Onshore Gas Principles Guide
# Table of Contents

Introduction ................................................................................................................................. 3

Onshore Gas Principles .................................................................................................................. 3

Principle 1 ........................................................................................................................................ 3
Principle 2 ........................................................................................................................................ 3
Principle 3 ........................................................................................................................................ 3
Principle 4 ........................................................................................................................................ 3
Principle 5 ........................................................................................................................................ 3
Principle 6 ........................................................................................................................................ 3
Principle 7 ........................................................................................................................................ 3
Principle 8 ........................................................................................................................................ 3

The gas project lifecycle .............................................................................................................. 4

Preparing to Release New Titles (Acreage) ............................................................................... 4
Offering and Awarding Tenure .................................................................................................... 4
Land Access and Exploration Activity Approval ......................................................................... 4
Exploration and Discovery ............................................................................................................ 4
Development and Production ....................................................................................................... 4
Closure and Post-Closure Management ....................................................................................... 4
Preparing to Release New Titles (Acreage) ............................................................................... 4
Offering and Awarding Tenure .................................................................................................... 5
Land Access and Exploration Activity Approvals ....................................................................... 5
Exploration and Discovery ............................................................................................................ 6
Development and Production ....................................................................................................... 6
Closure and Post-Closure Management ....................................................................................... 6

The Onshore Gas Principles ......................................................................................................... 7

1. Keeping the community informed .......................................................................................... 8
2. Maintain land access arrangements ....................................................................................... 9
3. Maximise public value ............................................................................................................. 12
4. Continue to strongly regulate and hold licence holders accountable .................................. 12
5. Support leading management practices .............................................................................. 13
6. Incorporate evidence-based decision making ...................................................................... 14
7. Support the competitiveness of the sector ........................................................................... 15
8. Provide transparency of regulatory decision making ........................................................... 16

References .................................................................................................................................. 17
Introduction
The Onshore Gas Principles Guide describes the preferred approach to managing the various stages in the life cycle of onshore gas development. The guide will also enable those involved in the onshore gas industry to understand the expectations of government.

Onshore gas is natural gas that is found and produced on land rather than under the ocean. Australia has vast resources of onshore gas found in ‘conventional’ sandstone or carbonate reservoirs, as well as ‘unconventional’ gas found in coal seams, shale and tight sandstone formations. Exploration and production of gas can be managed safely with the use of leading safety, engineering and environmental standards.

Onshore Gas Principles
The eight onshore gas principles have been developed by the states and territories with input from the Commonwealth. They will be promoted by state and territory governments where individual policy settings allow.

Principle 1
Keeping the community informed by supporting early engagement of industry with landholders and stakeholders during planning and decision making, promoting local provision of services where available. Increase community understanding of the gas industry by providing relevant and accessible science-based information.

Principle 2
Maintain land access arrangements that have regard for the Multiple Land Use Framework, minimise negative impacts on the landholder, encourage positive landholder relationships and support optimal coexistence outcomes.

Principle 3
Maximise public value from gas resource development by ensuring appropriate royalty collection and optimising the benefits of the resource to local communities and the wider community.

Principle 4
Continue to strongly regulate and hold licence holders accountable for social and environmental outcomes and worker health and safety.

Principle 5
Support leading management practices through outcome-based regulatory reviews.

Principle 6
Incorporate evidence-based decision making by utilising baseline technical information to underpin robust regulation, risk management and government decision making. This includes sharing information and collaborating across jurisdictions where possible.

Principle 7
Support competitiveness of the sector by ensuring that regulatory frameworks are efficient. Regulatory design will aim to be innovative, flexible, adaptive and outcomes-focussed with clear, objective requirements and coordination between regulators where appropriate.
Principle 8

**Provide transparency of regulatory decision making** and industry activities with regards to risks, impacts and mitigations. This includes transparency where possible of environmental impacts related to industry activities, as far as reasonably practical.

### The gas project lifecycle

The gas project lifecycle can be divided into 6 phases (Flow chart figure).

<table>
<thead>
<tr>
<th>Phase</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparing to release new titles (acreage)</td>
<td>Pre-release work allows jurisdiction to control a competitive allocation process that considers geoscientific, social, environmental and economic matters prior to offering new petroleum titles.</td>
</tr>
<tr>
<td>Offering and Awarding Tenure</td>
<td>Most new areas released for petroleum exploration are by competitive tender, however some jurisdictions have over the counter processes as well.</td>
</tr>
<tr>
<td>Land Access and Exploration Activity Approval</td>
<td>Land access agreements and exploration activity approvals are required prior to any exploration taking place.</td>
</tr>
<tr>
<td>Exploration and Discovery</td>
<td>Exploration programs are staged, generally beginning at a regional scale and then progressively zeroing in on the most prospective areas.</td>
</tr>
<tr>
<td>Development and Production</td>
<td>The development and production phase focuses on the recovery of the gas to surface for processing. Production activities are carried out in accordance with strict safety and environmental policies and procedures.</td>
</tr>
<tr>
<td>Closure and Post-Closure Management</td>
<td>Decommissioning phase when the gas field is depleted and no longer commercially viable to produce from.</td>
</tr>
</tbody>
</table>

### Preparing to release new titles (acreage)

Before a decision is made to release petroleum title (acreage), governments consider geoscientific, community, environmental and the economic factors. This ensures the release of new petroleum titles delivers optimal economic and social benefits and environmental protection.

Factors considered include but are not limited to:

- the area’s prospectivity based on current geoscientific knowledge;
- overall development of each basin or resource area;
- local community, environmental and economic issues;
- state/territory planning interests;
government policies;
‘no go’ areas such as National Parks;
legislative requirements e.g. Commonwealth *Native Title Act 1993*;
co-regulatory processes for activity approvals;
overlapping tenure;
commercial considerations;
demand and market supply.

**Offering and Awarding Tenure**

Most new petroleum exploration titles are awarded after some type of competitive selection process. Some jurisdictions will use cash bidding and some are based on proposed work programs. Factors, in addition to the highest bid, may also be considered including previous environmental performance, discovery and development success and the financial stability of the company.

The length of the initial grant term varies between jurisdictions. The successful company may have to meet specific regulatory requirements prior to being granted a title.

**Land Access and Exploration Activity Approvals**

Before commencing on-ground exploration works, petroleum title holders may be required to have a land access agreement with the landholder and gain regulatory consent(s) for area-specific and location-specific exploration operations.

Land access agreements cover matters such as:

- which areas of land can be accessed and how often
- which entrance and access tracks vehicles are permitted to use
- the landowner’s preferred method of communication.

They may also involve compensation to the landholder and can include financial and/or non-financial arrangements and possibly reimbursement for legal, accounting and valuation costs incurred in negotiating and preparing a compensation agreement.

Activity approval processes involve identifying environmental risks and impacts, and determining ways to reduce their likelihood and eliminate or reduce their impact. Best practice regulation, as defined by the Australian Government Office of Best Practice Regulation, involves assessing risks and focusing on outcomes, rather than prescribing detailed procedures and mitigation measures that may fall behind leading practice over time. Processes vary among the states and territories, but there are some common features. The main steps are:

- proposal, notice of intention, environmental management plan or initial advice statement
- government assessment, including consultation with potentially affected people, enterprises and organisations such as expert advice from the Independent Expert Scientific Committee (IESC) on Coal Seam Gas (CSG) and Large Coal Mining Development
- government approvals that entail line-of-sight and at times, management of stakeholder and landowner consultation
ongoing regulatory monitoring.

Exploration and Discovery
Exploration, discovery and appraisal can take over a decade before a titleholder can decide to progress to production. Exploration can only be undertaken after a land access agreement is in place with the landholder. Typical exploration activities include seismic, gravity and magnetic surveys, drilling and geochemical studies.

Where exploration leads to a discovery the company will undertake testing to assess the quantity and quality of the resource, followed by feasibility studies to determine if production is commercially viable.

Development and Production
Progressing from exploration and appraisal to production is a complex process that entails a high level of engagement with the community and government agencies. Development consent, including a range of environmental, social and economic assessments is required as well as production titles granted allowing the company to develop and produce from the gas field.

In addition to infrastructure at the gas field, a connection to a pipeline is required to get the gas to market.

A typical production profile for a gas field is made up by three stages:

- Build-up: during this period production wells are progressively brought on
- Steady production: a relatively constant production rate is maintained
- Decline: production declines as the field matures and production rates fall

Closure and Post-Closure Management
Decommissioning a gas field is complex and can span many years, depending on the number of wells and amount of infrastructure. It can commence and overlap with the tail end of production.

Decommissioning is commonly known as Plug and Abandonment (P&A). The objective of decommissioning is to isolate and protect groundwater, prevent leaks in perpetuity from or into the well and remove surface equipment.

At the completion of decommissioning and rehabilitation, the relevant regulatory authority will assess if the work has been completed in accordance with legislative requirements. If satisfied the regulator will release security bonds held against the operation.
The Onshore Gas Principles

The eight onshore gas principles are important to the successful and responsible development of onshore gas.

1. Keeping the community informed;
2. Land access arrangements;
3. Maximise public value;
4. Continue to strongly regulate;
5. Support leading management practices;
6. Incorporate evidence-based decision making;
7. Support competitiveness of the sector; and
8. Provide transparency of regulatory decision making.
1. Keeping the community informed

Inform the community by providing relevant and accessible information and support early and continual engagement by government and petroleum companies with landholders and stakeholders.

State and territory governments should engage communities during the release of new land for exploration and continue this until the title is relinquished.

Petroleum companies should engage with landholders and stakeholders during the entire life cycle of any project, beginning from the grant of any petroleum exploration title or the acquisition of a petroleum project or a part interest in one.

Governments should keep the community informed and increase understanding of the gas industry by providing relevant and accessible information. This would include information about landholder and community rights, tenure processes, company obligations, regulatory frameworks and geoscientific and environmental data.

Petroleum companies should provide relevant and accessible information, particularly in relation to their exploration, development and production activities. This information would include the locations and timing of exploration activities, rehabilitation outcomes and regulatory compliance.

Government and petroleum companies should have well communicated processes to receive, consider and reply to queries and concerns from landholders and the broader community about social, economic and environmental matters.
Case Study: 2018 Queensland Exploration Program – government role in early engagement

For long-term success and growth, all resources projects are dependent on community support and a social licence to operate. While it is the responsibility of the resources company to comply with all laws and regulations relating to engagement and negotiations, the Queensland Government knows that community engagement is integral to successful exploration.

The Queensland Exploration Program (QEP) provides a release schedule of exploration opportunities for coal and petroleum and gas over a specified forward time period. This provides advance notice to landholders, Traditional Owners and local governments about potential resource activity in their area and helps resource companies set their exploration plans.

Following the positive response to early engagement with stakeholders in the three preceding exploration programs, the 2020 QEP continues the approach. The 2020 QEP was released on 7 February 2020 and prior to the release Queensland Government officers contacted stakeholders directly affected by the planned release of 14 exploration areas announced under the program.

Under the QEP model, relevant landowners, Traditional Owners, local government and key community groups receive information about the proposed tender and decision processes. Landholders are also given an outline of their rights and explorers’ obligations and are provided with Queensland Government contact information so they can get answers to any additional questions they have.

The 2020 QEP engagement process reached 11 Traditional Owner groups, six local governments and approximately 1100 landowners. The Queensland Department of Natural Resources, Mines and Energy (DNRME) also engaged with peak organisations representing the resources industry, agriculture, environment, native title, local government and the GasFields Commission Queensland.

As the exploration program tendering activities continue, the Queensland Government maintains its contact with directly-affected stakeholders and key peak organisations, providing:

- notification about the tender process opening (the gazettal of the ‘call for tenders’).
- information on outcomes of the tender process, including who has been appointed as the preferred tenderer for each exploration area (if applicable).

At each point of contact with DNRME, directly-affected stakeholders are given the opportunity to ask questions and seek clarification.

2. Maintain land access arrangements

Establish and maintain land access arrangements that encourage positive company to landholder relationships and support coexistence, minimise negative impacts on the landholder and have regard for the Multiple Land Use Framework.

Significant social and economic benefits result from the efficient and sustainable development of state and territory petroleum resources. Negotiating, securing and maintaining access to land during the project lifecycle is fundamental.

Access to land, under clear and efficient processes, should consider not only land ownership issues, including leasehold land, but also environmental, heritage and cultural values. Leading
practice land access arrangements are based on the understanding that explorers are 'visitors' on private or leasehold land and landholders also have an appreciation of the needs and rights of petroleum title holders. Title holders should pay reasonable costs of the landholder in taking part in negotiating an access arrangement.

Developing and maintaining a land access arrangement with a landholder is an important step in acknowledging their rights and empowering them to have a say in the process. The negotiation of a land access arrangement can be the first conversation between a landholder and explorer. Effective communication and clear, accurate information are essential to this conversation. Open and honest dialogue will enable a sound working relationship between the title holder, landholders and community with all participants acting in a spirit of co-operation and good faith.

A land access arrangement that has been negotiated in good faith and recognises the rights of each party is a solid foundation on which to build trust and ensure a good working relationship. The terms of any land access arrangement provide an opportunity for each party to outline their expectations and preferences. This should include important details such as planned access routes, the scope, preferred timing and locations of exploration and production activities and compensation.

In situations where land access cannot be negotiated, clear processes should be available to try to resolve access conflicts. This should include arbitration and mediation with the aim to avoid recourse to the courts.

Exploration and production are temporary land uses. Coexistence with the landholder’s ongoing and future planned land use should be a priority. A company should always work to minimise any negative impacts. Landholders should not bear costs from the discovery and production of petroleum resources. Companies who hold the right to explore or produce on the land are required to pay compensation when due. Information and engagement are key components under the Multiple Land Use Framework.

Jurisdictions should work towards better informed public discourse to improve understanding of standard exploration practices and regulations governing land access. Land access is of vital importance to the future viability of all extractive industries. Governments’ aim should be to maximise the net benefits to present and future generations from a combination of land uses, which benefit the wider community, now and in the future.
Case Study: New South Wales Land Access – Gas Plan and other reforms

Land access arrangements in NSW are designed to ensure the orderly search for, and extraction of, resources while also recognising the rights of landholders to undertake their activities without disturbance or interference.

The regulatory framework for land access is provided for under the Petroleum (Onshore) Act 1991.

The Act was substantially reformed in 2015 to complement the NSW Government’s Gas Plan. The Gas Plan was developed to support the safe, sustainable development of the local gas industry which balances the needs of the community, the economy and the environment. It followed reviews by the NSW Chief Scientist and Engineer’s Independent Review of Coal Seam Gas Activities in NSW and the Brett Walker SC review of the Land Access arbitration framework.

Legislation reforms passed in support of the Gas Plan aimed to improve the balance between landholders and titleholders for access to land for exploration and production activities.

The reforms made clear that access arrangements must be in place between titleholders and landholders prior to petroleum exploration or production starting and compensation needs to be negotiated as part of the access arrangements. The reforms created greater clarity for landholders on their rights and responsibilities as well as mechanisms to ensure that they share in the financial benefits of gas exploration and production.

While most land access arrangements are successfully negotiated, another feature of the reforms were improvements to the land access arbitration framework, where they are not. The Act creates an obligation on both parties to negotiate in good faith and establishes mediation, rather than arbitration, as the first step in resolving land access disputes. Where arbitration is required the costs of the process, which are reasonable and capped, are borne by titleholders. These changes complemented the Gas Plan, which requested the NSW Independent Pricing and Regulatory Tribunal (IPART) to recommend benchmark compensation rates for landholders.

The legislative reforms and NSW Gas Plan are complemented by NSW Exploration Code of Practice: Petroleum Land Access which provides general guidance on the process for negotiating land access. The code was prepared in consultation with the NSW Land and Water Commissioner and agricultural and petroleum industry stakeholders. It draws on principles such as the need for effective communication between parties, recognition of the co-existence of rights, respect for privacy, property rights and the need to build trust and operate in good faith. The Code also draws out the NSW Government’s expectations via minimum standards that must be included in land access arrangements for explorers such as: meeting the costs of participating in negotiations and paying compensation for access, requirements about notice periods, access points, water regulation, livestock and property and rehabilitation.
3. Maximise public value

*Maximise public value from gas resource development by ensuring appropriate royalty collection and delivering benefits from the resource to local communities and the wider community*

Ownership of natural resources such as minerals, oil and natural gas, is vested in the Crown, a principle well established in Australia for over a century. The companies that extract and sell these resources must pay for the right to do so. The payments received by state and territory governments are known as royalties.

Royalties benefit the whole community generally as contributions to government revenue. Some states have established specific programs, for example Western Australia and South Australia, where a proportion of royalties is distributed to regional communities in their states. In New South Wales petroleum producers are encouraged to contribute to Community Benefit Funds.

Royalty payments are only one means by which communities benefit from gas resource development. From exploration to development and production each step relies on services, some of which can be provided by local communities. To maximise the benefit to the local communities, petroleum companies should be encouraged to procure goods and services in these communities where it is competitive to do so.

Finally, there are benefits to all members of the community as gas consumers. Gas is widely used by households to cook with and heat water. Gas is also essential for a broad range of direct industrial uses including food processing and brick and fertilizer manufacture. It is recognised as invaluable in firming power supply from an increasing proportion of intermittent renewable energy generation, such as from wind farms and solar panels. Projections indicate that an Australian economy with significantly lower greenhouse gas emissions will have gas production as a critical contribution for many decades into the future.

4. Continue to strongly regulate and hold licence holders accountable

*Continue to strongly regulate and hold licence holders accountable for social and environmental outcomes and worker health and safety.*

All Australian jurisdictions should provide clear and accessible information to licence holders and the community about the legislative obligations of gas explorers and producers.

Regulators should require the industry to demonstrate the effective management of risks to the environment, social surroundings and health and safety. Regular reporting by petroleum companies and regulators helps ensure accountability and transparency.

Regulators should have consistent and transparent approaches to compliance and enforcement in their jurisdictions and produce and publish reports on these activities.

Government agencies robustly regulate, monitor and ensure compliance to:

- increase stakeholder and community confidence that the industry is effectively regulated;
- maintain the rigour and cogency of the regulatory framework;
- identify general performance trends to inform compliance strategies;
- identify and address specific compliance issues with considered, commensurate and effective enforcement action; and
- inform any legislative change to ensure regulatory frameworks remain robust, flexible and contemporary.
5. Support leading management practices

*Support leading management practices through outcome-based regulatory reviews.*

Leading management practice in the oil and gas industry is influenced by public concerns, evolving regulatory requirements, new technical standards and guidelines, changes in health, safety and environmental policies and innovative technologies.

Australian jurisdictions can support and encourage the uptake of leading management practice by creating and implementing regulatory frameworks that focus on outcomes, rather than the specific process or approaches taken to achieve the outcome.

Outcome-based regulation allows companies to adopt leading practices and technologies best suited to individual company circumstances, activities and locations. This relies on companies demonstrating that all risks and impacts are reduced to a level that is as low as reasonably practicable and acceptable.

Outcomes-based regulation is widely considered to be the most suitable form of regulation to manage risks associated with oil and gas activities. All Australian jurisdictions including the Commonwealth have adopted outcome-based regulations to enable leading practice and foster innovation.

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**Case Study: Northern Territory Petroleum (Environment) Regulations**

The Northern Territory (NT) Government supports the responsible development of the oil and gas industry that has the potential to provide significant, long term economic benefits for Territorians.

When the Petroleum (Environment) Regulations\(^1\) were developed in 2016, the NT Government took an outcome-based approach. The objectives\(^2\) of the regulations were to ensure that:

- onshore oil and gas activities are carried out in a manner consistent with the principles of ecologically sustainable development;
- environmental impacts and risks associated with onshore oil and gas activities are reduced to a level that is as low as reasonably practicable (ALARP) and acceptable

The Petroleum (Environment) Regulations achieve these objectives by requiring companies to have an approved Environmental Management Plan (EMP) in place before a regulated activity can be undertaken.

This involves setting the direction for preparation of an EMP, which assesses and provides mitigation for environmental risks to ALARP. The EMP is not just an approval document. It is an implementation and management tool to manage field operations by the proponent and a statutory compliance document used by the regulator to verify that environmental outcomes are being achieved.

The outcome-based model puts the onus on the company to demonstrate appropriateness rather than specifying solutions. Using existing industry-wide leading management practices, a company must demonstrate that all environmental risks and impacts are identified and reduced to an acceptable level. Developing the regulations, the NT Government also incorporates leading practices from other jurisdictions in Australia.


6. Incorporate evidence-based decision making

Incorporate evidence-based decision making by using baseline technical information to underpin robust regulation, risk management and government decision making. This includes sharing information and collaborating across jurisdictions where possible.

Evidence-based decision making ensures robust and defensible regulation of the sector. It facilitates the implementation of the ALARP or ‘as low as reasonably practicable’ legal principle. It also builds public confidence in government as a regulator.

Baseline information refers to data collected at the beginning of a study before an intervention has occurred. It is used to measure or assess an unknown. For the onshore gas sector, relevant baseline data sits across social, environmental and economic receptors:

- technical and geoscientific including geological surveys to assess e.g. prospectivity, geotechnical stability and safety issues;
- environmental including groundwater and surface water, air quality, flora and fauna;
- economic including provision of critical commodities (e.g. domestic gas supply), employment, regional income, output and consumption, government revenue and agricultural productivity; and
- community including wealth distribution, values, wellbeing and demographic.

In the extractive industries baselining can underpin the following government actions:

1. Policy formulation;
2. Establishing markets and market failures;
3. Assessing the risks, benefits and impacts of a development;
4. Supporting acreage releases, resource planning and land use planning;
5. Supporting investment attraction activities;
6. Supporting regulation, risk management and monitoring;
7. Demonstrating to stakeholders that risks are being managed robustly; and
8. Supporting rehabilitation and closure and long-term sustainability outcomes

These activities are in a general sequence that is based on the whole industry cycle, from government policy decision making, through exploration, production and closure. As such the use of baseline data is relevant to all stages of the industry cycle.

Jurisdictions, where possible, should consider taking a proactive approach to building robust datasets that support these listed government actions. This could be via direct investment in government research programs at a regional scale and encouraging or requiring industry to supplement regional datasets with location-specific data in their area of operation. Baseline information should be shared across jurisdictions and jurisdictions should collaborate to build datasets where possible.

Data should be freely available and accessible to communities and stakeholders where possible.
Case Study: Victorian Onshore Conventional Gas Studies – obtaining better data

The Victorian Gas Program (VGP) is undertaking a broad suite of environmental, geoscientific, economic and community studies that will provide an evidence-based estimate of prospective gas resources at a regional level and look closely at the risks, benefits and impacts associated with onshore conventional gas.

The VGP studies are being undertaken while an onshore conventional gas moratorium is in place until 30 June 2020. The studies focus on Victoria’s two most prospective regions for gas: the Otway Basin (currently considered to have the highest potential for new discoveries) and the Gippsland Basin.

The studies incorporate the following components:

- Rock characterisation studies will achieve enhanced understanding of rock property layers (e.g. porosity, permeability, organic content) within the study areas. This involves analysing geoscience data and rock samples (drill cores). Subsequent mapping will form the basis of the prospectivity assessment and resource estimates.

- Three-dimensional (3D) geological models use previously collected geological data, rock characterisation analysis and well data. The models are being built to define the stratigraphic (rock layers) and structural framework (that is, geological faults), which form the basis for petroleum systems modelling. Such models will provide insights into possible gas resources and also the nature and location of groundwater.

- Gas prospectivity and resource estimates will be developed using the above geological analyses and models, for both the Otway and onshore Gippsland basins.

- Targeted stratigraphic drilling may be carried out in the onshore Otway Basin to fill knowledge gaps and to increase certainty of the prospectivity and resource estimates.

- Environmental studies will identify the key environmental factors relevant to each stage of the life cycle for onshore conventional gas (that is, exploration, development, production, decommission and rehabilitation stages). Environmental vectors and receptors for each stage have been identified before and after a conventional gas well head. This information will help identify the best environmental indicators and dataset requirements to monitor gas activities. Environmental measurements are being collected to establish baseline conditions, which will provide a benchmark for considering potential risks and impacts of future conventional gas activities.

- A community engagement program focussed on local government, industry, farmers, local school students, environmental and community groups. In addition to briefing the community on progress of the VGP, the program will also capture social baseline data in areas of onshore gas prospectivity.

The baseline data and associated risks, benefits and impacts assessment will initially inform the government’s decision about the moratorium.

If the government decides to support the industry’s future development, the baseline data will be used to support resource planning, potential regulatory reforms and regulation of the sector.

7. Support the competitiveness of the sector

Support sector competitiveness by ensuring that regulatory frameworks are efficient. Regulatory design should aim to be innovative, flexible, adaptive and outcomes-focused with clear, objective requirements and coordination between regulators where appropriate.

Clear and consistent regulatory frameworks are essential to provide industry with clarity about legal obligations and establish a low sovereign and business risk to investment. Each government
should provide clear and accessible information to industry and the public about their regulatory role, objectives and desired outcomes, including their expectations of industry performance.

Each jurisdiction should endeavour to perform their regulatory role in an effective, efficient and timely manner and should adopt technological solutions where possible to manage information. Information requested from industry is used to help with governments’ decision-making and demonstrate industry compliance with legal obligations and performance outcomes.

Australian governments recognise that many companies operate across multiple jurisdictions and consistency of legislation and regulatory requirements can reduce transaction costs. The onshore gas industry is subject to regulation by multiple agencies within each jurisdiction. Governments should coordinate their regulatory efforts and avoid duplication.

8. Provide transparency of regulatory decision making

*Provide transparency of regulatory decision making and industry activities with regards to risks, impacts and mitigations. This includes transparency of environmental impacts related to industry activities, as far as reasonably practical.*

Transparency is a key principle that provides industry and the community with an understanding of government processes in administrating legislation, including how activities are assessed, decisions are made and compliance is monitored. Demonstration of transparency across regulatory decision making indicates regulator independence of industry influence and assurance against regulatory capture.

Transparency is also important with regards to openness around the regulated activities that are being conducted and their outcomes. Nationally, and in individual jurisdictions as relevant, transparency is demonstrated via a range of reporting mechanisms covering industry regulatory compliance, water use, chemical use, fugitive emissions and environmental performance.

Confidentiality means that there are times when not all information can be released. This may include instances where release would contravene copyright or commercial in confidence exclusions. An example of confidential information could be the chemical composition of a fluid used during drilling or well operations, where if public the composition could be copied, presenting a commercial risk to the fluid manufacturer. In this case it would be necessary for the regulator to receive adequate information to ensure that environmental, health and safety risks can be managed, whilst the chemical composition is held in confidence.
Case study: South Australian Petroleum and Geothermal Energy Act 2000 Compliance Report

The Energy Resources Division (ERD) of the South Australian Department for Energy and Mining release an annual compliance report which details the compliance and enforcement activities of the ERD in administering the Petroleum and Geothermal Energy Act, as well as the compliance performance of industry.

ERD activities detailed in the report include field surveillance activities, desktop audits, regulatory investigations, any cases where the enforcement response to a non-compliance with a statement of environmental objectives and compulsory or punitive enforcement measures.

Industry activities are reported in aggregate, such as the number of activity notifications received, wells drilled, fracture stimulations, co-produced water use and significant environmental benefit offset contributions. Industry performance is also provided through provision of statistics for incident occurrence and their root cause analyses.

Case study: National Greenhouse and Energy Reporting

An example of transparency of industry activities that is not exclusive to onshore gas but demonstrates that information is required through, and reported by, many different mechanisms, is the National Greenhouse and Energy Reporting. This reporting must be completed by entities that meet either a facility or corporate group threshold. Data reported for organisations on CO2 emissions and Net Energy Consumed is published annually by the Clean Energy Regulator.

References


