyne's contributions today. This is an issue which creates very high tension around the risk to prosperity and productivity of land, reputation and economic outcomes for regional sectors. We have a number of people on this committee who represent regional Victoria, whether it is this part of the world or Gippsland, which is where Ms Bath and I come from. I would like to get a sense of the levels of consultation that you have had with your communities as far as developing your positions on this issue and how it is that you see that if there were any industry to go ahead, whether in an unconventional sense or conventionally — because you have indicated that the two may be dragged into the one conversation — how they are to be reconciled, given that this is an issue that has been so longstanding that has caused temperatures to rise in community sentiment and which to all intents and purposes, based on the evidence we have heard, may already be too late. Please flesh that out if you would like to.

**Mr BURGOYNE** — I think the first point to make is this issue goes beyond local government areas. In our case, in terms of the people represented here, it is very much a regional perspective, and hearing the discussion, the competing priorities between commercial outcomes and the environment and water security and agricultural land, I understand that. In terms of consultation, we have had members of the community come to council via deputation and questions on notice on a regular basis, and conversely council has attended events with organisers, particularly around the antifracking and Lock the Gate movement. We are very much aware of what the community or those segments of the community feel about that and we have engaged them on a number of occasions. I would very much emphasise this is a regional issue with a balance of the commercial outcomes versus the environmental factors.

**Cr DARK** — From our perspective at the Southern Grampians Shire Council, we have only — and I say only in inverted commas — a small area which is covered by a potential licence which is in the southern part. But in that case we have had deputations from land owners and residents in that area, and also a couple of fairly vocal protests onsite to get the media involved. Hence we went ahead to have ourselves unconventional gas free. I do reiterate Greg's comments and I said in my submission that it does cover boundaries and the Great South Coast Group, I believe, is well placed to do this is a collective of councils rather than individual councils. I think that is very important.

**Cr O'CONNOR** — To the degree of consultation, we have not actually as a council gone out and consulted with our community. Obviously as councils we get around and talk to individuals. We are probably in a bit of a different position in that we have some really good gas plants in our area. They have been great corporate citizens. They contribute a lot to the local communities. They are very well accepted within those communities, and lots of their employees obviously live within our shire, so we are probably perhaps in a different position where we have a community that understands gas extraction to a much larger degree.

We have had meetings within our community from this inquiry previously, and they have been reasonably well attended. I could not say they have been fantastic with their explanations on the gas industry. There seems to be a lot of misunderstanding, and people do not really understand the industry, to an extent. I have probably been lucky in that I have been brought into some of these inquiries and heard some great presentations, and even at council as well. To a degree I am in a privileged position. To speak for our community, we have not had anyone come to council to say they are against it or whatever. We are in a different position to some of the other councils in that way.

**Mr MADDEN** — We have certainly seen some concerns in our community — and the council reflected that originally — specifically over fracking. But then we also have gas in our shire. The gas is often found in Port Campbell, and we have the Mortlake gas-fired power station that uses the gas. That has been really accepted by the community. It has been a great facility. It provided jobs, and it is a really ongoing boon for the community at Mortlake.

Recently, even though there is a moratorium on drilling, we have had drilling at Nirranda, because it is actually offshore gas but it is drilled from onshore. That work has been really well accepted by the community. It has caused no fuss at all in the community. The drilling has now finished; they have been capped. They are just sorting out what they will do, and then they will start extracting gas from that site. As Chris said, that company, Origin, is the same one that operates in Corangamite, and they are really well respected in the community. They are very clever; they have got great community programs and funding and all that sort of stuff to make sure that they are well respected, but they have people who work there and live in our small towns, and hence the communities of those towns get quite used to it.

We also organised the council to get a talk from state government officers about this matter. It became clear to the council then that it is not as simple as one or the other. It goes from being able to drill a hole and all of a sudden the gas whooshes out quite well, because there is plenty of pressure and you do not have to do anything, to a whole range of different things that you might have to go through to get the gas out. Sometimes we say 'conventional' and 'unconventional', but in fact it is just a spectrum from one to the other where you sometimes have to do a little bit more to make it work, or a lot more. That is really hard to get the community to understand.

**Ms SHING** — Just on that point, by way of a supplementary, do you think that people have a greater understanding as a result of this debate of distinctions between purely conventional on the one hand and, to take your analogy of a spectrum, unconventional on the other?

**Mr MADDEN** — I have observed that councils and some other groups have got themselves more informed, but generally from what I see in the paper from the general community I do not think that they have got themselves any further informed.

**Ms SHING** — Did anyone else wish to add anything to that?

**Cr O'CONNOR** — I think David is right. There has been a pretty well-orchestrated campaign, an anti-gas campaign. The pro-gas campaign has probably not existed. The general community really have not had a great opportunity to be informed, and we find that when we do have the state government regulator come to council

and talk to us about the regulation and the way they do it et cetera, we do not think the general community understands the amount of regulation and the amount of oversight that does happen. You tend to read in the paper that it is just a free-for-all. I am not sure if it has all been handled well because it has not been a real education. It has more been hearings and taking it from the public, so it has been difficult to have an informed conversation and the understanding has not been terrific.

**Ms SHING** — To what extent has the industry been involved in those conversations about the detail of the distinction between conventional and unconventional and the issues technically?

**Cr O'CONNOR** — I do not want to be a spruiker for the industry at all, but we have had the industry come and talk to us as well. I have not seen them out in the public, and whether that is because they are not game to, not prepared to or they do not want to, I do not know. We have challenged them to perhaps get out and do some more, but I have not seen it.

**Mr BURGOYNE** — We have been approached by an explorer, but in terms of established producers, we have made a number of invitations to them to come to our council and present, and they have not taken that offer up.

**Ms SHING** — Which producers are they?

**Mr BURGOYNE** — I believe they are AGL.

**Mr RAE** — Further to Cr O'Connor's comments, in terms of getting a balanced view by council, we did invite the state government to brief council. However, the state government declined that opportunity to brief council.

**The CHAIR** — Who was that?

**Mr RAE** — It was a state government department, but I think they declined the invitation in light of the inquiry, essentially.

**Cr O'CONNOR** — About two years ago we had the regulator come through, and through this inquiry we have been able to have access to CSIRO and state government regulators.

**Ms SHING** — If you could provide some further information on notice to the committee about how that arose in relation to the invitation and the declining of the invitation by that department, that would be helpful.

**Mr BURGOYNE** — Just on that, we invited them and they accepted our offer.

**Mr MADDEN** — Yes, we invited them and they came and presented to council, so they were quite positive about it. That was good.

**Mr DALLA-RIVA** — I am somewhat confused. Chris, you said there are 150 wells in existence?

**Cr O'CONNOR** — Over the years there has been, yes. In the past most of those wells were looking for oil, and gas has perhaps been a nuisance or a by-product, but yes, there have been lots of well sunk in the south-west.

**Mr DALLA-RIVA** — I am somewhat confused about the assessment of undertaking an exploration process. We have heard evidence that the mere fact of drilling through aquifers creates concerns about the security of the drill well and a risk to the casings. The mere fact of an exploration process by itself opens up the potential for these concerns, let alone a full production process. I am trying to reconcile the council's assertion that it would be good to do some preliminary exploration processes. For me, this is like the chicken or the egg, because once you have done that you have essentially opened up the ground to the concerns that we have heard in other evidence — that you may potentially bring these whole range of other events, be it heavy metals or cross-contamination, into the aquifers. This is an open-ended question, but how do you reconcile preliminary exploration processes to determine whether there is gas because that then opens up problems that occur in a normal process of gas exploration.

**Cr O'CONNOR** — It would be good to have someone with far more technical expertise than me, but I have seen it demonstrated quite often and, just like David said, we did it last year at Nirranda, where they sunk the well. Sinking wells through aquifers has been going on since Adam was a boy and, as I said, there are 134 wells sunk in the south-west now anyway. Every well that is sunk goes through an aquifer.

**The CHAIR** — A range of different layers.

**Cr O'CONNOR** — And they have technical ways of doing that. As I say, I do not want to be a spruiker for the industry.

**Mr DALLA-RIVA** — No.

**Cr O'CONNOR** — They can explain what they do themselves, but under regulation they do that regularly, and I do not think that a test well would be any different.

**Mr DALLA-RIVA** — Like you, I do not have that level of understanding, but were the 134 wells for the exploration of oil, from your understanding, not necessarily gas?

**Cr O'CONNOR** — My understanding is that in the past most of the exploration in the south-west was done for oil by Oil Search, and gas has become — —

**Mr DALLA-RIVA** — I have got to say I do not know the difference between a well for oil as opposed to a well for gas; I do not know whether one is under a different sort of pressure or not. Maybe the next witness might give me some input into that.

**Cr O'CONNOR** — Yes, you are best to talk to a technical person, not me.

**Mr LEANE** — I find it surprising, taking Mr Burgoyne's comment. This is a regional issue that I would have thought covers your whole region, and there are some stark differences in your positions as far as councils around this particular issue. I would have thought that you would not have many issues where you have stark differences considering the similar challenges that you all have in this region. Have you taken the opportunity or has there been a high-level discussion around regional councils around this issue, or has it been something that you have just formed views on individually?

**Mr BURGOYNE** — Certainly through the Great South Coast forum we have had a number of presentations and discussions on this matter. I think whilst it is a regional issue, we have different resources in different areas, so the thinking might be a little bit different within that regional strategy. If we contrast Glenelg with Corangamite, they are vastly different in terms of wells sunk, for example. That is not to say that we do not have tenements that have been allocated to explorers, but in terms of sinking wells, I do not think we have any in recent history, which is in contrast to Corangamite.

**Mr MADDEN** — I might just comment that we have great cooperation through the Great South Coast regional group of councils, and we have many, many areas where we agree and advocate together for the benefit of the region. But some issues we have decided it is not worth trying to have one position, and this was one of them because of probably the community interest. The regional group does not always have to have a regional position.

**Mr BURGOYNE** — I think community interest and resource.

**Mr LEANE** — Community interest in regard to concerns?

**Mr MADDEN** — I suppose the concerns for fracking, yes.

**Mr LEANE** — I would have thought those community interests would have covered the whole region and would not be particular to your council or to your council. That would be fair to say?

**Mr MADDEN** — I would say that the amount of concern would vary from one part of the region to the other.

**Ms BATH** — Being from Gippsland, I am not super familiar with this area, so I have been busy looking up the locations of Glenelg, Moyne, Corangamite and Southern Grampians. I notice that the coastal shires all have



tenements for petroleum exploration permits on them, and so I was checking that out in relation to location. I think the Moyne shire spoke about the dairying process being quite an important part of your income and lifestyle, and there are many farms there. This is not just for Moyne, this is a general question. Potentially the conflict between farming and products of high-quality reputation and export overseas et cetera, and then the potential dangers in terms of aquifer damage or land damage, have you had discussions with farmers? What is your opinion in relation to that?

**Mr MADDEN** — We might start out by saying a quarter of Australia's milk production comes from our region. It is not just a little bit, the dairy, it is big. Certainly the farmers are always concerned about their soils, the image and certainly groundwater, because that is what sets our region apart from other regions in Australia that make dairy: we have a good groundwater supply as well. There is no doubt that the farmers are protective and defensive about that and want to look after it. But I suppose Moyne has always had other industries running alongside, and I suppose collectively the council would think that a mixed economy is stronger than a single economy.

That is why we are used to having — the state government decided — wind farms, gas-fired power stations, they are something that we are used to, and the large dairy factories. Even though the dairy industry is mainly about paddocks and cows, we have processing plants nestled on the edge of our townships, and the communities get used to having large industrial facilities as part of their town. It is quite a mixed thing. If you are asking me are the farmers concerned, yes, I think they are. But there is always some conflict between different, I suppose, economic uses of areas.

**Ms BATH** — I guess then also for Glenelg, that has come out fairly strongly saying no. Your commentary around farmers in your location, have they been vocal in your decision with regard to unconventional gas?

**Mr BURGOYNE** — I think it is broader than the agricultural sector because of the watertables in our shire. That is for domestic use. It has a broader impact than just the agricultural sector, albeit that is important. But ours has been more of a general community response than a specific sector.

**Cr O'CONNOR** — Just on the clean and green and the dairy and whatnot, a lot of the dairy farmers in our area also own the factories, so they are cooperatives. They are supplied by gas, pretty cheap gas, and that is probably what has made our manufacturing, particularly in dairy, so competitive within the state, within the nation and the world I guess. That has always been considered clean and green. Gas was considered a relatively clean energy source up until this inquiry. There was no issue with using gas for those manufacturing plants to actually give them an advantage. That is actually why dairying is such a great industry to have within your region, because it is different than coal or iron ore that they just cart away. They actually manufacture much of it, and an increasing amount within our area, and that is seen as really good. Cobden is a \$40 million plant that is going to provide milk for Woolworths, but it is happening in Cobden, so it is really important that we can continue to maintain those manufacturing plants. They kind of have a different view, as in manufacturing might be thought of as rough and dirty or whatever types of industries, but within our regions they are kind of not, because, as David said, they are actually in our towns, some of these constructions.

**Mr RAMSAY** — Perhaps my question might be directed to Chris, because he has perhaps provided a different position to the other councils. Trying to understand the gas market has been quite instructive for me in these hearings. In my understanding there are plenty of uncapped wells still offshore to provide the supply and demand in gas requirements across the eastern seaboard, which is what our market goes into. Your position as I understand it from conventional gas is that you have a number of wells operating, and Origin are very active in Port Campbell. I understand that. But you then go into unconventional gas positions where you are supporting lifting the moratorium, yet it is not clear under which act we would operate, because the Petroleum Act has more regulatory framework conditions than the mining act.

We have not talked about the regulatory framework so much because the Auditor-General has indicated in his report that the regulatory framework is not sufficient to minimise risk in relation to contamination, so we have not spoken about that. But you have taken a strong position on fracking. You have basically said conventional, yes; unconventional, we should do some exploratory work to learn and see what the science is; fracking, no. You have provided an argument that fracking you believe at this time will create too much risk to the environment and the watertables et cetera, et cetera. I guess my point is: how then do you reconcile the different acts, the different regulatory frameworks and the different positions your council has taken in relation to this moratorium?

**Cr O'CONNOR** — My understanding is that under the mining act — and I have read the Auditor-General's report — a lot of that criticism was from the past, but it does challenge the industry and the regulatory bodies now that it is not strong enough. We are obviously very supportive of good, tight regulation. We are all in the same boat here, the whole lot of us. We do not want to see anything go wrong or any disaster, so we absolutely fully support oversight and regulation. We assume it would be through the mining act, but that is not really our concern. The fact that that regulation is there, adhered to and enforced is obviously really important, so I have got no argument whatsoever with that. As far as our submission goes, we have emphasised many times that our main emphasis is to get conventional gas taken out of this inquiry because it is inhibiting exploration of conventional gas. We think that is unfortunate.

**Mr RAMSAY** — Where in this inquiry is conventional gas being discussed, because I thought it was very clear the moratorium is based on unconventional gas exploration?

**The CHAIR** — It is onshore.

**Mr RAMSAY** — Yes, onshore.

**Cr O'CONNOR** — Conventional gas just does not happen under water; it is onshore as well. As I said before, conventional gas is also much cheaper to extract, so conventional onshore gas is much cheaper to extract than offshore.

**Mr RAMSAY** — I understand that.

**Cr O'CONNOR** — It is obvious. We want that taken out, because it has been drawn in. It is probably not on purpose, and most people in the street probably do not care about it, but we do because it is really important to our economy, so we would like that taken out. That is our no. 1 concern with our submission. The other part is just let us get an understanding of what we have got, and it seems to make a lot of sense to us.

**Ms DUNN** — My first question is to Moyne and Corangamite, which clearly have not taken positions around being unconventional gas free in terms of their communities. My understanding is 67 communities have declared themselves gas field free. I am wondering if you are aware if any of those communities that represent townships across Victoria are located in either Moyne or Corangamite?

**Mr MADDEN** — I might go first. I think you have misunderstood what I have said. In our presentation, on page 2, we have put the motions from council, and the council's current position is to oppose coal seam, tight and shale oil gases for Victoria.

**Ms DUNN** — Thank you for that clarity. You are absolutely right.

**Mr MADDEN** — Since that resolution council has informed itself better. Hence that led us to pages 3 and 4 of our submission, where it is really talking about things that need to be addressed if it is going to change.

**Cr O'CONNOR** — I am not aware that any of our communities that have declared themselves gas free. Simon mentioned that we are totally against fracking. I think those were his words.

**Mr RAMSAY** — My understanding, from your local paper, is that it indicates Corangamite is opposed to fracking.

**Cr O'CONNOR** — We support the moratorium on fracking. The science will look after the fracking debate eventually, I guess, and we will make our view on fracking when the science is out. We are not convinced that fracking is good or bad for that matter. As far as we are concerned the jury is out, and we support the moratorium until we are convinced otherwise.

**Ms DUNN** — With those councils that have current gas mining and conventional gas, does local government currently play a role in relation to monitoring and compliance of those activities at all? If they do, what is the cost of those — I understand you may not know directly what the costs of those activities are — and who bears those costs ultimately?

**Mr MADDEN** — I might comment, because Nirranda is a fairly recent one. The department handles a works authority that covers a range of issues, whereas the council handles a planning application which covers

another range of issues. Ours is about off-site effects, transport routes et cetera, whereas the technical part of drilling is dealt with by the department, so it is a two-step process of a works authority and a planning permit. There is an issue with planning permits for large major developments. The maximum planning fee is \$16 000 for a large development, which is ridiculous. We have not estimated the cost of the Nirranda project, but for instance we say that the wind farm projects usually cost us about \$250 000, and that is why we are making submissions on the planning fees et cetera to change that.

**Ms DUNN** — So ultimately your ratepayers are going to bear the costs of any of those planning permit conditions?

**Mr MADDEN** — Yes, the citizens subsidise that.

**Ms DUNN** — Does Corangamite want to add to that at all?

**Mr RAE** — Corangamite has stakeholder reference groups, which are representative of the processors, council and community. It works closely with the community in terms of impacts broadly across neighbouring farms, for example. The EPA has a fairly significant role to play, particularly with regard to noise monitoring. There are issues with noise within our shire. Clearly the EPA has taken some interest in that. Our ongoing role is really one of facilitation with the processors and the community and obviously enforcement of the planning issues as well.

**Ms DUNN** — My last question is in relation to the make-up of your local economies, to get a better understanding of how they are made up. I accept that you may not have this information off the top of your head and you might want to submit it to the committee, but I am interested in the picture of what your local economies look like now, what are the key drivers, the key industries and the value to your municipalities in relation to those industries. Clearly we have heard a lot about agriculture, primary production and dairy, but I am also interested in other key sectors, particularly around tourism and the energy sector, that you may have. I am also interested in any work you might have done in terms of thinking about where your local economy might go in the future, and whether that future includes renewable energies as part of it. I completely understand you might not have that in front of you.

**Cr O'CONNOR** — I will have a stab at that. We will have to follow that up with figures. In Corangamite, and Moyne probably mirrors us to a large degree, agriculture is particularly dairying but also sheep, beef and some grains et cetera. Dairy tends to be close to the coast, where we have the heavier cattle. As you move up we are more into cropping, sheep and beef. With tourism we have the Twelve Apostles.

**Ms DUNN** — Yes, they are famous.

**Cr O'CONNOR** — They are reasonably famous.

**Ms SHING** — Are there still twelve though?

**Ms DUNN** — I think 12 is a misrepresentation of the truth.

**The CHAIR** — A declining number.

**Cr O'CONNOR** — Geology just moves with the times. Some 2.5 million visitors come, and we get 18 cents per visitor on average into our shire; we are frantically working to increase that. Hopefully some will then come on to the likes of Moyne, Warrnambool, Glenelg and Southern Grampians.

With energy, our gas industry contributes over \$1 million to our rate base. For a quick explanation, our rate base is \$18 million. That is going to be \$18 million whether the gas is there or not. The \$1 million they contribute does not mean we get more money; it just means that everyone else pays a little bit less, so that is the way it works. They contributed over \$1 million. Obviously the big Fonterra plant at Cobden is a large manufacturing employer within our region, and Moyne would mirror that as well. They are some round figures.

**Mr RAE** — In terms of gross regional product, we are just over \$1 billion per annum. Exports out of the port of Melbourne by volume predominantly out of Corangamite Shire Council is where it originates, which reinforces Chris's comments in terms of the importance of the dairy industry to the region.

**Cr O'CONNOR** — Moyne and Corangamite together produce more than Tasmania put together.

**Ms DUNN** — Impressive.

**Cr DARK** — In Southern Grampians our main base is agriculture, but we do have a mineral separation plant in Hamilton, Iluka, which in GDP terms is the biggest output. Also, we do recognise the value of our natural gas pipeline, because we would not have some of the industries in Hamilton if we did not have a plentiful supply of natural gas. We recognise that is essential too.

**The CHAIR** — I draw this session to a close. I do want to put on record the committee's thanks to the councils for submissions to both inquiries. It has been fabulous, and we are very appreciative of the effort that councils have gone to. It is deeply helpful. Thank you.

**Witnesses withdrew.**