

The Hon Michael Gunner MLA  
Chief Minister of the Northern Territory  
GPO Box 3146  
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Dear Chief Minister

**RE: PROGRESS ON THE IMPLEMENTATION OF RECOMMENDATIONS FROM  
THE FINAL REPORT OF THE HYDRAULIC FRACTURING INQUIRY - 1 AUGUST  
2019 TO 31 OCTOBER 2019**

This report refocuses on progress on implementing the recommendations of the Inquiry that must be in place before commercial production is authorised. These are grouped together in the Implementation Plan as “Stage 3 Recommendations”

The imperative to complete the recommendations the Inquiry stipulated “must be implemented prior to any further exploration approvals being granted” (Final Report Table 16.1), motivated high-level collaborative work across the Agencies involved and delivered the necessary legislative, regulatory and administrative reforms to enable exploration to resume this Dry.

This capability across Agencies is now being refocussed on recommendations that, if they are done properly, will take years to fully implement. This will only be achieved if there is certainty in the authorising environment manifested in the application of resources appropriate to the complexity of the task.

Work on many Stage 3 Recommendations has already commenced but work on some recommendations is still at the planning stage. This is the case for recommendations involving engagement with the community and stakeholders on complex issues, such as: understanding the social and cultural impact of the industry on affected communities and ensuring these communities will directly benefit from the onshore gas industry. This is also the case for recommendations requiring support from the Commonwealth Government and recommendations about cost recovery from industry and compensation for pastoral lessees.

Previous quarterly reports included a cumulative summary of progress, focussed on the Stage 2 Recommendations. Now the prerequisites to allow exploration to resume are in place, the cumulative summary is available online in the Status Report covering all 135 of the Inquiry’s recommendations.

*Strategic Regional Environmental and Baseline Assessment (SREBA)*

Over 30 of the Inquiry’s recommendations relate to aspects of the SREBA. The Inquiry reported that “the lack of pre-development assessment and environmental baseline data is one of the biggest environmental regulation and management issues

associated with the shale gas industry in the US and with the CSG industry in Queensland". The purpose of the SREBA is to provide the information on: "the physical, biological, public health, social and cultural elements" necessary for appropriate decisions to be made about any onshore shale gas industry". As such, it is central to the system being developed in the Territory to reduce the risks associated with an onshore gas industry to an acceptable level.

The design of the SREBA and timely commencement of components of the work are critical to its success. A design for the proposed SREBA, has been drafted through a robust process consistent with the Inquiry's recommendations. This draft is planned to be released for public comment before being finalised. However, face-to-face engagement with affected communities on social and cultural impacts will not start until next year. In addition, the Commonwealth Government has been engaged throughout 2019 to ensure outputs from studies undertaken for its Geological and Bioregional Assessment Program are highly relevant to the SREBA for the Beetaloo Sub-basin.

### *Statutory Land Access Agreements*

The Inquiry recommended that land access agreements between gas companies and pastoral lessees be underpinned by legislation to, among other things, make a breach of such agreements a breach of the conditions of the operating licence issued under the *Petroleum Act*. The recommendations relating to land access agreements fall within Stage 3 of the Implementation Plan but need to be put in place before the anticipated expansion of exploration activity.

The *Petroleum Legislation Miscellaneous Amendments Bill 2019* has been introduced to the Legislative Assembly to implement the Inquiry's recommendations by creating a head of power in the *Petroleum Act* to allow the *Petroleum Regulations* and *Petroleum (Environment) Regulations* to prescribe statutory land access agreements including minimum standards for entry onto pastoral leases and compensation for production activities; and environmental securities. The *Amendments Bill* also mandates that principles of ecologically sustainable development be considered when making all decisions relating to grant of exploration permits, retention licences and/or production licences under the *Petroleum Act* and the *Regulations*.

### *Cost recovery*

The Inquiry recognised that regulation of the onshore gas industry requires the regulator to have a presence on-site. As mentioned previously, this creates an imperative to develop the full cost recovery system for the regulation of gas industry which is the subject of several of the Inquiry's recommendations in Stage 3.

Interim measures to recover some costs from industry will come into effect from the start of 2020, underpinned by proposed amendments to the *Petroleum Regulations*.

The costs associated with the SREBA are also to be recovered from industry. The need for significant upfront expenditure, to enable necessary scientific studies and on-ground engagement with effected communities, must be met before production and

predictable revenue streams are generated. The model for the recovery of these very significant costs is yet to be developed or discussed with industry and presents a major body of work in the coming year.

#### *On ground monitoring*

Implementation of Stage 2 recommendations has enabled the responsible Agencies (DPIR & DENR) to start on-ground monitoring of industry compliance with Environment Management Plans and Well Operations Management Plans for exploration wells in the Beetaloo Sub-basin. These include: Tanumbirini (Santos) and Kyalla (Origin Energy) well sites, Imperial Energy's seismic acquisition site and the commencement of hydraulic fracturing works by Santos at their Tanumbirini 1 well site. Further inspections of Tanumbirini 1 during its completion and/or production testing phase and the drilling of the lateral section of Kyalla are scheduled before the end of this year.

The pace of exploration activity will pick up in the coming year and this work must continue to be monitored (and seen to be monitored). To ensure this level of oversight and to build and maintain a robust system of compliance, the government regulator must have the capability to scale-up the resources required on-site, commensurate with the expansion of the industry.

#### *Concluding remarks*

Over-emphasis on the significance of the number of recommendations completed invites the risk of underestimating the complexity of, and hence the capabilities and resources necessary to complete, Stage 3 of the Implementation Plan.

Many of the recommendations in Stage 3, will take several years to fully implement, in particular: recommendations involving the SREBA and, accordingly, engagement with affected communities on social and cultural impacts. Implementation of these and other recommendations involving complex issues, will only be achieved if there is certainty in the authorising environment manifested in the application of resources appropriate to the complexity of the task.

I am in regular contact with the Chief Executive Steering Group, Implementation Taskforce, Senior Officers from across the accountable Agencies, members of industry and the broader community who have an interest in this work. This has informed my opinion that implementation continues satisfactorily in accordance with the Inquiry findings.

Yours sincerely



DR DAVID RITCHIE  
29 November 2019