DEPARTMENT OF INFRASTRUCTURE AND PLANNING

State Development and Public Works Organisation Act 1971

NOTICE

The Governor in Council has approved, under section 125(1) (f) of the *State Development and Public Works Organisation Act 1971*, the Australia Pacific LNG Facility as an infrastructure facility that is of significance, particularly economically or socially, to Queensland, the Darling Downs, Fitzroy and South West Statistical Divisions being the regions in which the Australia Pacific LNG Facility is to be constructed.

STATEMENT GIVING REASONS WHY THE GOVERNOR IN COUNCIL APPROVED BY GAZETTE NOTICE ON 26 AUGUST 2010 THE AUSTRALIA PACIFIC LNG FACILITY AS AN INFRASTRUCTURE FACILITY THAT IS OF SIGNIFICANCE UNDER THE STATE DEVELOPMENT AND PUBLIC WORKS ORGANISATION ACT 1971

1. Decision

On 26 August 2010, the Governor in Council approved by gazette notice under section 125(1) (f) of the State Development and Public Works Organisation Act 1971 ("SDPWO Act"), the Australia Pacific LNG Facility ("APLNG Facility") described below as an infrastructure facility that is of significance, particularly economically or socially, to Queensland, the Darling Downs, Fitzroy and South West Statistical Divisions being the regions in which the APLNG Facility is to be constructed. The Governor in Council, in making that decision, considered and adopted the reasons set out below that were prepared by the Coordinator-General, Mr Geoff Dickie under section 125 (5) of the SDPWO Act.

2. Introduction

The Coordinator-General received an application dated 10 March 2010 from Australia Pacific LNG Pty Limited ("APLNG") ("the Application") requesting that the APLNG Facility be approved by the Governor in Council as an infrastructure facility that is of significance under section 125(1)(f) of the SDPWO Act. APLNG is a joint venture between Origin Energy Limited ("Origin") and ConocoPhillips Australia Pacific LNG Pty Ltd (a subsidiary of ConocoPhillips Inc) ("ConocoPhillips").

The APLNG Facility forms an integral part of an overall project known as the Australia Pacific LNG Project ("APLNG Project") which proposes to take coal seam gas ("CSG") from wells on APLNG held tenements in the Bowen and the Surat Basins of southern Queensland, gather the CSG from the various wells and to pipe the CSG to a liquefied natural gas ("LNG") liquefaction plant situated on Curtis Island in the Port of Gladstone, where it will be liquefied and exported to overseas markets.

APLNG has interests in a number of major southern Queensland CSG gas fields, including the Spring Gully and Fairview fields in the Bowen Basin and the Talinga and Walloons fields in the Surat Basin ("Gas Fields").

The Gas Fields do not form part of the APLNG Facility which is the subject of this Application but they will be the source of the CSG for the APLNG Facility.

The Application emphasises that the APLNG Facility is an essential part of the APLNG Project with first LNG produced from the APLNG Facility expected in late 2014. It is anticipated that full production capacity will be achieved in 2017.

Section 125(1) (f) of the SDPWO Act provides that the Coordinator-General may take land for the purpose of an infrastructure facility that is:

- of significance, particularly economically or socially, to Australia, Queensland or the region in which the facility is to be constructed; and
- approved by the Governor in Council, by gazette notice, as having that significance.

Pursuant to section 125 (2) of the SDPWO Act in considering whether an infrastructure facility would be of economic or social significance, the potential for the APLNG Facility to contribute to community wellbeing and economic growth or employment levels must be taken into account. In accordance with section 125 (3) of the SDPWO Act in assessing such potential, the contribution the APLNG Facility makes to agricultural, industrial, resource or technological development in Australia, Queensland or the region is a relevant consideration.

3. Evidence or Other Material on Which Findings of Material Questions of Facts are Based

In considering whether the APLNG Facility is an infrastructure facility that is of significance, particularly economically or socially to Queensland and the region in which the APLNG Facility is to be constructed, the Coordinator-General and the Governor in Council had regard to the following materials:

- letter dated 10 March 2010 from APLNG to the Coordinator-General together with the enclosed Application that the APLNG Facility be approved by the Governor in Council as an infrastructure facility that is of significance under section 125 (1) (f) of the SDPWO Act;
- the detailed Maps in the Attachment to the Application showing the location of the proposed APLNG Facility (the "Maps");
- the Executive Summary of the EIS for the APLNG Project which deals with matters including social and economic, cultural heritage and environmental impact assessments of the APLNG Project (of which the APLNG Facility is an integral part);
- email from Rod Beausang of the Department of Infrastructure and Planning to APLNG;

- letter dated 21 June 2010 from APLNG to Rod Beausang of the Department of Infrastructure and Planning and the enclosed APLNG' Addendum to the Application ("the Addendum");
- letter dated 28 June 2010 from Clayton Utz on behalf of APLNG to Rod Beausang of the Department of Infrastructure and Planning;
- the Australia Pacific LNG Project KPMG Economic Impact Assessment Report - Gas Fields, Pipeline and LNG Facility, prepared by KPMG Econtech for APLNG and dated 27 January 2010 ("KPMG Econtech Report");
- the SDPWO Act, particularly sections 125 and 174;
- the SDPWO Act Guidelines for acquisition of land for infrastructure projects by persons other than the State, September 1999 made under section 174;
- the SDPWO Act Guidelines for consultation and negotiation with native title interests, September 1999 made under section 174;
- copies of Public Notices placed in The Courier Mail dated 7 April 2010, the Koori Mail dated 7 April 2010, the Chinchilla News dated 8 April 2010, the Western Star dated 9 April 2010, the Toowoomba Chronicle dated 10 April 2010, the Gladstone Observer dated 10 April 2010, the Central Telegraph dated 9 April 2010 and the Central and North Burnett Times dated 8 April 2010 inviting submissions from persons affected by the Application;
- copy of the standard Coordinator-General's letter inviting submissions dated 31 March 2010;
- submissions received during public consultation;
- APLNG's responses to submissions by way of letter to the Department of Infrastructure and Planning dated 26 May 2010;
- Blueprint for Queensland's LNG Industry, Department of Employment,
 Economic Development and Innovation publication No. SD5753 08/09;
- Queensland LNG Industry Viability and Economic Impact Study Final Report to Queensland Department of Infrastructure and Planning ("DIP") prepared by McLennan, Magasanik Associates and dated 1 May 2009 ("MMA Study");
- Australian Energy Resource Assessment, Geosciences Australia dated 1 March 2010 ("AERA Report");

- Australian Commodities Report, Australian Bureau of Agricultural and Resource Economics, June Quarter 2009 ("ABARE Report");
- Consultation paper Domestic Gas Market Security of Supply, Department of Employment, Economic Development and Innovation, dated September 2009; and
- Surat Basin Future Directions Statement, Department of Employment, Economic Development and Innovation, dated February 2010.

4. Findings of Material Questions of Fact

From the evidence and material to which regard was had, the following findings of fact were made.

4.1 Type of Infrastructure Facilities Proposed Including Land on Which the Facilities are to be Located

The APLNG Facility is generally located in the map shown at Figure 1 below and is made up of two components:

- CSG liquefaction facilities on Curtis Island, adjacent to Laird Point within the Curtis Island Industry Precinct of the Gladstone State Development Area ("GSDA"), where the CSG is to be converted to LNG and exported to overseas markets ("LNG Facility"); and
- a high pressure underground pipeline approximately 450 kilometres in length comprised of the following:
 - o the main transmission pipeline, which extends approximately 362 kilometres from the junction of the two lateral branches (see below) to the LNG Facility on Curtis Island ("Main Pipeline");
 - o the lateral branch from the Woleebee, Combabula and Ramyard developments extending approximately 128 kilometres to the Main Pipeline ("Woleebee Lateral Branch"); and
 - o the lateral branch from the Condabri and Talinga North developments extending approximately 99 kilometres to the junction of the Woleebee Lateral Branch and the Main Pipeline ("Condabri Lateral Branch"). (collectively the "Gas Pipeline").

The Application and the detailed Maps attached to the Application show the proposed locations of the LNG Facility and the Gas Pipeline.

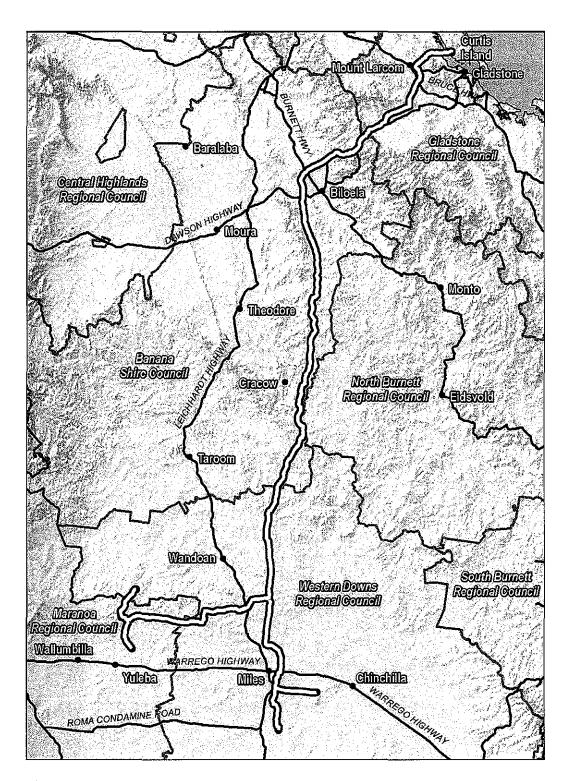


Figure 1

In this Statement Giving Reasons, the terms LNG Facility and Gas Pipeline mean what they do in the Application but if there is an inconsistency between them then this Statement Giving Reasons shall prevail to the extent of the inconsistency.

4.1.1 Gas Pipeline

The Gas Pipeline will extend over approximately 450 kilometres to transport dehydrated and compressed CSG from the Gas Fields to the LNG Facility. The Gas Pipeline will be a high pressure pipeline of approximately 42 inches (1,070mm) in diameter for the main pipeline with the Condabri lateral and the Woleebee lateral having diameters of 36 inches (914.4mm) and 30 inches (762mm) respectively.

The preferred route for the Gas Pipeline is set out in the Maps attached to the Application.

The Application advises the Gas Pipeline infrastructure will include the following:

- inlet stations to be installed at the start of each component of the Gas Pipeline;
- mainline hubs to be installed at the intersection of the Woleebee Lateral Branch and the Condabri Lateral Branch with the Main Pipeline;
- delivery and meter stations to be installed at Curtis Island to control temperature, pressure and quality of the CSG before delivery to the LNG Facility;
- main line valves to be installed at regular intervals along the Gas Pipeline to isolate and depressurise the segments of the Gas Pipeline to gain access and carry out repair;
- scraper stations which will be installed along the Gas Pipeline;
- compressor stations may be installed in the future, if required, to increase the capacity of the Gas Pipeline;
- cathodic protection test points every two to five kilometres to be installed to protect the Gas Pipeline from corrosion; and
- a central control room to be connected to the surface facilities described above via two redundant underground fibre optic cables which will carry both data and voice communication signals.
- **4.1.2** APLNG have indicated it would be seeking appropriate public utility easements up to 40 to 50 m wide for the Gas Pipeline.

4.1.3 LNG Facility

APLNG proposes to locate the LNG Facility on the western side of Curtis Island and adjacent to Laird Point. The LNG Facility is expected to occupy some 270 hectares (including reclaimed areas) of a total area of approximately 520 hectares with the remainder being predominantly for a seabed lease area for shipping access.

Apart from other ancillary facilities such as an inlet feed gas metering facility, offloading facility, loading berths and temporary workforce accommodation, the LNG Facility will consist of processing facilities for up to 18 million tonnes per annum ("Mtpa") of LNG, marine infrastructure, utilities and support facilities and storage facilities. Standard infrastructure services such as power, water, telecommunications and sewage disposal will also need to be established.

4.2 Demand Projections for the Services Associated with the Infrastructure

Global demand for LNG

The Queensland Department of Infrastructure and Planning ("DIP") commissioned McLellan Magasanik Associates to complete a viability and economic impact study on the Queensland LNG industry ("MMA Study"). The MMA Study found that the global demand for LNG is growing rapidly and is projected to grow between 5% and 10% per annum.

The Australian Bureau of Agricultural and Resource Economics ("ABARE Report") notes that global LNG trade is expected to remain at around 171 million tonnes per annum ("Mtpa") in 2009 and increase by 6% to 181 Mtpa in 2010. Global demand for LNG is forecast to rise to between 245 Mtpa to 340 Mtpa by 2015.

In the AERA Report, Geoscience Australia notes over the next two decades, Australia will significantly expand its LNG exports in order to meet the escalating global demand for LNG due to its abundant gas reserves, its proximity to the Asia Pacific markets and its politically stable environment. For these reasons, Australia represents a reliable and stable supplier of LNG to the global LNG market.

Demand for LNG in Asia

Some of the main importers of LNG are found in the Asian market and include Japan, the Republic of Korea, Taiwan, India and China. China is expected to increase its LNG imports to 9 Mtpa in 2010. The demand for LNG in the Asia Pacific markets is anticipated to continue to grow over the next decades.

Australia's position in the LNG export market

Australia is currently exporting nearly half of its gas production to Japan, China, the Republic of Korea and India. Australia's existing gas resources are sufficient to meet the projected increases in both domestic and global gas demand over the period to 2030.

For these reasons, the APLNG Project (of which the APLNG Facility is an integral part) provides a significant opportunity to develop and expand the required infrastructure to meet the global demand for LNG, particularly in the Asia Pacific markets.

4.3 Needs Which the Facilities Would Meet and How the Infrastructure Would Satisfy the Identified Need

The APLNG Project (which cannot proceed without the APLNG Facility) will make a significant contribution to establishing an LNG export industry in Queensland. The MMA Report notes that the global export of LNG is viable considering that recent gas reserves growth has exceeded domestic market demand. The global export of LNG requires extraction of CSG, transport of CSG to the coast and conversion of CSG to LNG so it can be loaded on ships for export. The Gas Pipeline will be a dedicated facility to transport CSG to the coast and the LNG Facility will be a strategically located facility to convert CSG to LNG to allow for shipment to global markets.

The Queensland Government has identified that there is a need to diversify and strengthen Queensland's regional economies to attract investment, build economic resilience and create new jobs in regional centres. As detailed in the Government's Blueprint for Queensland's LNG Industry, the LNG industry provides Queensland with an opportunity for economic growth and job creation in Queensland and community wellbeing in its regional centres.

4.4 Timing of Project or Service Delivery

APLNG's Application states that APLNG intends to make a Final Investment Decision ("FID") regarding the Gas Pipeline and LNG Facility in December 2010, with a view to commencing construction in 2011. The Application reports the estimated time for first production and export of LNG is late 2014.

If FID does not occur in 2010, construction of the APLNG Facility is not reasonably progressed to allow for production in 2014 or if the APLNG Facility does not reach full LNG production capacity, then it may be necessary for the Governor in Council to amend or repeal its approval of the APLNG Facility as an infrastructure facility that is of significance.

4.5 Special Assistance Required from Government other than Land Acquisition

The Application states it is APLNG's intention to obtain all necessary interests in land by agreement with affected landholders and any native title parties. If those negotiations are unsuccessful, APLNG is desirous of having the opportunity to apply to the Coordinator-General to have the relevant interest acquired compulsorily.

APLNG is also seeking a number of approvals from government agencies which will be dealt with through the course of normal legislative processes, including petroleum pipeline licences, development approvals, and permits to occupy road and State forest crossings. APLNG is also seeking assistance with the reclamation of the inter-tidal area adjacent to Laird Point and an area required for the marine offloading facilities, along with any subsequent assignment of such reclamation leases to APLNG.

4.6 Financial Analysis Including Project Risk/Return

The Queensland Government has undertaken and engaged in extensive independent studies and research into the current status, revenues and growth predictions for global and local LNG production and consumption. The MMA Study suggests that an LNG plant at Gladstone is likely to be financially viable if world oil prices remain above US\$43 per barrel. The MMA Study notes that oil prices are expected to remain on average above US\$60 per barrel over the life of the APLNG Project.

Origin and ConocoPhillips are providing equal funding for the APLNG Project. Both Origin and ConocoPhillips are companies which hold investment grade credit ratings and have access to equity and global debt markets. Both companies have already committed to fund the APLNG Project through to the end of FID stage. Additional funds for the remainder of the APLNG Project will then be made available through a range of committed debt facilities, additional debt and/or equity finance.

The Application states that, based on its current understanding of LNG market conditions, economic conditions generally, and relevant operations and cost factors, APLNG 'is confident that the APLNG Project will proceed beyond the FID stage' subject to the completion of investigations and receipt of approvals.

APLNG has engaged KPMG Econtech to model the economic impacts of the APLNG Project and to produce the KPMG Econtech Report in order to assist APLNG in making a FID with respect to the APLNG Project.

The APLNG Project will involve significant construction works in the Darling Downs, Fitzroy and South West Statistical Divisions between 2010 and 2017 when the LNG Facility is likely to be capable of operating at full capacity. The KPMG Econtech Report reports the \$35 billion APLNG Project will require construction

including building the LNG Facility, the Gas Pipeline and other associated infrastructure.

The Addendum states that APLNG and QGC Pty Limited ("QGC"), a related business of the British Gas group have agreed upon a framework for the development of jointly owned CSG tenements in the Darling Downs-South West region. APLNG and QGC have entered into conditional gas sales agreements to support the development of the APLNG Project and QGC's LNG project.

The Addendum states that APLNG is in 'advanced stages of negotiations for potential LNG sales contracts', but that due to the confidential nature of these negotiations, they cannot disclose details publicly.

4.7 Possible Environmental Effects

On 9 April 2009, the APLNG Project was declared a significant project for which an environmental impact statement ("EIS") is required under the SDPWO Act. Terms of Reference for the EIS were released by the Coordinator-General on 3 December 2009. APLNG lodged an EIS on 29 January 2010.

The EIS assesses potential adverse and beneficial environmental, economic and social impacts of the APLNG Project, and identifies management, monitoring and planning measures to minimise any adverse environmental impacts of the APLNG Project. In particular, the EIS has considered environmental impacts such as adverse effects on flora and fauna, coastal and marine areas, erosion, adverse soil effects on agricultural land, cultural heritage issues, greenhouse gases, air quality, and noise and vibration concerns. The EIS has also provided detailed mitigation strategies to adequately address these issues.

APLNG also submitted three Environment Protection and Biodiversity Conservation Act 1999 (Cth) ("EPBC Act") referrals. The Commonwealth Environment Minister determined on 3 August 2009 that the APLNG Project constituted a "controlled action" pursuant to the EPBC Act.

The public consultation and submission process for the EIS closed on 4 May 2010.

Possible environmental effects of the APLNG Project (which includes the APLNG Facility) are being appropriately addressed through the above processes.

4.8 Technical and Financial Capacity of the Proponent to Implement the Proposed Facilities

The Application advises that APLNG is a 50:50 joint venture between Origin and ConocoPhillips formed in November 2008 to implement the APLNG Project. APLNG draws on Origin's significant Queensland CSG reserves and the extensive

technical expertise and experience of ConocoPhillips with LNG processing technology production and CSG extraction in the United States.

Origin

The Application reports that Origin is:

- the largest integrated energy company operating both in Australia and New Zealand, with some 4,000 employees;
- the leading producer of gas in Eastern Australia and services over 3.5 million electricity, natural gas and LPG customers within the Australasia region; and
- a top 20 Australia Stock Exchange listed company.

Origin now operates (or has an interest in) CSG fields in the Bowen Basin and the Surat Basin. On behalf of APLNG, Origin also undertakes further exploration in the Bowen, Surat and Galilee Basins. To date, Origin has invested around A\$5 billion in production, gas exploration, energy retailing and power generation.

Origin also has extensive exploration and production portfolios across Australia, New Zealand, South East Asia and Kenya.

Origin's annual report for the year ending 30 June 2009 shows:

- Net assets of \$11.144 billion; and
- Net underlying profit of \$530 million.

ConocoPhillips

The Application reports that ConocoPhillips Inc is the third largest integrated energy company in the United States, based on market capitalisation, oil/gas reserves and production and has over 30,000 employees worldwide. ConocoPhillips Inc currently produces 2.2 million barrels of oil equivalent per day derived from an asset base valued at US\$152 billion. It is currently the fourth largest refiner in the world and the seventh largest worldwide reserves holder (excluding government controlled entities) with some 10 billion barrels of oil equivalent reserves.

ConocoPhillips Inc is known worldwide for its 'Optimized Cascade process to produce LNG'. It has operations in more than 30 countries.

For the year ended 31 December 2009, the summary annual report for ConocoPhillips Inc shows:

Total equity of US\$63.057 billion; and

Net income of US\$4.858 billion.

ConocoPhillips Inc already operates an LNG facility in the Northern Territory which is one of nine facilities developed worldwide using ConocoPhillips' Optimized Cascade process technology. The Darwin LNG facility is the most recent LNG facility developed in Australia and uses the same technology as is proposed for the APLNG Project.

4.9 Investigations on the Required Land

APLNG has made use of studies commissioned by the State including:

- the LNG whole of State Environmental Impact Study, December 2007;
- Site Selection Study LNG Production and Export Precinct, 28 March 2008;
- Environmental Assessment LNG Production and Export Facility Site Selection Study, 18 March 2009; and
- Callide Infrastructure Corridor Study Investigation Report, August 2009.

APLNG is proposing to:

- locate the LNG Facility on Curtis Island within the GSDA in an area which the above studies indicated would be suitable for such a development; and
- route the Gas Pipeline through the Callide Infrastructure Corridor which is identified by the State as being appropriate for locating CSG pipelines.

The Application states that APLNG has undertaken extensive environmental, cultural heritage, native title, ground truthing and geotechnical investigations on the land required for the APLNG Facility.

The Application states that APLNG utilised a number of methodologies to assess the most appropriate route for the Pipeline so as to minimise any impacts on landholders and other interested parties, including:

- detailed desktop studies using aerial photos, topographical maps and global information system mapping;
- workshops with relevant engineering, environmental, cultural heritage and community / stakeholder liaison representatives, to identify issues and assess risks; and
- ground truthing and field assessment to determine the accuracy of remote sensing data.

The Addendum records that the number and types of interests in land likely to be affected by the APLNG Facility are as follows:

- 254 freehold interests (of which 32 are within the Callide Infrastructure Corridor State Development Area ("CICSDA") and 22 within the GSDA;
- 4 leasehold interests; and
- 70 State land interests (of which 2 are within the CICSDA and 4 within the GSDA).

4.10 Negotiations to Acquire Land by Agreement

The Application and the EIS both state that APLNG has undertaken consultation with relevant landholders and other affected parties with respect to the probable acquisition of land.

The Application records that APLNG has fostered good working relationships with all of the registered native title claimants within the area of the APLNG Project, and has already undertaken cultural heritage discussions with interested groups concerning the nature of the APLNG Project. APLNG also indicates that it has undertaken negotiations with Traditional Owner groups in order to obtain Indigenous Land Use Agreements ("ILUA"). APLNG is confident of being able to agree ILUA with most if not all of these groups.

In particular, APLNG has commenced cultural heritage management plan negotiations, and in some cases agreed the terms of such plans with the Barunggam, Mandandanji, Iman, Wulli Wulli, Port Curtis Coral Coast, Gangulu and Western Wakka Wakka People.

4.11 Economic Significance of the Infrastructure Facility

The APLNG Facility will make a significant contribution to establishing an LNG industry for Queensland. APLNG states, in its Application, that it anticipates spending approximately \$35 billion through to 2020. Of the \$35 billion to be invested through to 2020, APLNG estimates that approximately 65% of that investment will be in goods and services sourced from Australia.

The KPMG Econtech Report states the APLNG Project is the largest CSG to LNG project currently under consideration in Australia. At a State level, the APLNG Project is expected to boost the Queensland economy by approximately \$2 billion per annum. For the regional economies of the Darling Downs-South West and Mackay-Fitzroy-Central West regions, the APLNG Project's contribution is forecast to be approximately \$900 million and \$770 million respectively per annum.

The Application states that the construction phase of the APLNG Project is expected to directly contribute an average of \$1.02 billion annually to the construction industry in Australia, and represents:

- 1.2% increase in the national construction industry;
- 5.0% increase in the Queensland construction industry; and
- 33.6% increase in the construction industry of the combined regional economies of the Mackay, Fitzroy, Central West, South West and Darling Downs Statistical Divisions.

The KPMG Econtech Report indicates that the operation of the APLNG Project will result in an increase in real Australian GDP of around \$1.3 billion on average each year, with a forecast increase in Queensland's Gross State Product of some \$2 billion each year for the 30 year life of the APLNG Project. Increased national investment as a result of higher private consumption of \$535 million on average per year is expected as a direct result of the operation of the APLNG Project.

The KPMG Econtech Report also forecasts significant benefits to the national, state and regional economies of Australia and in particular, benefits to the mining sector. It is projected that the APLNG Project, by unlocking Queensland's substantial but stranded CSG resources, will boost mining production by:

- 1.8% in the national mining industry;
- 8.1% in the Queensland mining industry; and
- 24.6% in the mining industry of the combined regional economies of the Mackay, Fitzroy, Central West, South West and Darling Downs Statistical Divisions.

As a direct result of the forecast expansion in the mining industry, the APLNG Project will contribute to an increase in economic output by:

- 0.1% in the national real Australian GDP;
- 0.9% in the Queensland real Gross State Product; and
- 4.4% in the total production value of the combined regional economies of the Mackay, Fitzroy, Central West, South West and Darling Downs Statistical Divisions.

Employment

During the construction phase of the APLNG Project, the KMPG Econtech Report estimates that employment in the construction industry is expected to increase by:

- 0.3% for the national economy;
- 1.3% for the economy of Queensland; and
- 8.8% for the regional economies of the Mackay, Fitzroy, Central West, South West and Darling Downs Statistical Divisions.

This translates to an expected direct contribution of approximately 3,300 jobs in these regions during the construction phase of the APLNG Project.

The construction activity associated with the APLNG Project is also expected to have a positive effect on other industries, due to increased demand for goods and services, labour and other resources. The KPMG Econtech Report indicates that the APLNG Project would be indirectly responsible for a significant increase in higher employment generally throughout the nation. It forecasts an annual contribution of approximately:

- 9,900 jobs (representing a boost of 0.1%) to the national economy;
- 7,600 jobs (representing a boost of 0.4%) to the Queensland economy; and
- 6,900 jobs (or a boost of 2.1%) to the regional economies the Mackay, Fitzroy, Central West, South West and Darling Downs Statistical Divisions.

In the operational phase of the APLNG Project, approximately 800 people will be required to operate the Gas Fields and the Pipeline, with a possibility for up to 325 additional employees if the APLNG Facility reaches full capacity.

The Department of Employment, Economic Development and Innovation has also reported in its Surat Basin Future Directions Statement that there will be significant flow on job creation arising as a result of the CSG to LNG projects in Queensland, particularly in sectors such as electricity, water, finance, transport, storage, manufacturing and construction.

Balance of trade benefits

Currently, Australia exports around half of its natural gas production with all of the outputs from the proposed LNG Facility to be exported.

The MMA Study indicates that economic modelling based on the standard LNG industry scenario (8x3.5 Mtpa LNG facility i.e. 28 Mtpa) will increase real Australian

Gross Domestic Product over the life of the LNG industry by 0.10% which is equivalent to just over \$1 billion of real annual Gross Domestic Product. The APLNG Project is targeting 18 Mtpa production by 2017 or 64% of the MMA Study's 'standard LNG Industry' scenario which clearly establishes the APLNG Project as economically significant to Australia, Queensland and the affected regions.

All proposed CSG to LNG projects (including the APLNG Project) will directly contribute to and stimulate output in other Queensland industries upstream to the oil and gas sector including construction, property and business. The purchase of goods and services from industries upstream to the oil and gas sector will also stimulate additional production in these Queensland industries.

Government Revenue

The APLNG Project (which depends on construction of the APLNG Facility) is expected to have a positive impact on Australian Government revenues. Additional personal income taxes as a result of increased employment, company taxes and goods and services taxes would be the main contributors to the increased government revenues.

During the construction and operational phases, whilst it is likely workers who commute from neighbouring areas would not contribute to local government revenues, all other workers would be expected to do so (including those working on a fly in/fly out or drive in/drive out basis). These contributions may come directly from workers who choose to buy a property to live in while working on site or indirectly from workers who either rent properties or choose to live in the construction/worker camps during the construction phase.

The APLNG Facility is expected to have a positive impact on the revenue of the Queensland Government. The direct sources of additional State revenues include transfer (stamp) duty, land tax, payroll tax, rents and royalties.

Queensland Government Royalties

The MMA Study reports royalties are payable to the Queensland Government at 10% of the well head value. On 2009 estimates, the royalties paid to the Government by LNG industry producers were between \$0.12 and \$0.18 per gigajoule. Currently, the total CSG resources accessible to the CSG to LNG projects are estimated to be in the order of 200,000 petajoules, which would result in significant royalties payable to the Queensland Government (calculated on 2009 pricing). The Application anticipates that the State would also receive royalties from the LNG industry which would reach \$850 M per annum by 2021. APLNG is engaging in ongoing discussions with the Queensland Government concerning royalty arrangements, with a view to ensuring

any royalties paid are consistent with the guidelines released by the Queensland Government earlier in 2010.

Some local businesses will also benefit by providing the goods and services to support the APLNG Facility needs as well as the additional consumption spending of those employed in the APLNG Project.

The Application and other material considered indicates that the APLNG Project of which the APLNG Facility is an essential part will be of economic significance and in particular:

- will provide significant economic growth to the Australian, Queensland and regional economies;
- will create significant employment opportunities both in the construction and operational phases of the APLNG Project;
- will increase State revenues and regional revenues significantly; and
- will benefit associated industries, both in Queensland and within the Mackay,
 Fitzroy, Central West, South West and Darling Downs Statistical Divisions.

4.12 Social Significance (including community wellbeing) of the Infrastructure Facility

The APLNG Facility, as an essential part of the APLNG Project, will contribute significantly to the growth of both the Australian and regional economies, and will encourage sustainable long-term diversified economic growth in associated industries for the benefit of state and regional communities.

The KPMG Econtech Report indicates that over the life of the APLNG Project consumer Queensland living standards should improve annually by \$573 million (at 2006-2007 prices) compared to consumer living standards if the APLNG Project does not proceed.

In the Department of Employment, Economic Development and Innovation's "Blueprint for Queensland's LNG Industry" it has been estimated that a mid range 28 Mtpa LNG industry is expected to provide over 18,000 direct and indirect jobs in Queensland. Given that the APLNG Project currently expects to produce approximately 18 Mtpa in its own right, the APLNG Project, and in particular the APLNG Facility will contribute significantly towards this overall increase in direct and indirect jobs in Queensland. A flow on effect of this increase also translates to greater employment opportunities within the Mackay, Fitzroy, Central West, South West and Darling Downs Statistical Divisions.

The EIS reports that a number of positive social outcomes can be expected from the APLNG Facility (as a part of the greater APLNG Project). They include:

- increased workforce skill levels and overall capacity in specialised sectors within the resources and construction industry;
- the injection of money, people into the affected regions and diversified economic activity;
- greater job security in the non-agricultural sectors of the affected regions in which the APLNG Facility is located;
- enhanced community cohesion due to population stability achieved by reversing the rural - urban drift and significant local infrastructure investment;
- decreased unemployment, including for indigenous people and young people, throughout the APLNG Facility area;
- population growth and stability in the APLNG Facility area; and
- flow on employment opportunities in non-energy sectors.

The EIS also reports that this Project is expected to boost the Queensland economy by \$2 billion per year and generate sustainable long-term employment. The EIS also notes that APLNG has developed a workforce strategy to target the skills shortage in the local labour market and stimulate sectors of the community that are not currently participating in the workforce, such as under-represented groups.

The material considered that the APLNG Facility will be of social significance (including community wellbeing).

4.13 Summary of the Public Submissions (Particularly Economically or Socially) of the APLNG Project

When assessing the Application, the Coordinator-General invited submissions on relevant issues from affected persons. A total of 4 separate submissions were received. APLNG responded to those submissions in its letter to the Department of Infrastructure and Planning dated 26 May 2010.

Section 125 of the SDPWO Act requires that the Application be assessed to determine whether the APLNG Facility is of significance, particularly economically or socially, to Queensland or the region in which the facility is to be constructed. None of the submissions received questioned the economic or social significance of the APLNG Facility.

Instead, the submissions raised issues that are being addressed in the EIS process and in the consultation and negotiations APLNG is currently undertaking with persons affected by the APLNG Facility about access to their land, tenure arrangements and compensation.

One submission raised concerns with respect to the potential adverse impact of the APLNG Facility upon oil shale tenements and, in particular, whether APLNG's preferred and alternative routes for the Gas Pipelines had been properly investigated.

On balance, however, the material considered establishes that the APLNG Facility will contribute an economic and social benefit of significance for the affected regions and Queensland generally.

5 The Reasons for the Decision

The APLNG Facility was approved as an infrastructure facility that is of significance, particularly economically or socially, to Queensland, and to the Darling Downs, Fitzroy and South West Statistical Divisions being the regions in which the APLNG Facility is to be constructed for the following reasons:

- the APLNG Facility described in the Application comes within the definition
 of an "infrastructure facility" set out in section 125 (16) (e) of the SDPWO
 Act;
- the statements made in the Application regarding the demand for LNG from the APLNG Facility are supported by independent research in the MMA Study prepared for the Queensland Government, the ABARE and the AERA Reports which collectively indicate there is a significant and increasing global demand for LNG, particularly in the Asia Pacific markets. This growing global demand for LNG can be met by the CSG reserves held by APLNG in the Surat and Bowen Basins but only if an infrastructure facility in the form of the APLNG Facility is constructed to gather and transport the CSG from the Gas Fields to Gladstone, and liquefy the CSG and export it as LNG from Gladstone The APLNG Facility will assist in developing and expanding an export market for LNG obtained from Queensland's stranded CSG reserves and will stimulate State revenues and economic growth;
- the Application, its supporting documentation and the Addendum and independent reports listed in this Statement Giving Reasons demonstrate that the APLNG Facility will provide significant direct and indirect economic benefits. Such benefits include an increase in economic activity, employment and technical skills level to the local regions and Queensland generally;

- the Application, its supporting documentation and the Addendum also indicate
 that there are, on balance, social benefits associated with the APLNG Facility
 through significant overall employment such as stimulating regional growth,
 job security and investment in required social infrastructure;
- the information provided in the Application indicates that APLNG has conducted appropriate investigations to identify the land required for the APLNG Facility;
- the Application records APLNG's ongoing commitment to conduct investigations with affected landholders and other interested parties to identify the most appropriate land required as well as access and acquisition arrangements for the APLNG Facility;
- APLNG's proposed timetable for the first production of LNG in late 2014 with a view to reaching full capacity in 2017 appears realistic and feasible;
- APLNG is not seeking any special assistance from Government other than
 possible land acquisition and various licences to be granted through the
 appropriate legislative processes;
- an EIS to assess the potential adverse and beneficial environmental impacts of the APLNG Project (of which the APLNG Facility is a part) has been prepared and APLNG is completing some supplementary work prior to the Coordinator-General preparing a report evaluating the EIS pursuant to section 35 of the SDPWO Act. Environmental issues can be appropriately dealt with through this process;
- APLNG through its joint venture parents Origin and ConocoPhillips has the apparent financial capacity and technical capability to fund and deliver the APLNG Facility as part of the APLNG Project;
- the Application does not disclose anything contrary to State Government policy in the *Blueprint for Queensland's LNG Industry*, Department of Employment, Economic Development and Innovation SD5753 08/09; and
- the Application addresses the requirements of section 125 (1) (f) of the SDPWO Act and the requirements of Appendix A of the SDPWO Act Guidelines for acquisition of land for infrastructure projects by persons other than the State and adequately demonstrates that that the APLNG Facility should be approved as an infrastructure facility that is of significance.