

Queensland CSG Legislation

Coal & Gas Industry Interaction & Cooperation

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Scope

Legislation before Parliament – due to be proclaimed December

Petroleum and Gas (Production and Safety) Bill 2004

· *Petroleum and Other Legislation Amendment Bill 2004*

Regulations being drafted following industry consultation

New Act 1,063 pages – excluding the regulations

Today's scope limited to some of the tasks and challenges

CSG Policy History

Before 2001: separate resource development

- Policy restricted petroleum access to mineable coal deposits
- Regime based on separate mining and petroleum development
- ML applicants could generally obtain gas rights on request
- Common exclusion from ATPs of gas from shallow coal

Since 2001: joint resource access

- Policy altered to open petroleum access to mineable coal deposits
 - Driven by 13% gas policy and Greenhouse mitigation objectives
 - Regime based on co-development – reliance on co-operative agreements
 - New legislation to operate from 2005
 - Legislation includes provisions unrelated to original policy objectives
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New Tasks & Challenges

Will briefly cover:

- Pre-production investment exposure
 - Obligation to develop production rights
 - Utilisation, flaring & Greenhouse credits
 - Impacts on future mining
 - Interaction between adjacent leases
 - Agreements
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Pre-production investment exposure

- Overlapping exploration tenure - almost everywhere
 - First production lease application triggers preference process
 - Contested applications decided by Minister on defined criteria
 - Granted production lease veto on alternative production lease
 - Exposure for exploration & feasibility expenditure
 - Can either rely on the preference process when triggered
 - or
 - Negotiate a prior co-development agreement
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Obligation to develop production rights

Use it or (maybe) lose it

- Active resource management policy for all commodities
 - Development Plans required for all production leases
 - Gas development plans within 6 months of proclamation
 - Includes MLs with CSG as a mineral
 - Coal development plans within 18 months
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Utilisation, flaring & Greenhouse credits

Greenhouse-driven policy provisions:

1. Utilise mine methane if commercially viable
 - Royalty concession to encourage on-site utilisation
 2. Flare if not commercially viable
 3. Venting permitted only if flaring unsafe
 - No current guidance on what is unsafe
 - No exemption if safe flaring is achievable but costly
 4. Exemption for Greenhouse mitigation projects
 - Inserted specifically to preserve access to Greenhouse credits
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Impacts on future mining

Aim to prevent adverse impact of CSG development on mining

- Scope for pre-development agreement on protective measures
 - Regulations being drafted to provide standardised protection
 - Guidance from QRC/ACSGC/APPEA/CFMEU working group
 - Draft subject to comment when completed – September?
 - Focus on hazardous objects in seams and on fracking
 - no steel casing in horizontal laterals
 - duty of care and best endeavours for lost drill strings
 - re-entry access to vertical holes to mill out steel casing
 - fracking practice subject to results of ACARP study
 - coal royalty rebate proposal to offset remediation costs
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Impacts on adjacent mining

Dewatering & degassing across lease boundaries requires consent

- Initial focus was on commercial loss of gas rights
 - Permitted only with consent or coordination agreement
 - Recognition of potential CSG impacts on adjacent mining
 - duty of care to avoid adverse lateral impacts
 - dewatering and gas release within underground mines
 - increased fugitive methane via mine ventilation air
 - mining effects uncertain - power to halt adjacent drainage if necessary
 - need for monitoring?
 - Mine degassing across lease boundaries also requires consent
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Agreements

Stakeholder agreements central to the new regime

- Co-development agreements - long-term risk management
- Coordination agreements - specific tenure overlap provisions
- Cross-border agreements - lateral impacts
- Cooperation agreements - other mutual benefits

Agreements might cover:

- principles, processes, planning, consents, compensation, disputes etc

Associated plans to cover:

- extent and nature of both developer's activities over time

Talk to your neighbours soon - agreements take time
