



Managing coal seam gas activities

Report 12: 2019–20



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Our ref: PRJ01517

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The Honourable C Pitt MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

Dear Speaker

Report to parliament

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*, and is titled Managing coal seam gas activities (Report 12: 2019–20).

In accordance with s.67 of the Act, would you please arrange for the report to be tabled in the Legislative Assembly.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Brendan Worrall".

Brendan Worrall
Auditor-General

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Report on a page

We audited two regulators, the Department of Natural Resources, Mines and Energy (DNRME) and the Department of Environment and Science (DES). We also audited the GasFields Commission Queensland (the commission). The commission is not a regulator, but it has a legislated oversight role to the regulatory framework, facilitates coexistence and provides advice to government, industry and stakeholders. We highlighted the performance of the regulators and the commission in fulfilling these roles, the gains they have made, and their ongoing challenges, in delivering on the government's coexistence policy (meaning landholders, communities and industry successfully existing together).

Regulatory framework

Dispersing regulatory responsibility across DNRME and DES has the benefit of drawing on their specific expertise but necessitates effective strategic planning, coordination and reporting between them.

The regulators could enhance their current regulatory practices by better coordinating their planning, information and data sharing. Work units within and across the regulators use different systems to support their work. The lack of system interoperability (when systems can exchange data and interpret that shared data) makes it difficult for the regulators to collectively coordinate and report on regulatory activities. Greater collective oversight and reporting on compliance and enforcement outcomes would enhance stakeholder confidence in the regulators and the government's coexistence approach.

The use of data to better identify and target emergent risks will allow for a proactive approach to regulating the industry. This will enhance the effectiveness of the regulatory activities and aid in improving community confidence.

The commission is not fulfilling all of its legislative functions. It does not provide oversight of the regulatory framework.

Stakeholder management and engagement

The regulators and the commission partner with one another to engage stakeholders. Their efforts have improved relationships between industry, regulators and landholders in recent years. However, some stakeholders still perceive the commission as an advocate for the industry. We recommend evaluating the current engagement approach to determine its effectiveness in meeting the needs of all stakeholders.

Community concerns

Some landholders say they have been unable to obtain information relevant to their land from the two regulators and from industry. They state that the cost of obtaining independent information and advice is high and they are unable to get the same level of information that industry has. This puts them at a disadvantage when negotiating with industry—for example, when negotiating conduct and compensation agreements. To coexist effectively, landholders and the community need confidence that the industry's behaviour is transparent, and that government will hold all participants (including industry and regulators) accountable.

We have made recommendations to the regulators to work together to improve their use of data, reporting, information sharing and stakeholder engagement.



Introduction

Commercial production of coal seam gas in Australia began in 1996 in the Bowen Basin of Queensland. Growth in coal seam gas activities has grown rapidly since then to 11,444 coal seam gas wells in Queensland at the end of the 2018–19 financial year.

Coal seam gas is natural gas (mostly methane) sourced from coal deposits (coal seams), which are typically 400 to 1,000 metres underground. These coal seams sit far below shallow aquifers, which provide water for agricultural use. Wells the size of a dinner plate are drilled into the coal seams, releasing water and gas. The water is pumped to holding dams and may be treated to be used for agriculture or other uses. The gas is pumped to a processing facility to be compressed and fed into gas transmission pipelines. It can be used to generate electricity. It can also be cooled, liquified and shipped as liquified natural gas to markets.

In the 12 months to April 2019, liquified natural gas was Queensland's second greatest export commodity, with a total export value of \$15.2 billion.

The rapid growth of the coal seam gas industry has led to public concerns about impacts on the community, agriculture, health, and the environment. Some of the concerns relate to the effect of the industry on:

- ground water
- land access and land values
- agricultural produce
- the environment (for example, the long-term management of safe disposal of salt and brine waste)
- uncontrolled or unintended release of gas (referred to as fugitive emissions).

As a result of similar concerns, New South Wales, South Australia, Tasmania, Victoria and Western Australia have placed either complete or partial bans on coal seam gas activity. (See Appendix D.)

The Queensland Government has a framework focused on promoting the coexistence of landholders, regional communities, and industry. The primary focus of the land release framework is for development of the state's petroleum resources that maximise benefits for Queenslanders, including an adequate return to the state for its mineral resources and ensuring future gas supply. Potential exclusions and regulatory constraints are considered before releasing land for coal seam gas activities.

A significant amount of Queensland's coal seam gas resources is found in the state's agricultural regions, including in some of the most productive agricultural land. The two industries compete with one another for land use. The Queensland Government's coexistence framework aims to balance the importance to the state of both coal seam gas and agriculture. Coal seam gas contributes to the nation's energy needs and agriculture is vital for the nation's food security. Both contribute to the economy through substantial exports.

Effective government regulation is essential to maintaining coexistence between the two industries. Landholders and communities need a high level of trust in the effectiveness and openness of government regulation. This audit examines the effectiveness of the regulators in regulating the coal seam gas industry.



Regulating the industry

How the industry is regulated

Regulation of the coal seam gas industry is spread across various state government entities. The current regulation considers coal seam gas activities as part of the petroleum and gas industry.

The **Department of Natural Resources, Mines and Energy** (DNRME) is responsible for:

- identifying land for release and calling for tenders
- managing the tendering and assessment process for issuing the authorities to prospect and the petroleum leases to conduct coal seam gas activities
- making recommendations to the minister to grant the authorities to prospect and petroleum leases to companies
- ensuring holders of the authorities to prospect and petroleum leases comply with the requirements of their authorities or leases, including production, safety, compliance and decommissioning requirements.

DNRME conducts these activities under various Acts of parliament, including the *Petroleum Act 1923*, the *Petroleum and Gas (Production and Safety) Act 2004*, the *Mineral Resources Act 1989* and the *Mineral and Energy Resources (Common Provisions) Act 2014*.

The Office of Groundwater Impact Assessment administratively sits within DNRME. It has responsibility and technical expertise for assessing and managing the impacts of groundwater extraction in cumulative management areas.

The **Department of Environment and Science** (DES) is responsible for approving, monitoring and regulating environmental authorities and conditions for companies to undertake coal seam gas activities.

It conducts its activities primarily under the *Environment Protection Act 1994*, and the *Environmental Protection Regulation 2008*.

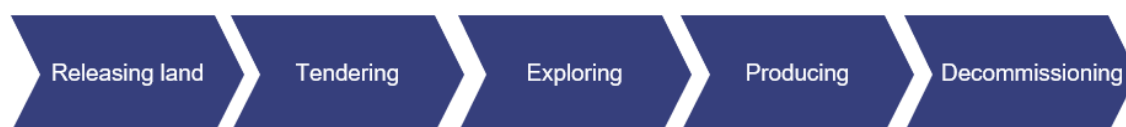
The Queensland Government set up the **GasFields Commission Queensland** (the commission) in 2012 to manage and improve the sustainable coexistence of landholders, regional communities and the onshore gas industry in Queensland.

The commission conducts its activities under the *Gasfields Commission Act 2013* and its legislation gives it 14 functions to achieve its objectives. Its functions can be grouped into three categories: overseeing the regulatory framework; facilitating coexistence; and advising government, industry and stakeholders. Appendix E lists all 14 legislated functions.

Other Queensland Government departments and entities, such as the Department of Agriculture and Fisheries, and the Department of State Development, Manufacturing, Infrastructure and Planning, have specific functions supporting aspects of the regulation of the industry.

Figure A shows the phases of coal seam gas activities and Appendix C provides more detail.

Figure A
The phases of coal seam gas activities



Source: Queensland Audit Office.



Summary of audit findings

Regulating the industry

The Department of Natural Resources, Mines and Energy (DNRME) and the Department of Environment and Science (DES) (we refer to these agencies collectively as the regulators) have clear roles and responsibilities in the regulatory framework. Each regulator sets up adequate processes to manage activities that are relevant to its own regulatory functions. The regulatory framework applies across a range of industries and the regulators manage coal seam gas as part of this (it is not specific to coal seam gas). They do not identify coal seam gas activities separately from their other regulatory activities, do not coordinate their planning and regulatory activities, and have disparate systems and data practices. These limitations make it difficult to assess the overall effectiveness of the regulatory framework specific to coal seam gas activities.

Compliance planning

Each year, the regulators plan their compliance audit and inspection activities for the coming year. To varying degrees, the regulators adopt a risk-based planning approach, which in most cases includes operator and site risks. This is good practice as it allows the regulators to target their resources most effectively to the areas they consider to be highest risk. Nevertheless, they could enhance their risk-based planning by including industry-specific risks.

Their planning tends to cover the broad range of regulations and industries they regulate, and they tend not to have coal seam gas-specific activities in the plans. This makes it difficult for them to adequately focus on or target coal seam gas-specific risks. In their plans, we expected to see them identify the key industry risks they planned to target and the outcomes they intended to achieve. We found some examples of this occurring, but it was not widespread. For example, DNRME's Petroleum and Gas Inspectorate undertook a specific compliance assessment project of audits and inspections of wells for statutory compliance.

The regulators' plans could also be improved by better detailing the outcomes they are seeking rather than measuring activities. For example, some plans only list how many inspections have been done in a resource company, but they do not list the type of risks the activities aimed to address.

Monitoring compliance

The regulators monitor compliance through the planned audits and inspections they undertake and through reactive audits and inspections when they receive complaints from the community or notifications of incidents from industry.

DES focuses on compliance areas relating to environmental authorities whereas DNRME focuses on areas relating to tenure conditions and workplace health and safety. The regulators have developed an effective process for monitoring coal seam gas activities within their regulatory functions. However, the regulators record compliance outcomes in different databases. DES's data cannot differentiate whether the identified locations are coal seam gas-specific as its datasets do not identify coal seam gas-specific activity. DNRME has similar issues. This limits the ability to build a collective picture of how well the regulators monitor compliance in the coal seam gas industry.



Education and enforcement

Both DNRME and DES have, and are increasingly using, a range of education and enforcement options when they identify non-compliance with tenure or environmental conditions. They both adopt an approach of working to bring non-compliant operators into compliance. When they detect non-compliance, the regulators initially work with operators to educate and guide them into returning to compliance. For this reason, their use of enforcement action has, to date, been limited. Where non-compliance persists, they adopt more formal enforcement methods. There is evidence that they act to enforce compliance, such as issuing infringement notices, prosecution and, in one case, cancelling tenure.

Reporting and coal seam gas data

The regulators currently report on activities and status rather than on outcomes. The regulators do not monitor or report on how effectively they enforce compliance of the coal seam gas industry. DNRME does not track and report the number of operators who were found to be non-compliant but were subsequently brought back into compliance. DES does track and report on this at an aggregate level, but it does so collectively for all industries it regulates. It, therefore, does not know and cannot report on how effectively it enforces the coal seam gas industry.

The regulators have limited data sharing capabilities. This reduces their effectiveness in monitoring all phases of coal seam gas activities (see Figure A in the introduction). As a result, the regulators cannot provide government with a collective understanding of regulatory effectiveness and industry compliance.

Assessing regulator performance in applying the regulatory framework to the tendering, approval, monitoring and enforcement of coal seam gas activities is difficult. This is because the regulators capture regulatory information for the petroleum and gas industries, which includes but is not limited to the coal seam gas industry. This aligns with the guiding legislation. Because the regulators do not categorise within their information to distinguish coal seam gas from other petroleum and gas leases or authorities, they cannot isolate coal seam gas activities. Doing so requires departmental staff to manually extract and manipulate data and apply assumptions. Consequently, we and the regulators were unable to verify the complete population of authorities and leases for coal seam gas activities with any degree of confidence.

Engaging and managing stakeholders

The regulators and the commission have developed a partnership approach, such as chairing information sessions together, to collectively engage with industry and landholders and promote coexistence. They seek written feedback from participants for some of the engagement sessions. However, they have yet to evaluate the overall approach to assess how well they are collectively meeting the stakeholders' needs.

Some stakeholders are confused and frustrated by the number of entities (including the regulators, the commission, the Land Access Ombudsman, and other government departments) that perform roles and provide information about coal seam gas activities and processes. Some stakeholders are also confused about the rights, entitlements, and obligations of industry and stakeholders. It is difficult for some landholders to know who to ask for, and how to access, information relevant to their queries or concerns. It also leads to the risk of incomplete or conflicting information being provided on occasion.



Even though landholders can request information from industry, some landholders and representatives reported to us an imbalance in the information they have access to when negotiating with industry. For example, industry and government can access assessments and baseline data. In some cases, they may not share the information with landholders, as industry considers it to be commercially sensitive. This has the potential to disadvantage landholders in negotiations—such as negotiations for conduct and compensation agreements.

Identifying coal seam gas risks

An area of importance to coexistence is effectively assessing the potential impact of resource activities (including coal seam gas) and development activities on highly productive agricultural land. The legislative framework is intended to manage the impact of resource activities and other regulated activities on areas of regional interest by adding additional conditions into approvals to protect these areas. It requires input and recommendations from relevant government departments. The current framework for approving coal seam gas activities on highly productive agricultural land requires collaboration between four departments: the Department of State Development, Manufacturing, Infrastructure and Planning; the Department of Agriculture and Fisheries; DNRME; and DES. Stakeholders have separately raised the need for greater consistency of land classifications across the legislation and the need to improve the identification of priority agricultural interests and protect them from non-agricultural development. Although not within the scope of this audit, stakeholders also raised concerns that the current framework has not kept pace with new types of activities (for example, use of priority agricultural land for solar farms is not subject to this framework). There is an opportunity to evaluate the effectiveness of the current framework to ensure it continues to meet the intent of the government's coexistence policy.

People who live near a coal seam gas site may be impacted by the activities (referred to as offsite impacts). In April 2018, the Queensland Parliament's State Development, Natural Resources and Agricultural Industry Development Committee (the parliamentary committee) reported on its review of the Mineral, Water and Other Legislation Bill. The parliamentary committee, while noting it was outside the scope of its review of the Mineral, Water and Other Legislation Bill, expressed concern at the adequacy of the legislative framework to remedy or compensate people for offsite impacts. Landholders and their representatives continue to express concern that they have struggled to obtain remedy and/or compensation for offsite impacts. More than 18 months on from the parliamentary committee expressing its concerns, it is now timely for DNRME, DES and the commission to evaluate the effectiveness of the 'alternative arrangements' to provide adequate rights to people affected by offsite impacts.

The regulators and the commission have not developed an approach to effectively identify risks using the coal seam gas data they gather. For example, the regulators only conducted limited strategic analysis to build a collective understanding of industry trends. In recognising the need for better business analytics capability, the regulators have started projects to modernise the way they capture and use data to better inform their regulatory activities.

Oversight of the regulatory framework

The commission has 14 legislative functions (see Appendix E), one of which is to review the effectiveness of government entities in implementing regulatory frameworks that relate to the onshore gas industry.

Changes to the regulatory frameworks (with the introduction of the Land Access Ombudsman and role of the Land Court), ongoing perceptions about the independence of the commission, and the industry maturing since the commission's establishment, create an opportunity for government to consider the commission's scope and future role.



Audit conclusions

The viability of the coal seam gas industry depends on its ability to coexist with landholders and regional communities. The industry has matured and is now more viable because DNRME and DES (the regulators), GasFields Commission Queensland (the commission) and companies have invested in their relationships with landholders and communities. Some underlying tensions remain, and relationships require ongoing fostering, particularly as new areas are made available for coal seam gas exploration and production.

The regulators have developed an effective framework for approving, monitoring and regulating coal seam gas activities, environmental obligations, and safety within the legislation they operate. However, we and the regulators were unable to verify the complete population of authorities and leases for coal seam gas activities with any degree of confidence. DNRME operates based on industry groupings, which includes coal seam gas as a subset of the petroleum and gas industry. Based on the testing we have performed, we did not find any non-compliance with their processes. However, because we are unable to establish the complete population, we can only provide limited assurance over their effectiveness in regulating the industry to ensure a safe industry that is compliant with tenure and environmental obligations.

Concerns from landholders and other stakeholders persist regarding the effectiveness of the framework in managing issues such as priority agricultural areas, offsite impacts, and the long-term environmental effects of coal seam gas activities. The regulators need to continue to refine their engagement and regulatory processes, procedures, and systems in response to concerns and the changing environment.

The regulators are now starting to more readily apply the full suite of compliance and enforcement options available to them. However, the regulators' current systems limit their ability to provide an overall view of the collective effectiveness of their regulatory activities and limit their ability to share information and coordinate activities. The regulators could enhance their current regulatory practices by better coordinating their compliance planning, and information and data sharing.

The coal seam gas landscape has changed since the commission was established in 2012 and the *Independent Review of the Gasfields Commission Queensland* in 2016 (the Scott review). It continues to evolve. It is timely for government to consider the effectiveness of the commission in delivering value, particularly considering it is not fulfilling all its legislated functions and stakeholders question its effectiveness and independence.

The coal seam gas industry expanded rapidly over the past 10 years. The regulators have needed to adapt to this expansion and the emerging body of science and information about the industry. For the government's coexistence policy to be successful, the regulators and the commission must continue to adapt as unresolved concerns persist, new issues emerge, and the science continues to evolve. This ongoing evolution of the industry will require government to continually evaluate and refine its regulatory framework.



Recommendations

The Department of Natural Resources, Mines and Energy and the Department of Environment and Science

We recommend the two entities:

1. make better use of their data to effectively deliver regulatory outcomes (Chapter 1), by:
 - collecting and analysing data from across the regulators and the industry to identify current and emerging coal seam gas risks, trends and priorities
 - using insights from the data analysis to inform their compliance planning and engagement across all areas of the departments
 - training and supporting staff in further analysis and use of data to better target compliance activities
 - improving their reporting to develop a collective understanding of industry compliance and regulatory outcomes
2. enhance coordination between the departments to assist in providing greater clarity for applicants and stakeholders on the progress of tenure and environmental authority applications (Chapter 1).

The Department of Natural Resources, Mines and Energy, the Department of Environment and Science, and the GasFields Commission Queensland

We recommend the three entities:

3. develop and implement a coordinated data sharing framework for sharing information relating to their regulatory activities (Chapter 1)

This should include:

- establishing systems and processes (and automation, to the extent possible) to improve their ability to use the data
 - agreeing on data requirements and a common identifier for coal seam gas related activities to better facilitate the exchange of information between the entities.
4. work with key stakeholders to further evaluate the adequacy of remedy for property owners neighbouring coal seam gas activities (Chapter 1)
 5. evaluate their current collaborative engagement approach to determine its effectiveness and how they can better address the needs and concerns of stakeholders (Chapter 2)
 6. facilitate ways to further enhance the exchange of information between industry, government and landholders in situations where landholders have not been given the information to make an informed decision. This should consider potential legislative changes and commercial-in-confidence constraints (Chapter 2).



The Department of Natural Resources, Mines and Energy

We recommend the department:

7. publishes the weighting and any mandatory criteria used for assessing or excluding tender applications (Chapter 1).

The GasFields Commission Queensland

We recommend the commission:

8. reviews the assessment process identified under the *Regional Planning Interests Act 2014* to determine whether the process adequately manages coal seam gas activities in areas of regional interest. This should take into consideration stakeholders' concerns about inconsistent definitions of land and exceptions to the assessment process (Chapter 1).

The Department of State Development, Manufacturing, Infrastructure and Planning

We recommend the Department of State Development, Manufacturing, Infrastructure and Planning:

9. determines the scope, future function and role of the GasFields Commission Queensland, taking into consideration industry maturity and consultation with the commission, regulators and industry (Chapter 2).



1. Regulating the industry

This chapter covers the effectiveness and efficiency of public sector entities in regulating the coal seam gas industry to ensure a safe and viable industry.

Introduction

Coal seam gas extraction can provide economic benefits to landholders and local communities, including access to treated groundwater for the agricultural industry. It also creates challenges for industry, for example managing waste products such as salt and brine, which are produced in the extraction process. When it affects areas surrounding the coal seam gas site, such as neighbouring farms, the effect is referred to as offsite impacts.

Effective regulation of coal seam gas activities is essential to ensure the industries, landholders, and communities coexist, the benefits are maximised, and the risks managed.

We expected to find the regulators to have effective planning, monitoring and enforcement frameworks in place. An effective compliance monitoring plan should lay out how compliance will be monitored. The plan should be based on a risk assessment and include inspection strategies (for example, coverage of the industry or frequency of inspections) and information requirements (for example, documents submitted by the regulated population).

We examined whether the Department of Natural Resources, Mines and Energy and the Department of Environment and Science (the regulators):

- are clear about their roles and responsibilities in the devolved regulatory environment
- follow legislative processes to release land for tendering
- have designed and applied appropriate processes for approving applications in accordance with required legislation/policies/guidelines
- use data to effectively plan and monitor their regulatory activities on a risk basis to maximise compliance effectiveness
- have an appropriate range of enforcement actions and apply them in appropriate circumstances
- ensure wells are appropriately decommissioned.

Releasing land for coal seam gas activities

Governments decide what land they will release for coal seam gas activities. Industry can then submit tenders for the right to explore and mine on the released land.

The Department of Natural Resources, Mines and Energy (DNRME) is responsible for managing the release of land for tender under Queensland's exploration program. The Queensland Government's framework for releasing land focuses on landholders and industry successfully existing together (coexistence).

DNRME considers potential exclusions and regulatory constraints before releasing land for coal seam gas, but the primary focus of the framework is on releasing land and managing the risks. Coal seam gas companies tendering for land would consider factors such as its commercial potential (production) and any environment and lease conditions set by the regulators.



DNRME’s process and guidance for managing the tendering of land is adequate to meet the intent of the government’s framework, but its consultation on releasing land and its assessment of tenders against evaluation criteria could be refined.

Consulting on release of land

DNRME develops an engagement plan for Queensland’s exploration program to engage with stakeholders (communities and industry groups, such as the Queensland Farmers Federation) on exploration areas to be released for tender over the upcoming 18 months. Some stakeholders commented to us that the consultation seemed to be more of a notification than a meaningful consultation. This may be due to the timing of the consultation. For stakeholders to feel that consultation is meaningful, it needs to occur at a time when they can influence the outcome.

DNRME previously consulted with relevant public sector entities when it considered releasing certain types of land. Between 2014 and 2016, DNRME sought advice and recommendations from the Department of Agriculture and Fisheries (DAF) on the proposed release for tender of land identified as priority agricultural areas and strategic cropping land. Consulting with DAF was appropriate to ensure the interests of the agriculture industry were considered when making these decisions. However, from 2016 to late 2019, DAF did not receive any requests for advice or recommendations from DNRME. DNRME advised us that it did not make an explicit decision to stop, and that it is now considering re-engaging with DAF for advice on releasing agricultural land before finalising future exploration programs.

The tendering process

DNRME’s processes and guidance about tendering for land include (but are not limited to) probity requirements, evaluation criteria, separation of roles, and approval and review mechanisms. However, the department’s weightings against the evaluation criteria could better reflect landholder and community concerns, which predominately relate to health and the environment.

The criteria used by the department to evaluate tenders comply with the criteria for decisions specified in section 43 of the *Petroleum and Gas (Production and Safety) Act 2004*:

- capability criteria—financial and technical resources; ability to manage petroleum production
- applicants proposed initial work program
- any special criteria.

The *Petroleum and Gas (Production and Safety) Act 2004*, does not define ‘special criteria’ and does not place a weighting on the three criteria categories. The department’s template for assessing these criteria lists three sub-categories of special criteria. (See Figure 1A). DNRME weights the criteria to prioritise economic benefits over health and safety, environmental concerns, legislative requirements, and native title consultation and compliance (Special Criteria 2). The department previously disclosed its weighting for the criteria but ceased this practice in recent years. Disclosing to applicants the basis on which the department will assess them against the criteria (including any weightings or other considerations) would be a good practice, as it would provide greater transparency to applicants. The department advised us that it is considering disclosing its weighting of assessment criteria for future tender releases.



Figure 1A
Assessment criteria

Criteria	Description
Capability	Financial and technical resources; ability to manage petroleum production.
Initial Work Program	Appropriateness of tenderer's proposed work program.
Special Criteria 1	Ability to contribute to a diverse and efficient exploration industry in Queensland.
Special Criteria 2	Ability to meet Australian market supply conditions and supply gas to the Australian manufacturing sector.
Special Criteria 3	Approach to community consultation and compliance with relevant Queensland resources legislation, environmental requirements, health and safety requirements, cultural heritage requirements and native title.

Source: Department of Natural Resources, Mines and Energy, Call for tenders for authority to prospect evaluation plan template.

Collectively, the department places a higher weighting on diversity and efficiency (Special Criteria 1), technical/financial capability and work program (Capability Criteria and Initial Work Program), and, where it applies, domestic market supply (Special Criteria 2). It places a lesser weighing on health and safety, environmental concerns, legislative requirements, and native title consultation and compliance (Special Criteria 3). The department should reconsider whether these weightings adequately align with the government's policy of coexistence.

Approving coal seam gas activities and setting conditions

The regulators have adequate processes and guidance in place to assess and approve applications for coal seam gas exploration, production and associated environmental impacts. Elements of the regulators' processes rely on collaboration and coordination between the departments; this does occur, but could be improved.

The regulators could make their processes more efficient and effective by better coordinating their efforts and sharing information. They could also introduce benchmark time frames for parts of the assessment process, recognising that applications may vary in complexity. This would provide a higher degree of clarity to industry and landholders and allow the regulators to better track performance of the approval process.

Industry has suggested a coordinator be appointed for each application to coordinate the assessment between regulators, improve timeliness, and reduce duplication. A more client-centric approach and better coordination between the departments could assist in providing greater clarity for applicants on the progress of their applications.

Assessing applications

To conduct coal seam gas activities, companies must apply for, and be assessed as suitable by:

- DNRME to hold an authority to prospect or a petroleum lease
- Department of Environment and Science (DES) for an environmental authority.

Where appropriate, DES will consult with the Office of Groundwater Impact Assessment for technical advice.

The two departments' assessment processes are conducted in parallel as they are interdependent—an authority to prospect or a production lease cannot be granted without an environmental authority also being granted.



Authorities to prospect and petroleum leases

DNRME has developed an adequate three-staged business process for assessing applications:

- application lodgement and verification
- assessment
- decision.

The process is supported by policies, templates, checklists and flow diagrams to guide staff in consistently applying the process and understanding their roles and responsibilities. This material references relevant statutory requirements.

Between 1 July 2013 and 30 June 2019, DNRME granted 32 authorities to prospect and 41 petroleum leases. Most companies were granted multiple authorities over different sites.

Assessing applications for environmental authorities

DES has developed an adequate business process for assessing applications and setting appropriate environmental conditions. Its process is detailed in its guideline, *Application requirements for petroleum activities*. The process is supported by policies, templates and checklists to guide applicants and staff in consistently applying the process and understanding their roles and responsibilities. This material references relevant statutory requirements. The process is designed to cater for three types of environmental authorities, which are determined by the specifics (extent and risk of environmental disturbance) of the proposed activity:

- standard—environmental authority with standard conditions. This type of environmental authority is for sites considered low risk and therefore subject to standard conditions
- variation—environmental authority with a variation to the standard conditions. This type of environmental authority is for where the applicant is seeking a variation to the standard conditions
- site specific—environmental authority with conditions that are specific to the site.

The applicant determines the type of environmental authority required for its site. DES approves the standard applications automatically. Its assessment is progressively greater for activities that involve variations to standard condition or site-specific application types.

All petroleum leases require a site-specific environmental authority, which means they are subject to environmental conditions that are tailored to the individual project.

DES is applying its process as intended, however as most applications for environmental authorities are standard, they are granted with limited assessment from DES.

Between 2013–14 and 2018–19, DES processed 94 environmental authority applications relating to coal seam gas activities, of which:

- 70 were for authorities with standard conditions and required only administrative DES assessment before it granted approval
- one was for an authority with a variation to standard conditions
- 23 were for authorities with site-specific conditions.

During this period, DES did not refuse any applications for environmental authorities. It worked with applicants to determine whether activity restrictions were required to prevent and mitigate environmental harm. In those cases where an application did not meet the standard environmental authority conditions, the department worked with the applicant to develop an environmental authority with a variation or with site-specific conditions.



Timeliness of approving authorities and leases

The time needed to assess an authority or lease application varies depending on the:

- scale and technical complexity of the proposed coal seam gas activity
- specifics of the location (for example whether it is on or close to environmentally sensitive areas)
- responsiveness of the applicant and stakeholders in responding and providing information to the departments.

The *Petroleum and Gas (Production and Safety) Act 2004* sets time frames for resource holders to lodge applications. For example, the holder must lodge a proposed development plan to DNRME at least 40, but no more than 100, business days before the end of the plan period for its current development plan. The Act does not set decision-making time frames for tenure approval. DNRME sets its own time frames on the competitive tender process and the tenure application process. For example, the time frame states that it will take between six and 15 months from when a tender is open to when a preferred tenderer is appointed.

The *Environmental Protection Act 1994* has set legislative time frames for actioning requests and applications for environmental authorities except for an environmental authority with standard conditions (no assessment required). The time frames vary depending on the type of authority applied for. For example, the legislation states that assessment for an environmental authority with variations to standard conditions is up to 45 days, but for an authority with site-specific conditions it is up to 90 days. The legislation also allows extension of the statutory time frames.

We assessed the regulators' timeliness of processing applications against these time frames and we assessed trends in the timeliness of processing applications.

Timeliness of the Department of Natural Resources, Mines and Energy—tenure

DNRME generally processes petroleum and gas (which includes coal seam gas) applications for tenure on time when assessed against the time frames it sets for itself. It based its time frames on its previous approval performance and the work unit's assessment of how long an application should take. DNRME is continuing to refine and further develop its benchmark time frames and processes for monitoring its timeliness.

At present, its data and systems are not structured in a way that allows it to distinguish the parts of the approval process it controls from those it does not (such as waiting on native title assessments or waiting for the applicant to provide requested supporting information or assessments). The coal seam gas sector and its representatives expressed concerns about unpredictable decision-making time frames, which they say limit their ability to execute an efficient project schedule. While timely processing of applications can be a measure of efficiency, it must be balanced against the need for effective and robust assessments.

Tendering

Between 2015–16 and 2018–19, DNRME processed 68 per cent of tenders within its own set time frames. The median time DNRME took to process from when a tender was open to when it was offered to a preferred tenderer was 253 days. The department set an indicative time frame of 450 days (15 months). The time it took to assess and process tenders decreased from a median time of 581 days in 2015–16 to 207 days in 2017–18.



Applying for tenure

DNRME is unable to isolate coal seam gas tenures from the applications because the database is set up as per the *Petroleum and Gas (Production and Safety) Act 2004*. It therefore records authority to prospect and petroleum lease information but does not separate coal seam gas from other petroleum and gas activities.

DNRME is progressively working through a historical backlog of tenure applications. This can skew the calculation of timeliness to process current petroleum and gas authority to prospect and lease applications.

We tried to isolate coal seam gas applications for authorities to prospect and petroleum leases from the petroleum and gas applications recorded in DNRME's data. Our data shows an improvement in timeliness in the median days for the department processing an authority to prospect—from 200 days in 2013–14 to 110 days in 2018–19. For processing a petroleum lease, it showed the time taken decreased from 341 days in 2013–14 to 196 days in 2018–19. However, we cannot rely on the data due to limitations of the database and assumptions we made to isolate coal seam gas applications.

Timeliness of the Department of Environment and Science— environmental authorities

DES is generally meeting its statutory time frames for assessing and processing environmental authorities. This is largely because most coal seam gas applications are for authorities with standard conditions, which are self-assessed by the applicant.

Between 2013–14 and 2018–19, DES processed applications for environmental authorities with standard conditions with a median of eight days. This was within the department's benchmark of 10 days. The approval process for environmental authorities with standard conditions is largely administrative, based on the applicant's self-assessment of their ability to comply with the standard conditions.

The assessment and processing of environmental authorities with variations to standard conditions and for site-specific authorities is more complex and naturally takes longer. Between 2013–14 and 2018–19, DES processed the only application for environmental authority with variations to standard conditions in 26 days. This was within its set statutory time frame. It processed 26 per cent of applications for site-specific environmental authorities within its set statutory time frame, with a median of 226 days. The legislation allows extension of the statutory time frames.

Overall, the median time it took to assess, and process, environmental authorities increased between 2015 and 2016, from 128 days to 226 days for site-specific environmental authorities. The median time it took to process standard environmental authorities (no assessment is required) decreased from 11.5 days to four days between 2013–14 and 2016–17.

Approving activities in priority agricultural areas and strategic cropping land

The Department of State Development, Manufacturing, Infrastructure and Planning (DSDMIP) is responsible for assessing and approving coal seam gas activities in high-value agricultural and strategic cropping land. It ensures the activities are complying with the requirements of the Queensland Government framework (consisting of various legislation and the state planning policy) for releasing land for resources activities (including coal seam gas).



DEFINITION

Important agricultural areas (IAAs) are comprised of land that meets the conditions required for agriculture to be successful and sustainable. IAAs are part of a critical mass of land with similar characteristics and are strategically significant to their region or state. The state planning policy aims to promote agriculture and agricultural development as the preferred land use in an important agricultural area.

A **priority agricultural area** is an area of regional interest under the *Regional Planning Interests Act 2014*. They are strategic areas, identified on a regional scale, that contain significant clusters of the region's high-value intensive agricultural land uses (priority agricultural land uses).

Strategic cropping land is land that is, or is likely to be, highly suitable for cropping because of a combination of the land's soil, climate and landscape features. The areas of strategic cropping land are, altogether, the 'strategic cropping area' under the *Regional Planning Interest Act 2014*.

The *Regional Planning Interests Act 2014* determines whether a 'regional interests development approval' for the proposed activity should be issued, and, if so, whether certain conditions should be attached to it to manage potential impacts. The conditions are generated from input and recommendations from relevant government departments. For example, the Department of Agriculture and Fisheries (DAF) is consulted when the activity is proposed on a priority agricultural area.

Case study 1 details the number of applications subject to this process and instances where additional conditions were included in the approval.

Case study 1

Regional interest development assessments for coal seam gas activities

Between 2015 and 2019, DSDMIP referred 12 coal seam gas applications to agencies for a regional interest development assessment. The applications related to strategic cropping areas and priority agricultural areas.

Ten were finalised and two were withdrawn by the applicant. For the 10 finalised applications, DSDMIP consulted with DAF and the GasFields Commission Queensland. DSDMIP considered the recommendations provided by these agencies and attached conditions to the decision notice.

For example, DAF assessed the proposed activity for an application that would 'have an irreversible impact on the land used for a priority agricultural land use'. It recommended that if the application is approved, it should be conditional on the applicant providing evidence of adequate mitigation strategies, such as the provision of equivalent land to offset the land irreversibly impacted. The applicant subsequently provided such evidence and the application was approved with that condition.

Source: Queensland Audit Office, using information obtained from the Department of Agriculture and Fisheries and the Department of State Development, Manufacturing, Infrastructure and Planning.

Stakeholders have expressed concerns over the complexity of Queensland's planning and development framework, including the regulation of resource activities on agricultural land. Specifically, stakeholders are concerned about:

- the inconsistency of land classifications across the different Acts under the framework
- the exemptions and limitations on the requirement for assessments under the framework.



For example, the assessment framework under the *Regional Planning Interests Act 2014* regulates a limited range of activities and only applies to 'areas of regional interest'. DAF is only involved in assessing those applications if the priority agricultural areas are currently used for a priority agricultural land use.

The current classifications of land also limit the regulators' ability to effectively consider contemporary concerns for these priority lands. Although not within the scope of this audit, stakeholders raised concerns that the current approach has not kept pace with new types of activity (for example, use of high-quality agricultural land for solar farms is not subject to this framework). The Queensland Farmers Federation and DAF have separately proposed options for providing greater consistency of land classifications across the legislation and improving the identification and protection of agricultural interests from non-agricultural development. To date their proposals have not been adopted.

Planning and monitoring coal seam gas activities

Spreading the regulatory functions across the regulators has benefits in that it draws on specific relevant expertise across the public sector. However, effective planning, coordination and reporting between the regulators is essential.

While a number of these work units are applying good practices and the regulators generally cooperate and work together to regulate the industry, the information is dispersed, and visibility of industry-specific information is challenging. Consequently, the regulators do not have a collective understanding of the combined scope, efficiency or effectiveness of their coal seam gas regulatory activities.

The regulators could better inform industry of their planned compliance activities. Currently, some discuss the planned activities via industry forums only. There is an opportunity to more broadly inform industry and stakeholders and improve accountability by publishing the information online.

Compliance planning and monitoring

The regulators develop compliance monitoring plans for their activities—such as inspections of coal seam gas sites to check for companies' adherence to the prescribed conditions. Compliance monitoring plans serve multiple purposes. A good plan maximises regulator efficiency and effectiveness by:

- directing the regulators' resources and activities to the highest areas of risk for non-compliance. This is particularly important when regulating a complex and geographically dispersed industry
- informing the industry of the regulators' intended activities and areas of focus
- showing the areas where enforcement actions are likely to be taken
- deterring non-compliance
- enhancing public confidence that the industry is well regulated.

Figure 1B shows our assessment of the regulators' compliance plans against a good compliance plan.



Figure 1B
Assessment against a good compliance plan

Area of assessment	DES	DNRME
Does the plan target a high-risk area?	Yes	To some extent
Does the plan inform industry of the intended activities and focus areas?	No	Yes
Does the plan show where enforcement actions are likely to be taken?	No	Yes
What level of deterrence does the plan provide?	General	Targeted

Source: Queensland Audit Office from information provided by the Department of Natural Resources, Mines and Energy and the Department of Environment and Science.

The regulators and the divisions within them adopt very different approaches to planning their monitoring and compliance activities. Furthermore, they consider coal seam gas risks to varying degrees in their compliance planning. This limits the regulators’ ability to profile specific risks relating to coal seam gas activities—for example, the risk of air pollution caused by gas escaping from pipes or other equipment. Assessments of coal seam gas-specific risks could better inform planning and improve the link between identified risks, activities, and the intended outcomes.

The regulators and their various divisions coordinate some of their compliance planning. There is an opportunity for them to improve their effectiveness by:

- increasing coordination and formalising compliance planning
- developing better tools and processes for sharing information from their different systems.

Three divisions within DNRME are responsible for regulating the coal seam gas industry—the Resources, Safety and Health Division, the Georesources division and the Natural Resources division. The department’s compliance framework is principle-based. Each unit uses the principles (Figure 1C) to develop its own procedures and guidelines to support its regulatory activities.



Figure 1C
Natural resources compliance framework



Source: The Department of Natural Resources, Mines and Energy, *Natural Resources compliance framework 2019–22*.

Planning compliance monitoring of tenures

Each unit within DNRME develops its compliance plans and actions using its own documentation or recording system, none of which are linked. The multiple work units bring specific expertise to regulating the industry, but this necessitates effective coordination and planning. Figure 1D shows the work units within the department responsible for regulating various coal seam gas activities. The work units' compliance plans cover all petroleum and gas activities and do not separate coal seam gas activities. In addition, the plans do not specifically identify the areas of greatest risk and community concern as areas of focus—such as groundwater management.



Figure 1D
DRNME work units with coal seam gas regulatory responsibilities

Work unit, Division	Phase*	Coal seam gas responsibilities
Petroleum and Gas Inspectorate Unit, Resources, Safety and Health Division	Exploring Producing Decommissioning	Responsible for compliance with safety provisions outlined in Chapter 9 of the <i>Petroleum and Gas (Production and Safety) Act 2004</i> and the Petroleum and Gas (Safety) Regulation 2018: <ul style="list-style-type: none"> • safety and health • codes of practice and competency standard (technical) • gas measurement (technical).
Engagement and Compliance Unit, Georesources Division	Releasing land Exploring Producing Decommissioning	Responsible for: <ul style="list-style-type: none"> • compliance with Land Access code – Chapter 3 of <i>Mineral and Energy Resources (Common Provisions) Act 2014</i> • delegations relating to Make Good provisions under the <i>Water Act 2000</i> – Chapter 3 (Underground water management) • key role in stakeholder engagement (landholders and industry) to build awareness and understanding of the regulatory framework and associated roles and responsibilities.
Petroleum and Gas, Georesources Division	Exploring Producing	Responsible for: <ul style="list-style-type: none"> • tenure administration and compliance under the <i>Petroleum Act 1923</i> and <i>Petroleum and Gas (Production and Safety) Act 2004</i>, except for royalty and safety provisions • compliance with conditions of licence, for example performance against approved development plan • administrative compliance, for example compliance with reporting obligations and other obligations such as rental payments.
North, Central and South regions, Natural Resources	Exploring Producing	Responsible for monitoring, assessing and responding to compliance with natural resource legislation including the water, vegetation management and land Acts, as well as priority agricultural areas (PAAs) and strategic cropping areas (SCAs) under the <i>Regional Planning Interests Act 2014</i> .
Strategy and Capability, Natural Resources	Exploring Producing	Provides support to the regions to ensure compliance matters are dealt with in a consistent, timely and appropriate manner. This support includes development and management of business processes, policies and guidelines.

Notes: *where the area is likely to be involved in the coal seam gas activity phases (see Figure A).
The Office of Groundwater Impact Assessment administratively sits within DNRME.

Source: Queensland Audit Office from information provided by the Department of Natural Resources, Mines and Energy.



The various compliance plans cover information such as the number of inspections, audits, and/or engagements the unit is targeting for the period. However, most plans do not provide details about the:

- level of industry coverage
- risks the plans are targeting
- frequency of inspections
- outcomes the unit intends to achieve.

We observed some good practices. The Petroleum and Gas Inspectorate within DNRME has adopted a risk-based approach to regulate workplace health and safety for the coal seam gas industry. It uses its analysis of risks to inform its compliance plan and to identify specific areas of focus. For example, in 2019 it undertook a specific compliance assessment project focused on wells, including audits and inspections of wells for statutory compliance. It engaged with industry and stakeholders to educate them on its findings and promote better practices. DNRME's Engagement and Compliance Unit last compiled an annual compliance plan in 2017–18. Its 2017–18 compliance plan provided high-level targets on the number of audits, inspections, and stakeholder engagements it intended to undertake.

The Georesources Division (of which the Engagement and Compliance Unit is a part) has developed a divisional compliance strategy across its work units and their respective regulatory functions. This is a positive move towards better coordinating the division's compliance activities.

The Department of Environment and Science

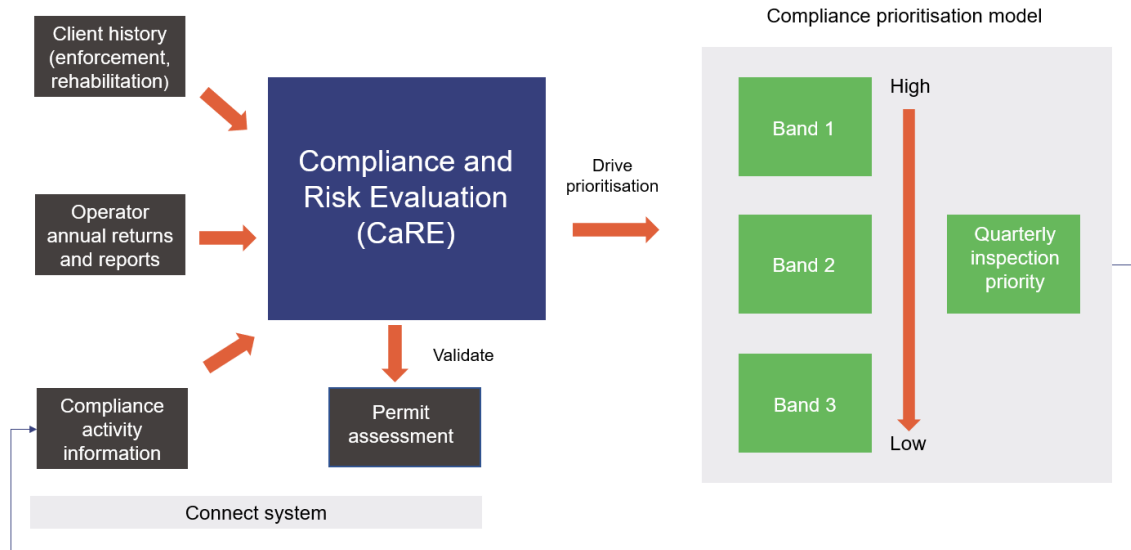
Planning compliance monitoring of environmental authorities

DES compliance planning has elements of good practice as it is risk based, which allows DES to prioritise and target its resources. However, it is organised under the Environmental Protection Regulation and this limits its scope. For example, hydraulic stimulation/fracturing is not an environmentally relevant activity on its own under the Environmental Protection Regulation and, therefore, DES does not report on it separately. DES's model could be enhanced by including industry specific risks and analysis. DES could also make its compliance plan public to inform industry and the public of its areas of focus and deter non-compliance.

DES prioritises its inspection activities based on its assessment of the operator and site risk profile. It applies this model to all industries it regulates. Because the framework is client and site specific it does not consider industry specific risks or compliance levels across specific industries, such as the coal seam gas industry. Figure 1E details the DES compliance framework.



Figure 1E
Department of Environment and Science compliance framework



Source: Queensland Audit Office, taken from Follow-up of Report 15: 2013–14 Environmental regulation of the resources and waste industries (Report 1: 2017–18).

DES has commissioned a review of this framework and is further refining it.

Regional compliance planning

The DES regions responsible for compliance monitoring and enforcement of coal seam gas activities are the South West Queensland and Central Queensland regions. These regions develop quarterly compliance plans and detail:

- objectives
- resources
- inspection workload and schedules
- business rules and requirements for inspecting band 1, 2 or 3 sites
- previous enforcement actions requiring follow-up activity.

The compliance plans are risk based through input from the compliance prioritisation model and knowledge of the regional compliance officers.

The regional compliance plans cover all industries the department regulates. They could be improved by specifying specific risks, priorities or activities for each industry group—such as ground water management and quality; air quality; and testing for fugitive emissions, management of coal seam gas water and salt waste.

DES compliance plans are not made public (for example, by publication on the DES website) or broadly communicated outside the department. They therefore have limited value in:

- informing the industry of the regulators’ intended activities and areas of focus
- promoting operators to proactively self-assess for non-compliance
- deterring non-compliance
- enhancing public confidence that the industry is well regulated.



Auditing and inspecting for compliance

Audit and inspections data

It is not possible to identify an accurate and reliable number of audits or inspections the regulators have undertaken of the coal seam gas industry. Our efforts to link the data from the various areas of the regulators proved problematic because:

- the regulators do not identify coal seam gas activities as distinct from other petroleum and gas activities in their databases
- units with regulatory responsibilities have different recording methods and systems and do not coordinate their activities
- no one takes responsibility for coordinating compliance information across the department.

Similarly, matching or linking the data between the two regulators is difficult and results in discrepancies in the number of authorities and leases related to coal seam gas.

From the data we obtained, neither we nor the regulators could be sure of identifying all authorities to prospect, petroleum leases, and environmental authorities for coal seam gas activities. Identifying coal seam gas activities from the data requires assumptions and data manipulation. Consequently, we and the regulators were unable to verify the complete authorities and leases for coal seam gas activities with any degree of confidence. DNRME advised us that it will transition to a new online application system within the next two years. They advise us that the system will allow them to specifically identify coal seam gas exploration and production applications.

The regulators have started work to improve their data capability. For example, DNRME started a project in October 2018 to move its existing data platform to a new platform that will provide it with greater business analytics capability. DES started a project in July 2019 to implement a compliance tracking system to improve information quality and reporting capability.

The Department of Environment and Science

Individual site inspections

The regional areas of DES conduct individual site inspections. Due to limitations in the current database, the regional areas record inspections and compliance information in a legacy database instead. DES is currently working towards migrating the information to a common platform to ensure data consistency and accuracy across its areas.

Proactive audits and inspections (planned)

DES inspection reports focus on activity outputs. For example, DES conducted 40 proactive coal seam gas inspections that covered companies A, B and C in the 2018–19 financial year. It does not identify how frequently DES was inspecting key industry risk activities and community concerns such as:

- storage, management and treatment of coal seam gas water
- re-injection of ground water
- management and disposal of salt and brine waste
- hydraulic fracturing
- air quality monitoring.



Although the specific information on inspections for these risk activities exists in individual audit and inspection reports, DES does not capture, collate and report on this information at an aggregate level. Because the information is not publicly available, the government and public have limited assurance that DES is adequately targeting its inspections to manage high-risk issues and that its actions in managing these risks achieve adequate outcomes.

Reactive audits and inspections (complaints and notifications)

Between January 2015 and June 2019, DES conducted 507 reactive audits and inspections. These include landholder and community complaints, and industry notifications of incidents or exceedances of conditions. Figure 1F shows that the number of complaints and notifications have decreased from 140 in 2015 to 70 in 2018. The regulators and commission attribute this to maturing of the industry and better landholder relations. While this is plausible, there is no objective evidence to verify that this is the reason for the decrease.

Figure 1F
Number of complaints and notifications

Year	Number of complaints and notifications
2015	140
2016	143
2017	119
2018	70
To June 2019	35

Source: Queensland Audit Office, from data obtained from the Department of Environment and Science.

The Department of Natural Resources, Mines and Energy

Individual site inspections

Each regulating unit of DNRME records information specific to the type of audit or inspection it conducts. DNRME provides staff with adequate guidelines, checklists, and templates for conducting inspections. The audit and inspection reports we viewed varied, but generally contained adequate detail of the inspections undertaken, findings, and actions taken. The reports could be improved by providing additional details, such as follow-up actions (future inspections), time frames, and compliance trends that may indicate broader issues of the industry.

Proactive and reactive audits and inspections

DNRME is unable to provide a collective number of proactive and reactive audits and inspections because each work unit plans and records its work using different methods and repositories. There is an opportunity to develop a collaborative approach to collect insights from these activities. The information can be used for future planning and provide a better understanding of where the main risks are.

Addressing stakeholders' complaints

As part of their regulatory functions, DNRME and DES are responsible for enforcing different legislation. At present, DNRME does the triaging for most complaints. However, the regulators have different procedures for dealing with complaints, different reporting requirements and varied methods of data collection. This reduces their ability to share a collective understanding of the coal seam gas industry and be proactive in identifying risk areas. Therefore, they would benefit from establishing a collaborative data sharing platform to facilitate better exchange of information.

The regulators have adequate documentation to guide staff on managing complaints within their jurisdiction. They have set up memorandums of understanding and informal arrangements with other agencies to resolve complaints and to minimise duplication. However, some landholders we interviewed indicated that they were dissatisfied with the process because the regulators could not resolve some of the complaints due to legislative constraints.

Similarly, stakeholders with health and safety concerns or complaints can be frustrated by the number of regulators and the complex regulatory framework. The nature of the health and safety issue and where it occurs (whether onsite, in access areas, or as an offsite impact) will contribute to determining which regulator has jurisdiction—DNRME, Workplace Health and Safety Queensland, or DES. Some circumstances may require two or all of these regulators.

Enforcing compliance

For effective enforcement, the regulators should have a range of enforcement actions available to them to address various levels of non-compliance.

We found the regulators could demonstrate they have used an effective range of enforcement options to address non-compliance in coal seam gas activities. However, the information captured by the regulators does not facilitate easy extraction of coal seam gas industry examples. In addition, it does not capture enough information about the outcomes, for example, whether the operator rectifies the non-compliance issue.

Figure 1G shows the hierarchy of enforcement options used by DES for any non-compliance with environmental authority conditions for all industries it regulates. DNRME uses similar enforcement options.

Figure 1G
Department of Environment and Science enforcement options



Source: Queensland Audit Office, adapted from *Enforcement Guideline*, Department of Environment and Science.



The Department of Environment and Science

Figure 1H shows the type of enforcement actions that DES has used on environmental authorities between February 2016 and August 2019—ranging from issuing warning notices, statutory compliance notices, and infringement notices to prosecution.

In its service delivery statements, DES reports on the proportion of non-compliant licensed operators (environmental authority holders) it monitors that subsequently return to compliance. This is a measure of its effectiveness where it has taken corrective action to assist non-compliant operators to meet their environmental obligations. It targets 70 per cent of these non-compliant operators being returned to compliance. DES has reported achieving its target each year since 2015–16 and exceeding it in 2016–17 (actual was 79 per cent).

While this is a good measure of effectiveness, its reported figure is aggregated for its actions across all operators it regulates. DES does not assess its performance on this measure for each industry and, therefore, does not monitor its performance for the petroleum and gas industry or more specifically the coal seam gas industry. We, therefore, cannot determine the effectiveness of the enforcement actions for the coal seam gas industry.

Figure 1H
DES environmental obligations—Enforcement actions

Enforcement actions*	Number of occasions** between February 2016 and August 2019
Formal investigation request	19
Information notice	2
Notice to conduct or commission an environmental evaluation	3
Notice to show cause	4
Penalty Infringement Notice	75
Warning letter	4

Note: *Sample actions.

** All environmental cases not just related to coal seam gas activities.

Source: Queensland Audit Office, from data provided by the Department of Environment and Science.

The Department of Natural Resources, Mines and Energy

In significant cases, DNRME can suspend or cancel leases. Recently, DNRME cancelled the petroleum lease of a coal seam gas operator. This is its first cancellation. Case study 2 shows the details of that cancellation.



Case study 2

Cancellation of lease due to non-compliance

In 2019, DNRME cancelled a petroleum lease for a coal seam gas operator due to unpaid fees and lack of recorded resource production. This is the first time DNRME has cancelled the lease of a coal seam gas operator for non-compliance.

DNRME granted the lease in 2010 to two companies (Company A and Company B), each with a 50 per cent interest in the lease. Company A held a 20 per cent share of Company B.

Since 2014, the two companies accrued unpaid rent, interest and penalties. In July 2018, the minister gave Company A notice of a proposed non-compliance action. Following subsequent correspondence between DNRME and the companies and submissions made by the companies, DNRME concluded that the companies did not have the financial resources or ability to manage production. The minister's delegate subsequently approved cancellation of the lease in September 2019.

Source: Queensland Audit Office from information obtained from the Department of Natural Resources, Mines and Energy.

Reporting on regulatory effectiveness

DES has a service standard that measures the effectiveness of the compliance program—the proportion of monitored licensed operators returned to compliance with their environmental obligations. This measure reports an aggregate number that includes all the industries DES regulates. DES does not internally or externally monitor and report on non-compliant operators returned to compliance at an industry level. Therefore, it does not track the number of coal seam gas companies that have moved back into compliance after non-compliance as a measure of the effectiveness of its compliance monitoring program for the coal seam gas industry.

Until late 2015, DES developed regular intelligence assessment reports for each of the main industries it regulates, including coal seam gas. These reports were detailed and provided valuable information for regulating the industry, and planning compliance monitoring and enforcement activities. They provided analysis and assessment of inspections, notifications, complaints, enforcement activities, issues, trends, environmental risks, client risks, location profiles, regulatory decisions, financial assurance, monitoring techniques, industry developments, and identified gaps. The department stopped producing these intelligence assessment reports in 2015. The department has no alternative reports that provide this detail nor any regular assessments of the coal seam gas industry and the effectiveness of its regulatory activities. Instead, if requested, ad hoc intelligence assessments are produced for specific issues.

In April 2019, DES produced a dashboard for its gas activities. This dashboard contained some useful information on its activities over the prior three-month period, including:

- industry information and statistics
- list of new environmental authority permit holders
- count of inspections conducted by type and client
- enforcement actions undertaken
- count of unplanned compliance events reported to it by type (complaint or notification) and client.

The dashboard is a useful tool for understanding activities, but in isolation it does not provide an indication of the effectiveness of DES's regulatory activities. DES should develop regular detailed reports on the effectiveness of its activities, including outcomes.



DNRME has also separately started to use a dashboard to report on regulatory efficiency. However, the current database does not separate coal seam gas from other resource activities. This makes it difficult to report on efficiency of the coal seam gas regulatory functions.

Decommissioning

With the growth and maturing of the coal seam gas industry, assurance over the decommissioning of coal seam gas wells and infrastructure is now becoming a more frequent requirement for regulators.

DNRME's Petroleum and Gas Inspectorate and DES's Energy, Extraction and South West Queensland Compliance Unit regulate the decommissioning of coal seam gas wells. However, DES has not conducted any decommissioning activities because the environmental authority holders have yet to surrender their permits. The holders only surrender their environmental authority when they terminate all the work onsite, which may include multiple coal seam gas wells.

DNRME has inspected 25 coal seam gas wells out of the 1,976 decommissioned wells (1.2 per cent), as of June 2019. Neither regulator has conducted onsite inspections to observe companies' operations during the decommissioning process. As the number of wells being decommissioned increases, the regulators need to consider reviewing their approach to ensure they continue to regulate the process effectively. For example, they should consider the timing and frequency of inspections and the auditing of operators' decommissioning processes. Once the wells have been plugged by the operator, there is nothing to inspect. For this reason, it is important to gain assurance over an operator's process for decommissioning.

At the time tenure and environmental authorities are surrendered, coal seam gas operators, in most cases, decommission and rehabilitate disturbed land or features during their operations, for example, dams, water treatment plants and roads. However, in some cases, operators may retain the asset. Leaving beneficial assets can be advantageous to the operator and the landholder as the operator does not have to pay to rehabilitate the feature and it enables the landholder to use it after surrender. There is an opportunity for regulators to strengthen the current process to allow for the transfer of beneficial assets from operators to landholders, but there are issues around the transfer of risk (referred to as residual risk). DES is currently working with industry to provide clarity around implementation of the existing residual risk framework to ensure a consistent and transparent process.



2. Engaging and managing stakeholders

This chapter covers how effectively the regulators and the GasFields Commission Queensland are engaging, supporting and managing stakeholders to promote coexistence and ensure a viable coal seam gas industry.

Introduction

Most coal seam gas activity in Queensland occurs in the state's agricultural regions. The coal seam gas and agriculture industries are both important to the state's economy. Agriculture is vital for the nation's food security and gas contributes to meeting the nation's energy needs.

As the coal seam gas industry grew in Queensland, so did landholder and community tension with industry and the government. Some of this concern was about the effectiveness of government departments in regulating this growing industry.

In recognition of this, the government set a policy of promoting coexistence. Coexistence with landholders and regional communities is crucial to the onshore gas industry maintaining its ongoing acceptance by the general public.

The regulators—the Department of Natural Resources, Mines and Energy (DNRME) and the Department of Environment and Science (DES)—have a key role in engaging with stakeholders and promoting coexistence. They do this by engaging, educating and advising industry, landholders, communities and government.

In addition, the Queensland Government established the GasFields Commission Queensland (the commission) as part of the Department of State Development, Manufacturing, Infrastructure and Planning in 2012. The commission became an independent statutory body in July 2013 under the *Gasfields Commission Act 2013* (the GFC Act).

The GFC Act sets the purpose of the commission as being to:

... manage and improve the sustainable coexistence of landholders, regional communities and the onshore gas industry in Queensland.

To achieve this, the GFC Act identified 14 functions of the commission, which are detailed in Appendix E and can be categorised into three broad interrelated categories:

- **Facilitation**—facilitating better relationships between (and education and information to) landholders, regional communities and the onshore gas industry
- **Oversight**—reviewing the effectiveness of government entities in implementing regulatory frameworks related to the onshore gas industry
- **Advisory**—providing advice and making recommendations to ministers and government entities and, in some cases, to industry about identified areas, assessment applications, and leading practice.

As at 30 June 2019, the commission was comprised of a board of commissioners, a chief executive officer, and 8.8 full-time equivalent staff. In 2018–19 it had a total expenditure budget of \$3.4 million, which included the commission's annual grant of \$2.5 million.

Collectively, DNRME, DES, and the commission are the primary agents for the government to facilitate coexistence and balance the state's resource and agricultural interests.



We examined whether they:

- effectively plan and manage their engagement
- effectively and efficiently provide information, and advice, where relevant, to address stakeholders' needs.

Planning stakeholder engagement

Engagement strategies are particularly important for agencies managing diverse groups of stakeholders. They help agencies to achieve an appropriate balance in efforts to engage with all stakeholder groups and coordinate with other agencies.

The regulators and the commission have worked together to plan their stakeholder engagement and they also engage with stakeholders where specific needs arise. There is an opportunity to evaluate the current collaborative engagement approach to ensure the needs and concerns of all stakeholder groups are met.

The Department of Natural Resources, Mines and Energy

DNRME effectively plans its engagement with stakeholders by developing engagement strategies. It could improve its strategies by including engagement targets, which would assist with assessing the effectiveness of its engagement. DNRME does not currently report on the overall effectiveness of stakeholder engagement activities.

DNRME's Engagement and Compliance Unit prepared a *Stakeholder Engagement Strategy 2018–19*, which includes links with the department's strategic plan and other government strategies. Although not specific to coal seam gas, this is a useful document as it identifies:

- DNRME's philosophy and approach to stakeholder engagement: Basin-centric approach recognising that while basins in Queensland have broad similarities, each basin has its own unique social, economic, and environmental characteristics
- engagement risks and DNRME's approach to managing them
- identification and assessment of stakeholders—allowing DNRME to plan and tailor stakeholder specific engagements
- action, monitoring and evaluation plans.

The Engagement and Compliance Unit finalised the 2018–19 engagement strategy in early 2019 as it needed to incorporate additional responsibilities into the coal and mineral sectors. The strategy provided a defined approach to proactive and reactive engagement activities. In September 2019, it conducted an evaluation of the January–June 2019 period and identified potential opportunities for improvement, such as capturing post-engagement information in its database to streamline the reporting process.

The 2019–20 engagement strategy is currently under internal review prior to finalisation. It is important for entities to finalise these strategies prior to the beginning of the financial year to ensure those conducting engagements are clear about the priorities for the year.

The Department of Environment and Science

DES conducts very limited engagements on its own and attends sessions with DNRME's Engagement and Compliance Unit and other agencies and stakeholders. This, combined with setting environmental conditions and its compliance and enforcement activities (discussed in the previous chapter), is how it promotes coexistence.

DES could better plan and evaluate its engagement approach to ensure it addresses the needs and concerns of all stakeholder groups.



GasFields Commission Queensland

The commission plans its engagement and information sessions with stakeholders up to 12 months in advance. It does not prepare an engagement strategy.

The commission could develop an engagement strategy to identify its objectives, priorities, actions, and targets across all stakeholder groups. In the commission's case, a strategy would help it to balance its engagement with landholders, regional communities, and industry, acknowledging their differing needs, and that a power imbalance exists between them. A strategy would inform its engagement plan.

Facilitating relationships and coexistence

The regulators and the commission have focused on regional communities landholders and industry relations in recent years—for example, by providing relevant information to them. This has improved relationships. But, as expected, some concerns and tensions remain between the industry, landholders, and communities. The relationships remain complex, fragile, and require ongoing fostering—particularly as new areas are made available for coal seam gas exploration and production.

Facilitating better relationships

The commission has focused its efforts and activities on its 'facilitation' function to move the industry from resistance and conflict toward coexistence. It has:

- structured itself and developed its capabilities to focus much of its organisational efforts on these legislated functions
- facilitated regular coal seam gas-related workshops with regional communities
- participated in forums and information sessions with industry representatives and government departments
- established a memorandum of understanding for managing enquiries with DNRME's Engagement and Compliance Unit.

The 2016 independent review of the commission conducted by Professor Scott (the Scott review) found that the commission had chosen to focus its effort on influencing coal seam gas companies and promoting the benefits of coal seam gas development. Consequently, landholders and some stakeholder groups perceived that the commission represented or advocated for industry, was not addressing landholder issues and was conflicted in some of its dealings with industry. Scott made some recommendations about the commission better engaging with landholders and communities.

After the Scott review, the commission focused more on landholders and community. It has held stakeholder information and workshop engagements—including forums, information sessions, meetings, pop-up shops and workshops. It has partnered with government departments and industry in some of these engagements.

In March 2019, the commission began collating participants' written feedback from its information sessions to determine the effectiveness of the sessions. The commission received some positive feedback from its participants. For example, in March 2019 the commission conducted four sessions to educate landholders on how to reduce the risks of disease transmission in crop areas that are going to be impacted by coal seam gas activities. Sixteen of the 22 participants (73 per cent) filled in the feedback form and indicated that the information was useful and they would recommend others to attend.



The commission started recording different types of stakeholder engagements in its database from late September 2018. Previously, it only recorded some of the engagements, such as workshops. Figure 2A shows the types and number of information sessions that were either run or participated in by the GasFields Commission Queensland between October 2018 and October 2019 and the number of participants.

Figure 2A
GasFields Commission Queensland engagement sessions and participant numbers between October 2018 and October 2019

Target group	Number of sessions	Number of participants
Gas industry	16	208
Regional community and local businesses	13	228
Government: local, state	5	43
Landholders	20	417
Mixed groups: community, landholders, government	41	734
Research organisations and professional service providers	6	76
Total	101	1,706

Source: Queensland Audit Office from data sourced from GasFields Commission Queensland Client Relationship Management database and marketing software.

The commission facilitates many information sessions covering a broad range of stakeholders. The quality of information provided, combined with participant feedback, will be important to assess whether the sessions are viewed as effective and are meeting the needs of stakeholders.

Providing information

The regulators and the commission provide information that covers a range of coal seam gas topics. DNRME's Engagement and Compliance Unit holds information sessions with industry, landholders, and communities. It sometimes partners with other units of the department (such as the Petroleum and Gas Inspectorate) and with other agencies (such as DES and the commission) to hold information sessions.

The regulators produce guides to assist applicants, authority holders, and lease holders in meeting the requirements of their authority or lease. Even though the regulators make the information available online, some landholders we interviewed indicated that some of the information is hard to navigate or understand. Some of this may be due to the technical nature of some assessments.

The commission has published educational material and other information about the onshore gas industry. It has also delivered information sessions to landholders and communities with the Land Access Ombudsman and the Land Court. Some landholders and other stakeholders have provided positive feedback on the information sessions.



The commission has developed guidance and fact sheets primarily for landholders and regional communities, including:

- *Options for dispute resolution* fact sheet
- *Biosecurity checklist*
- *Make Good agreements for bore owners* fact sheet
- *The Gas Guide*.

The commission is developing templates and supporting guidance to assist landholders and industry to negotiate Make Good agreements.

In addition, the commission developed a mobile application, GasApp, aimed at providing a way for landholders to obtain information, estimate potential compensation, and raise complaints. The commission cited GasApp as an example of a successful initiative to assist landholders in accessing information for engaging with coal seam gas companies. However, its engagement with industry about the concept and development of GasApp was inadequate. The engagement did not adequately address the concerns raised by coal seam gas companies and industry groups prior to the public release of GasApp. These concerns included inaccurate estimation of compensation and, in some cases, unnecessary issues for landholders and companies in agreeing on compensation. This inadequate engagement led to the GasApp unnecessarily creating tensions between industry and some landholders.

Coordinating collaboration across the entities

DNRME and the GasFields Commission Queensland have set up a memorandum of understanding (MoU), which articulates principles that define the collaborative working arrangements. It relates to the delivery of information and the management of enquiries and complaints. DES and DNRME have an MoU relating to their role in the administration of the *Water Act 2000* and the *Environmental Protection Act 1994*. These MoUs provide clarity about the scope of the entities' responsibilities. This is a good start. However, the documents do not consider how the entities can effectively coordinate in areas such as data sharing and business analytics.

Conducting research and providing advice

Research

Research in coal seam gas is important to inform government, industry, landholders and the community on the management of any issues or concerns raised.

Regulatory entities

The regulators contribute to research undertaken by industry and bodies such as the Commonwealth Scientific and Industrial Research Organisation (CSIRO) on the health effects of coal seam gas activities. The Office of Groundwater Impact Assessment publishes an underground water impact report that assesses the groundwater impacts from petroleum and gas operations in the Surat and southern Bowen basins. Industry and research bodies also provide coal seam gas research to the regulators to help inform their policies—for example, related to the management of salt.

The long-term management of salt and brine waste is an unresolved issue. In the short term, there are risks associated with the management of salty water held in evaporation dams. In the medium and long term, the government and industry have not reached a solution for the safe disposal or management of this salt and brine waste. The Australian Petroleum Production and Exploration Association commissioned research into this issue in 2018. Its report identified four options all with varying environmental impacts. DES is considering the options and will provide advice to government on the issue.



The regulators could be more proactive in identifying and commissioning or partnering in research on other key unresolved issues.

GasFields Commission Queensland

Section 7(1)(m) of the *Gasfields Commission Act 2013*, provides the commission with the function of 'partnering with other entities for the purpose of conducting research related to the onshore gas industry'.

At times, the commission participates in and relies on research being conducted by other entities, such as CSIRO and the University of Queensland Centre for Coal Seam Gas. It could be more active in partnering with other entities to conduct, guide, support or fund research related to the onshore gas industry.

Providing advice and recommendations

The regulators provide regular and ad hoc briefings to their ministers, and have provided advice and recommendations to government and ministers on legislative amendments. They also seek advice to inform policy from other government departments, such as the Department of Agriculture and Fisheries, and from the commission.

The commission has several legislated functions that require it to provide various recommendations and advice to ministers, government entities and, in some cases, the onshore gas industry.

The commission has made recommendations and provided advice to government and industry through its contribution to various discussion papers, such as its submission on the *Managing residual risks in Queensland: Discussion Paper* in February 2019. There is an opportunity to extend its advice on other coal seam gas issues and processes.

When the commission does make recommendations or provide advice, it has limited records of how it developed the recommendations or advice—including any consultations, research, reviews or analysis. This exposes the commission to the risk that it will be unable to defend or justify its recommendations or advice if later challenged.

Some of the advice needed can at times be complex and technical. It is impractical to expect an entity the size of the commission to possess the subject matter expertise to cover the range of technicalities of the coal seam gas industry. In many cases, it must rely on external sources of information and expertise. It is, therefore, important that the basis and source of information it uses to form its advice is credible, current, and identifiable.

The commission largely provides advice about the ability of landholders, regional communities and the onshore gas industry to coexist within an identified area. Much of this is on request or in response to calls for public submissions on coal seam gas issues. It could be more proactive in identifying opportunities for advising government and stakeholders.

Data on the coal seam gas industry

The commission has released its *Shared Landscapes* report—its first report on the state of the coal seam gas industry. It engaged The University of Queensland to provide research services, data collation, interpretation and data quality assessment for this report. This report will deliver on a recommendation from the Scott review. The report provides facts, collates information and data, and is a useful document for providing education and a general understanding of the industry. It provides demographic information and frequency counts to provide scales of activities. The *Shared Landscapes* report could be enhanced by providing in-depth analysis, insights, advice or recommendations.



Input to releasing land for further gas exploration

There is an opportunity for the commission to provide input into the process for decisions on releasing land for tender. At present it is not a part of this process. In June 2018, the commission attended a briefing prior to the release of the exploration program. Advice on the ability of landholders, regional communities, and the onshore gas industry to coexist should be relevant in making these decisions, particularly as land is progressively released in new areas of Queensland. The advice provided to inform these decisions should be documented.

Advice on managing coal seam gas offsite impacts

The current legislative framework limits the compensation and conduct agreements to ‘affected persons’, which excludes impacts to landholders of land adjacent to the land where the coal seam gas activity is occurring.

In April 2018, the Queensland Parliament’s State Development, Natural Resources and Agricultural Industry Development Committee (the committee) reported on its review of the Mineral, Water and Other Legislation Bill. The committee noted the numerous submissions it received, raising concerns that landholders and people adjoining coal seam gas activities affected by the activities (referred to as offsite impacts) would not be able to seek compensation or remedy under proposed amendments to section 81 of the *Mineral and Energy Resources (Common Provisions) Act 2014* (MERC Act). DNRME submitted that there were ‘alternative arrangements’ available to landholders offsite for remedy or compensation, citing environmental authority conditions (such as air quality, dust and noise) under the *Environmental Protection Act 1994* and in relation to bores, specific Make Good provisions under the *Water Act 2000*.

The committee accepted DNRME’s submissions; however, while noting it was outside the scope of its review of the current Bill, the committee expressed concern at the adequateness of the *Environmental Protection Act 1994* to protect landholders from offsite impacts. The parliament subsequently passed the Bill including the amendment to section 81 of the MERC Act. Landholders and their representatives continue to express concern that they have struggled to obtain remedy and/or compensation for offsite impacts. More than 18 months on from the committee expressing its concerns, it is now timely for DNRME, DES and the GasFields Commission to evaluate the effectiveness of the alternative arrangements to provide adequate rights to people affected by offsite impacts.

Reviewing the regulators and the commission

At present, no one is providing transparency and certainty that regulators of the coal seam gas industry are performing their roles effectively.

Section 7(1)(b) of the *Gasfields Commission Act 2013* (the GFC Act) gives the GasFields Commission Queensland its oversight function, specifically to:

review the effectiveness of government entities in implementing regulatory frameworks that relate to the onshore gas industry.

The commission is not performing this legislated oversight function.

Oversight function

The commission’s *Strategic Plan 2018 - 2022*, omits any reference or plans to deliver on this function. Consequently, the commission has not developed the structures, capacity or capabilities necessary to effectively deliver this function.



The *Independent Review of the GasFields Commission Queensland* by Professor Robert Scott in 2016 (the Scott review) identified that the commission was not fully delivering all its functions, including under section 7(1)(b). The Scott review noted that it was important that regulatory agencies were seen by stakeholders to be performing their roles effectively and that the commission 'provide an independent oversight in this regard (section 7(b) GasFields Commission Act)'. Scott recommended changes to strengthen section 7(1)(b) of the Act by including a reporting requirement. The Queensland Government accepted this recommendation 'in principle' and commented that those functions already exist under section 7(1)(b) and therefore legislative amendment was not required.

Unlike its other functions, this role of the commission could not be readily or appropriately passed on to a government department. By not fulfilling this function the commission is missing the unique opportunity it has been given to provide transparency and independent assurance that the industry is appropriately regulated and held to account when needed. Delivering this function is an important element in ensuring community and landholder confidence in the regulators and industry and for fostering coexistence. At present no one is providing that assurance.

Revisiting the role of the GasFields Commission Queensland

The coal seam gas landscape has changed since the establishment of the commission in 2012 and the Scott review in 2016, and continues to evolve. Some people have positive views about the commission. However, many people we interviewed across industry, landholders, stakeholders and government questioned the effectiveness of the commission in delivering value.

During the audit, the commission has reinvigorated its engagement with industry, landholders and government departments to better understand stakeholders' perceptions and assess how best to deliver its functions.

The following factors warrant a need to consider the future scope and role of the commission:

- The regulators, Land Access Ombudsman, and Land Court, to varying degrees already provide stakeholder engagement, advice and education. While the various entities play different engagement roles, the number of entities can cause confusion and some duplication for stakeholders.
- Relationships between industry, landholders, and communities are generally much better than when the commission was established.
- The Land Access Ombudsman and the Land Court aid in resolving disputes when they arise.
- Stakeholders continue to be confused about the commission's role and raise concerns about its independence.
- Stakeholders question the effectiveness of the commission in delivering value.
- The commission has not recruited for all the core skills necessary to deliver on all its functions, for example people who are experienced in regulatory oversight.

In December 2019, the Governor in Council appointed a new part-time commissioner and chairperson and three new part-time commissioners. The commission appointed an acting chief executive officer in November 2019. It has started to review its strategic plan, operational plan, structure, resources, systems and processes to align with its purpose and functions. The oversight function is the function that is not capable of being provided by the regulators and research bodies. Because the commission is not fulfilling its oversight function, at present no entity is providing oversight of the regulatory framework.



Glossary

Term	Definition
Authority to prospect (ATP)	Authority to prospect also commonly known as an exploration permit or tenure.
Basins	Basins are formed over different geological periods. The basin of a river or body of water is the land that surrounds it and the streams that flow into it.
Conduct and Compensation Agreement	A legal agreement between a landholder and a resource company relating to proposed activities or conduct and, where there is impact on the landholder, compensation arrangements for those activities.
Environmental authority	An environmental authority imposes conditions to reduce or avoid potential environmental impacts.
Fracking	A method used by the resource company to increase the rate and total amount of gas extracted from reservoirs. This method involves pumping water and sand into steel-encased wells to stimulate the opening of cracks in gas-bearing formations.
Information sessions	These sessions cover any type of engagement between the commission and stakeholders, for example, workshops and site tours.
Landholder	Owner/occupier/lessee (for example, rental tenant) of private land.
Make Good agreement	A Make Good agreement is a legally binding agreement entered into by a resource company and a landholder about a water bore.
Petroleum lease (PL)	Petroleum lease also commonly known as a production licence or tenure.



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A. Full responses from agencies

As mandated in section 64 of the *Auditor-General Act 2009*, the Queensland Audit Office gave a copy of this report with a request for comments to the Department of Natural Resources, Mines and Energy; the Department of Environment and Science; and the GasFields Commission Queensland.

As we have also made a recommendation to the Department of State Development, Manufacturing, Infrastructure and Planning, we provided a copy of the report to the department for comment.

This appendix contains their detailed responses to our audit recommendations.

The head of these agencies are responsible for the accuracy, fairness and balance of their comments.

We also provided a copy of the report to the Department of Agriculture and Fisheries for information due to its role in providing advice regarding priority agricultural areas.



Comments received from Director-General, Department of Environment and Science



Department of
Environment and Science

Our Ref: CTS 01250/20
Your Ref: 9165P

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr Worrall

Thank you for your letter of 17 January 2020 regarding the Queensland Audit Office (QAO) performance audit on managing coal seam gas activities (the Report).

The Department of Environment and Science (the department) supports the recommendations in the Report and is committed to continuous improvement in its regulatory approach to all industries, including the coal seam gas industry.

The department has committed to a number of actions, which are attached, in response to the QAO recommendations that will provide for increased information sharing between relevant agencies and improved transparency of the department's regulatory approach for both industry and the community.

Should your officers require any further information, they may contact Ms Kerynne Birch, Director - Energy and Extractive Resources, Environmental Services and Regulation of the department on or by email

Yours sincerely

A handwritten signature in black ink, appearing to read "J. Merrick", written over a horizontal line.

Jamie Merrick
Director-General

3/11/20

Encl. (1)

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Responses to recommendations



Department of Environment and Science

Report to Parliament – Managing coal seam gas activities

Response to recommendations provided by Jamie Merrick on 7 February 2020.

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and year)	Additional comments
The Department of Natural Resources, Mines and Energy and the Department of Environment and Science			
We recommend the two entities:			
1. make better use of their data to effectively deliver regulatory outcomes, by: <ul style="list-style-type: none"> collecting and analysing data from across the regulators and the industry to identify current and emerging coal seam gas risks, trends and priorities using insights from the data analysis to inform their compliance planning and engagement across all areas of the departments training and supporting staff in further analysis and use of data to better target compliance activities improving their reporting to develop a collective understanding of industry compliance and regulatory outcomes. 	Agree	Ongoing	The Department of Environment and Science (DES) will continue to use data from investigations, compliance activities, and other intelligence sources to support regulatory outcomes.
		Ongoing	DES has an existing compliance prioritisation model (CPM) that includes a range of data inputs. The CPM and a range of other data sources support compliance planning (priorities and target areas). These data inputs include operator or activity compliance history, local knowledge and other risk based considerations. DES will continue to enhance the CPM and other data and intelligence sources in its compliance planning and regulatory responses to the coal seam gas industry.
		Ongoing	DES staff (including intelligence analysis and compliance officers) are trained on the use of the CPM and other information sources, including when making compliance planning decisions.
		Q1 2020	DES, as part of establishing a new Enforcement Services Branch, will split the data analytics and intelligence functions to ensure that officers delivering these functions have an increased focus on their areas of expertise. This will support enhanced use of DES's data, and provide for better insights and trend analysis.
		Q3 2020	To provide a better understanding of regulatory outcomes, DES and DNRME will share information on their respective compliance and regulatory activities.



Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and year)	Additional comments
		Ongoing	DES currently works with the Gasfields Commission Queensland (GFCQ) and provides compliance data for GFCQ's public facing reports. DES will continue to work with the GFCQ to enhance transparency of information.
		Q3 2020	DES will increase online information relating to its compliance activities and regulatory outcomes, including in relation to the coal seam gas industry. DES will also review its existing public facing information relating to coal seam gas to ensure that it serves the needs of the public and is user friendly.
2. enhance coordination between the departments to assist in providing greater clarity for applicants and stakeholders on the progress of tenure and environmental authority application.	Agree	Q4 2020	DES and DNRME have a range of Memoranda of Understanding (MoUs) that relate to interactions between the two departments. Both departments will review these MoUs to ensure better information sharing, improved processes and clarity of contact points for clients. <i>The Environmental Protection Act 1994</i> provides statutory requirements where certain coal seam gas applicants must notify the public of current environmental authority (EA) applications.
		Ongoing	DES and DNRME will also examine their interactions with landholders and other stakeholders, particularly in relation to coordinated complaint response and stakeholder engagement.
		Q3 2020	DES and DNRME are currently developing a MoU regarding stakeholder interaction that will address this.
		Ongoing	DES regularly engages with coal seam gas companies regarding progress of EA applications. DES also regularly engages the Australian Petroleum Production and Exploration Association, World Wildlife Fund, Environmental Defenders Office, Lock the Gate and other organisations on a range of matters including regarding ways to optimise the in relation to the coal seam gas industry.



Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and year)	Additional comments
The Department of Natural Resources, Mines and Energy, the Department of Environment and Science, and the GasFields Commission Queensland			
We recommend the three entities:			
<p>3. develop and implement a coordinated data sharing framework for sharing information relating to their regulatory activities</p> <p>This should include:</p> <ul style="list-style-type: none"> establishing systems and processes (and automation, to the extent possible) to improve their ability to use the data agreeing on data requirements and a common identifier for coal seam gas related activities to better facilitate the exchange of information between the entities. 	Agree	Q2 2020	DES and DNRME already engage in a quarterly intelligence sharing meetings. These meetings allows DES and DNRME to share intelligence in relation to operators and regulatory activities. The purpose and scope of these meetings will be expanded to include discussions regarding the matters identified in this recommendation. The GFCQ will be invited to participate in future meetings.
		Q4 2020	DES and DNRME will share compliance planning intelligence between the departments and the DES/DNRME MoU will be updated to reflect agreed intelligence and data sharing as required.
		Ongoing	DES and DNRME already have processes in place to coordinate inspections of coal seam gas operators. This coordination will continue. DES will participate in and support DNRME in their coordination of multi-agency response to coal seam gas issues raised by landholders and the community.
		Q4 2020	DES will work with DNRME and the CFCQ on a common identifier for coal seam gas activities where possible.


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<p>4. work with key stakeholders to further evaluate the adequacy of remedy for property owners neighbouring coal seam gas activities.</p>	<p>Agree</p>	<p>Q2 2020 (review of communication material)</p>	<p>DES, DNRME and the GFCQ will review their existing communications to ensure that landholders neighbouring coal seam gas activities are aware of the regulatory framework and its application to neighbouring landholders. This will include information on rights of neighbouring landholders.</p> <p>The current framework under the <i>Environmental Protection Act 1994</i> treats any impacts on landholders (either neighbouring CSG activities or with CSG activities on their land) equally. CSG operators are required to manage impacts (noise, dust etc.) on sensitive receptors (e.g. residence) regardless of whether the sensitive receptor (eg residential property) is on the land or adjacent land. There is also the option for the operator to manage the impact on the landholder by entering into an alternative arrangement. This arrangement may include compensation for costs to manage the impact or alternative accommodation during the term of the nuisance impact. Compensation matters are otherwise addressed through the land access framework. DES will continue to implement the established framework under the <i>Environmental Protection Act 1994</i>.</p> <p>DES notes that Government has already considered the framework for compensation for landholders neighbouring CSG activities through the Parliamentary Committee on the Mineral, Water and Other Legislation Amendment Bill 2018. The only recommendation of the committee was for the Minister for Natural Resources, Mines and Energy to clarify the effectiveness of the current arrangements for neighbouring landholders who may be impacted by such activities. A response was provided.</p> <p>DES asserts that there has been a very clear policy direction from government regarding the adequacy of the current</p>
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Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and year)	Additional comments
5. evaluate their current collaborative engagement approach to determine its effectiveness and how they can better address the needs and concerns of stakeholders.	Agree	Ongoing	<p>framework.</p> <p>DES will work with DNRME and the QGFC through established frameworks, such as the Resource Community Information Sessions (led by DNRME), to address the needs and concerns of stakeholders.</p> <p>DNRME, DES and the GFCQ will review the effectiveness of their current collaborative engagement approach.</p> <p>Feedback from key stakeholders will be sought on their issues and concerns and suggestions on how to improve engagement activities. DES, DNRME and the QGFC will finalise a plan with a view to having a program of engagement activities targeting the gas industry and affected communities.</p> <p>As part of this work DES and DNRME will review any MoU or protocol with the GFCQ to ensure it reflects the scope of future collaborative engagement efforts.</p>
		Q3 2020	
		Q4 2020	
6. facilitate ways to further enhance the exchange of information between industry, government and landholders in situations where landholders have not been given the information to make an informed decision. This should consider potential legislative changes and commercial-in-confidence constraints.	Agree	Ongoing	<p>DES participates in proactive engagement sessions with DNRME and the GFCQ and stakeholders.</p> <p>DNRME, DES and GFCQ are currently planning their 2020 engagement program.</p>

Comments received from Acting Director-General, Department of Natural Resources, Mines and Energy

Your Ref 9185P
Our Ref GTS 02102/20

5 FEB 2020

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
PO BOX 15396
CITY EAST QLD 4002

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Department of
Natural Resources,
Mines and Energy

Dear Mr Worrall,

Thank you for your letter of 17 January 2020 concerning the proposed report to Parliament on the performance audit of regulation of the Coal Seam Gas (CSG) sector.

Over the past decade, a significant achievement for Queensland has been the establishment of a prosperous, safe and well regulated CSG sector. The Department of Natural Resources, Mines and Energy (DNRME), along with other state agencies has played a key role in ensuring that the regulatory framework is fit for purpose and facilitates appropriate development while balancing the needs and rights of communities and other land users.

In recognition of the importance of the sector, DNRME has invested heavily in regulatory reform, community engagement, compliance and industry development. DNRME is proud of its track record in facilitating and regulating the CSG industry and our success is reflected in the fact that Queensland is the only state in Australia with a CSG industry, providing essential gas to the domestic and export markets, along with rural and regional employment and economic development.

DNRME, together with the Department of Environment and Science (DES), are leaders in onshore petroleum regulation and this is borne out by the scope of the recommendations.

DNRME acknowledges the report's conclusions that greater data sharing, particularly with DES and the Gasfields Commission Queensland (GFCQ) will lead to improved regulatory outcomes for the departments, industry and community stakeholders.

The document attached provides DNRME's comments on the report recommendations.

DNRME will work closely with DES and the GFCQ to implement the report recommendations.

Should you have any further enquiries, please contact Mr Shaun Ferris, Deputy Director-General, Georesources Division, Department of Natural Resources, Mines and Energy

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'B. Purtill'.

for
James Purtill
Director-General

Att

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PO Box 15216 City East
Queensland 4002 Australia
www.dnrme.qld.gov.au
ABN 69 020 847 551

Responses to recommendations



Department of Natural Resources, Mines and Energy

Report to Parliament – Managing coal seam gas activities

Response to recommendations provided by James Purtill on 7 February 2020.

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and year)	Additional comments
The Department of Natural Resources, Mines and Energy and the Department of Environment and Science			
We recommend the two entities:			
1. make better use of their data to effectively deliver regulatory outcomes, by: <ul style="list-style-type: none"> collecting and analysing data from across the regulators and the industry to identify current and emerging coal seam gas risks, trends and priorities using insights from the data analysis to inform their compliance planning and engagement across all areas of the departments training and supporting staff in further analysis and use of data to better target compliance activities improving their reporting to develop a collective understanding of industry compliance and regulatory outcomes. 	Agree	Ongoing	DNRME has a Data and Digital Strategy, with the vision of continuously unlocking value through effective and productive use of data and digital. DNRME is undertaking a number of projects to upgrade existing data systems that have reached their end of life as well as transforming the way that the department received and stores relevant data. Once completed, DNRME will have systems that allow for easier extracting of data by stakeholders and officers as well as systems with improved integration and connectivity.
		Ongoing	DNRME currently utilises data and information from investigations, compliance activities, and other areas of intelligence to inform and support regulatory outcomes including compliance planning. The department will continue to undertake these activities to identify compliance priorities, target areas, and inform its public facing Compliance Plan. As part of this work, DNRME will also assess data and outcomes from the of its annual compliance program and actions and report this information publicly on an annual basis.
		Ongoing	The department currently utilises a Customer Relationship Management (CRM) system that is the point of truth for stakeholder engagement and compliance data. The CRM also includes basic business intelligence functionality which is utilised to monitor and understand trends in compliant and compliance activity. All relevant staff are trained in the utilisation of CRM and management actively monitors compliance reporting. This is supported by comprehensive guidance materials and subject matters experts to assist with queries and progress enhancements as part of a continuous improvement approach.
		Q3 2020	In order to provide a broader compliance picture for each department, DNRME and DES have agreed to enhance the sharing of data and information in relation to each respective department's compliance priorities during annual compliance planning processes. This arrangement will be formalised through the

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and year)	Additional comments
		Ongoing	refresh of Memorandums of Understanding (MoUs) between the agencies.
		Q3 2020	The Georesources division of DNRME has for a number of years, published an annual Compliance Plan that encompasses the gas industry along with all other parts of the resources sector that the department regulates. A Compliance Plan for the 2020-20 financial year is currently under preparation.
		Q3 2020	In addition, DNRME has committed to publishing an annual Compliance Report that will outline compliance outcomes and industry risks for the gas industry (along with other components of the sector) to give communities and stakeholders confidence in how the sector is being regulated.
		Ongoing	DNRME will work with the GFCQ to provide publicly available compliance information to a wider audience. This arrangement will be formalised through refresh of the MoU with GFCQ.
			DNRME's Resources Safety and Health Petroleum and Gas Inspectorate has a separate strategic framework focussed on building risk resilience and safety capacity that encompasses engaging with industry through stakeholder forums, an annual risk-based compliance assurance program, and an annual report to industry.
2. enhance coordination between the departments to assist in providing greater clarity for applicants and stakeholders on the progress of tenure and environmental authority application.	Agree	Q4 2020	DES and DNRME interact on a day to day basis in relation to regulatory activities they undertake for the resources sector. In recognition of these interactions, there are a number of MoUs that relate to interactions between the two departments. Both departments will review and update these MoUs to ensure better information sharing, improved processes and clarity of contact points for clients.
		Q3 2020	It should be noted that greater collaboration between DNRME and DES in assessing applications will not in itself lead to greater coordination with landholders as these processes are not related. DNRME has a well-established and robust systems in place around landholder information, complaints and engagement. However, DNRME will review these processes to ensure continuous improvement.



Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and year)	Additional comments
		Q2 2020	DNRME and DES will also examine their interactions with landholders and other stakeholders, around coordinated complaint response and stakeholder engagement. The departments are currently reviewing the MoU around landholder interaction and field and compliance activity and better coordination will be fundamental to this review.



Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and year)	Additional comments
The Department of Natural Resources, Mines and Energy, the Department of Environment and Science, and the GasFields Commission Queensland			
We recommend the three entities:			
<p>3. develop and implement a coordinated data sharing framework for sharing information relating to their regulatory activities</p> <p>This should include:</p> <ul style="list-style-type: none"> establishing systems and processes (and automation, to the extent possible) to improve their ability to use the data agreeing on data requirements and a common identifier for coal seam gas related activities to better facilitate the exchange of information between the entities. 	Agree	Q3 2020	DNRME, DES and the GFCQ have well established networks and processes for the sharing of information, data, and intelligence however in many cases these processes are informal in nature. In order to formalise these arrangements, current MoUs between the entities will be reviewed and enhanced to specifically deal with data sharing processes.
		Q2 2020	DES and DNRME have an established program of quarterly intelligence sharing meetings. These meetings allows DES and DNRME to share intelligence in relation to operators and regulatory activities. The purpose and scope of these meetings will be expanded to include discussions regarding the matters identified in this recommendation. The GFCQ will be invited to participate in future meetings.
		Q3 2020	DES and DNRME will share compliance planning and intelligence between the departments and the DES/DNRME MoU will be updated to reflect agreed intelligence and data sharing as required.
		Ongoing	DES and DNRME already have processes in place to coordinate inspections of coal seam gas operators. This coordination will continue. DES will participate in and support DNRME in their coordination of multi-agency response to coal seam gas issues raised by landholders and the community.
		Q4 2020	DNRME will work with DES and the GFCQ to ensure there is a single 'point of truth' for the definition and identification of target gas resources associated with gas tenures.
		Q2 2021	DNRME is upgrading its MyMinesOnline system to establish functionality that will allow the identification of the target gas resource for each tenure (i.e. CSG, tight, shale or conventional gas). This will allow government to more readily identify the type of gas targets by tenure.
4. work with key stakeholders to further evaluate the adequacy of remedy for property owners neighbouring coal seam gas activities.	Agree	Q2 2020 (review of communication material)	DNRME, DES and the GFCQ will review their existing communications to ensure that landholders neighbouring coal seam gas activities are aware of the regulatory framework and its application to neighbouring landholders. This will include information on rights of neighbouring landholders.



Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and year)	Additional comments
			<p>The current framework under the <i>Environmental Protection Act 1994</i> treats any impacts on landholders (either neighbouring CSG activities or with CSG activities on their land) equally. CSG operators are required to manage impacts (noise, dust etc.) on sensitive receptors (e.g. residence) regardless of whether the sensitive receptor (e.g. residential property) is on the land or adjacent land. There is also the option for the landholder and operator to enter into an alternative arrangement. This arrangement may include compensation or alternative accommodation during the term of the nuisance impact. Compensation matters are otherwise addressed through the land access framework. DES will continue to implement the established framework under the <i>Environmental Protection Act 1994</i>.</p> <p>DNRME notes that Government has considered the framework for compensation for landholders neighbouring CSG activities through the Parliamentary Committee on the Mineral, Water and Other Legislation Amendment Bill 2018. The only recommendation of the committee was for the Minister for Natural Resources, Mines and Energy to clarify the effectiveness of the current arrangements for neighbouring landholders who may be impacted by such activities. A response was provided in the Minister's second reading speech to Parliament.</p> <p>DNRME believes there has been a very clear policy direction from government regarding the adequacy of the current framework.</p>
<p>5. evaluate their current collaborative engagement approach to determine its effectiveness and how they can better address the needs and concerns of stakeholders.</p>	<p>Agree</p>	<p>Ongoing</p> <p>Q3 2020</p>	<p>DNRME delivers the Resource Community Information Sessions (RCIS) program that provides valuable information to landholders and resources companies about the regulatory framework and helps landholders and resource companies understand how to work better together, particularly when it comes to land access for exploration and mining activities. This program is delivered across gas, mineral and coal communities state-wide and is delivered in partnership with DES and the GFCQ.</p> <p>DNRME, DES and the GFCQ will review the effectiveness of their current collaborative engagement approach through the RCIS and other activities.</p> <p>Feedback will be sought from key stakeholders on their issues and concerns and suggestions on how to improve engagement activities.</p>



Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and year)	Additional comments
		Q1 2020	DNRME, DES and the QGFC will develop an engagement program with a view to delivering targeted engagement activities in gas communities.
		Q4 2020	As part of this work DES and DNRME will review any MoU or protocol with the GFCQ to ensure it reflects the scope of future collaborative engagement efforts.
6. facilitate ways to further enhance the exchange of information between industry, government and landholders in situations where landholders have not been given the information to make an informed decision. This should consider potential legislative changes and commercial-in-confidence constraints.	Agree	Ongoing	DNRME participates in proactive engagement sessions with DES and the GFCQ and stakeholders. DNRME, DES and GFCQ are currently planning their 2020 engagement program.
		Q4 2020	The review of the MoU with the GFCQ will also take into account exchange of information and working together on engagement.
		Ongoing	DNRME has a current process in place that assists landholders who are having difficulty negotiating with a gas company. DNRME can act as an intermediary between the parties where there are issues, including an alleged information imbalance. This can include informal assistance or organising a conference facilitated by DNRME with the parties to try to resolve issues.
		Q3 2020	To improve the standard of information being provided to landholders, DNRME will develop guidance material showcasing best practice entry notices to make sure landholders are given fulsome information in order to determine impacts on their operations.
7. publish the weighting and any mandatory criteria used for assessing or excluding tender applications.	Agree	Q1 2020	DNRME will ensure that all future tender releases include the weightings and mandatory criteria.



Comments received from Director-General, Department of State Development, Manufacturing, Infrastructure and Planning



Department of
**State Development,
Manufacturing,
Infrastructure and Planning**

Our ref: DGC20/55

Your ref: 9185P

04 FEB 2020

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
PO Box 15395
CITY EAST QLD 4002

Email: qao@qao.qld.gov.au

Dear Mr Worrall

Thank you for your letter of 17 January 2020 about the performance audit on coal seam gas activities and also the opportunity to meet with you before Christmas about this report.

I agree with the recommendation proposed for the Department of State Development, Manufacturing, Infrastructure and Planning (the department) that the department determine the scope, future function and role of the GasFields Commission Queensland (the Commission). In doing so the department will draw on work being undertaken by the Commission, which has recently had significant change in leadership on its Board and in the General Manager role. Consequently, the department will complete its work in the fourth quarter of 2020.

If you require any further information, please contact Mr Michael McKee, Deputy Director-General, on [redacted], who will be pleased to assist.

Yours sincerely

A handwritten signature in blue ink that reads "Rachel Hunter".

Rachel Hunter
Director-General

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Comments received from Acting Chief Executive Officer, GasFields Commission Queensland



6 February 2020

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
PO Box 15396
City East Qld 4002

Dear Mr Worrall

Performance audit on managing coal seam gas activities

On behalf of the GasFields Commission Queensland I would like to thank you and the staff of the Queensland Audit Office for the opportunity to provide information and input during the recent performance audit on managing coal seam gas activities in Queensland. The performance review included a review of the performance of the GasFields Commission along with other coal seam gas entities including the Department of Natural Resources, Mines and Energy and the Department of Environment and Science.

As you have acknowledged in your report, the GasFields Commission Queensland has already embarked on a major renewal program. The purpose of this program is to ensure the Commission delivers all of its legislative functions and engages effectively with key stakeholders to achieve its purpose of managing and improving the sustainable coexistence of landholders, regional communities and the onshore gas industry in Queensland.

The Governor in Council appointed a new Commission Chair in the latter half of 2019 and new Commissioners were appointed prior to Christmas 2019. The Commission has also appointed a new A/CEO and (amongst other things) strengthened its engagement and relationship with key landholder, industry and government stakeholders.

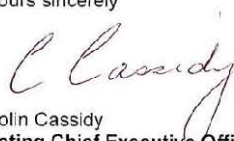
As part of this renewal program the Commission is well advanced in developing a new strategic plan, communications plan and stakeholder engagement strategy (to be considered by the Board at its first meeting scheduled for late February 2020). The Commission is also reviewing its structure, resources and business systems and processes to ensure they are strongly aligned, fit for purpose and support the Commission to deliver its legislated purpose and functions.

The Commission notes the findings and agrees to all the recommendations (please see the attached detailed response) contained in the audit report.

The performance review findings and recommendations provide an important and additional source of information to inform and support our current renewal program. The Commission has already commenced implementation of many of the recommendations and looks forward to continuing to play a strong leadership and collaborative role in managing and supporting sustainable coexistence.

Thank you once again for the opportunity to work with the Queensland Audit Office during the performance review. We look forward to continuing to work with the Queensland Audit Office in the future.

Yours sincerely



Colin Cassidy
Acting Chief Executive Officer



Responses to recommendations



GasFields Commission Queensland

Report to Parliament – Managing coal seam gas activities

Response to recommendations provided by Colin Cassidy, A/CEO, GasFields Commission Queensland



Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and year)	Additional comments
The Department of Natural Resources, Mines and Energy, the Department of Environment and Science, and the GasFields Commission Queensland			
We recommend the three entities			
3. develop and implement a coordinated data sharing framework for sharing information relating to their regulatory activities This should include: <ul style="list-style-type: none"> establishing systems and processes (and automation, to the extent possible) to improve their ability to use the data agreeing on data requirements and a common identifier for coal seam gas related activities to better facilitate the exchange of information between the entities. 	Agree	Q4 2020	Consistent with its purpose to manage and promote sustainable coexistence, the GasFields Commission Queensland (GFCQ) is working proactively with the Department of Natural Resources, Mines and Energy (DNRME) and the Department of Environment and Science (DES) to improve the community and stakeholder access to data that is collected through regulatory activities. Access to this type of information (amongst others) contributes to trust and confidence amongst stakeholders that the onshore gas industry regulatory system is operating effectively. GFCQ will continue to work with and support DNRME and DES to establish an appropriate approach to ensure any risks associated with the capture and use of industry data are appropriately managed. GFCQ will also review its MOU with DNRME to ensure there is a clear and effective coordinated data sharing framework in place. GFCQ will seek to extend this (or a separate) MOU to include DES.



Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and year)	Additional comments
4. work with key stakeholders to further evaluate the adequacy of remedy for property owners neighbouring coal seam gas activities.	Agree	Q1 2021	<p>GFCQ notes that the Queensland Parliament has recently considered the framework for compensation for neighbouring landholders to CSG activities through consultation on the <i>Mineral, Water and Other Legislation Amendment Bill 2018</i> and given policy direction when compensation is required.</p> <p>Within this context and consistent with a number of its legislative functions as an independent statutory authority to provide advice to Government on a range of matters related to the onshore gas industry, GFCQ will work with DNRME, DES and key stakeholders to evaluate the adequacy of remedy for property owners neighbouring coal seam gas activities.</p>
5. evaluate their current collaborative engagement approach to determine its effectiveness and how they can better address the needs and concerns of stakeholders.	Agree	Q4 2020	<p>In collaboration with key stakeholders GFCQ is currently developing a new Communications and Stakeholder Engagement Strategy that will, amongst other things, ensure that stakeholder engagement is targeted and meets stakeholder needs.</p> <p>As part of this process, GFCQ is working with DES and DNRME to examine ways to collaborate more and to coordinate our respective engagement efforts to address the needs and concerns of stakeholders.</p> <p>This collaborative engagement approach will also include exploring opportunities to continue to work with the Land Access Ombudsman, the Land Court of Queensland and peak industry and landholder groups.</p> <p>In addition, GFCQ will review its MOU with DNRME to ensure there is a collaborative engagement strategy in place to efficiently and effectively address stakeholder needs. GFCQ will also seek to extend this (or a separate) MOU to include DES.</p>



Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and year)	Additional comments
6. facilitate ways to further enhance the exchange of information between industry, government and landholders in situations where landholders have not been given the information to make an informed decision. This should consider potential legislative changes and commercial-in-confidence constraints.	Agree	Q4 2020	<p>To support its purpose to manage and promote sustainable coexistence, GFCQ has a legislative function to publish educational and other information about the onshore gas industry.</p> <p>GFCQ recognises that stakeholder access (including landholders) to education and other information about onshore gas industry activity, regulatory systems and associated processes assists stakeholders to better understand and more effectively interact with the system and make informed decisions.</p> <p>GFCQ will continue to work with DNRME, DES and other key stakeholders to build on and where appropriate further develop the existing set of information sharing platforms to ensure landholders have the information they need to assist them to make informed decisions.</p>

The GasFields Commission Queensland

We recommend the commission:

8. reviews the assessment process identified under the <i>Regional Planning Interests Act</i> to determine whether the process adequately manages coal seam gas activities in areas of regional interest. This should take into consideration stakeholders' concerns about inconsistent definitions of land and exceptions to the assessment process.	Agree	Q2 2021	<p>Consistent with its legislative function to review the effectiveness of government entities in implementing regulatory frameworks that relate to the onshore gas industry, GFCQ will work with the Department of State Development, Manufacturing, Infrastructure and Planning, other government agencies and key stakeholders to review the effectiveness of the assessment process under the <i>Regional Planning Interests Act 2014</i> in managing impacts of petroleum and gas development on areas of regional interest.</p>
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B. Audit objectives and methods

Performance engagement

This audit has been performed in accordance with the Standard on Assurance Engagements ASAE 3500 *Performance Engagements*, issued by the Auditing and Assurance Standards Board. This standard establishes mandatory requirements, and provides explanatory guidance, for undertaking and reporting on performance engagements.

Audit objective

In this audit, we assessed how well entities regulate and manage Queensland's coal seam gas activities and environmental obligations, to ensure a safe, efficient and viable industry. We examined whether entities were efficient and effective in:

- approving, monitoring, and regulating coal seam gas activities and environmental obligations
- engaging, supporting, and managing stakeholders.

Entities subject to this audit

The entities included in the scope of the audit were:

- Department of Natural Resources, Mines and Energy
- Department of Environment and Science
- GasFields Commission Queensland.

Audit approach

Field interviews

We conducted interviews with senior executives and departmental staff from the entities included in the scope of audit.

We consulted with:

- the Department of State Development, Manufacturing, Infrastructure and Planning
- the Department of Agriculture and Fisheries
- landholders and landholder groups, such as the Queensland Farmers' Federation
- CSG companies and peak industry groups, such as Australian Petroleum Production and Exploration Association
- Academics, such as those at The University of Queensland Centre for Coal Seam Gas
- Land Court Queensland
- Land Access Ombudsman.



Document review

We obtained and reviewed relevant documents and files from the entities within the scope of the audit, such as relevant legislation, organisational planning documents, policies, and frameworks.

Data analysis

We obtained data relating to how the entities regulate and manage coal seam gas activities to determine their effectiveness and efficiency.

Level of assurance

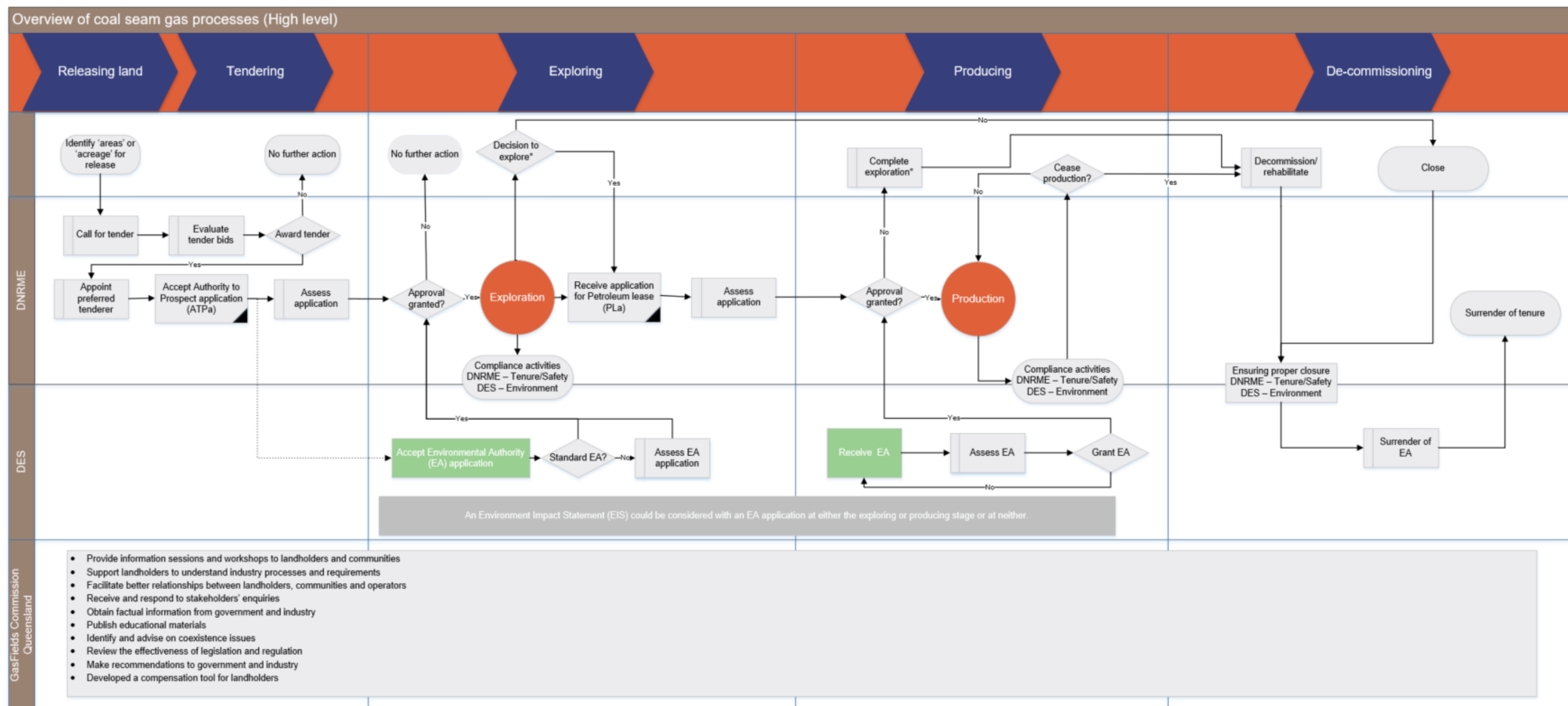
Due to data limitation, we can only provide limited assurance over the regulators' effectiveness in regulating the industry. The audit procedures we performed were undertaken on a sample basis, but the completeness of the population was unable to be verified. The audit conclusion expressed in this report has been formed on this basis.



C. Coal seam gas process

This is a process map that shows the responsibility of the entities through the coal seam gas process: tendering, exploring, producing and decommissioning.

Figure C1
Overview of the coal seam gas process (high level)



*This is a commercial decision made by applicant (company)

Source: Queensland Audit Office in consultation with the in-scope entities

D. Coal seam gas in Australian jurisdictions

Figure D1
Status of coal seam gas activities in state or territory

State or territory	Status
Victoria	<p>Victoria imposed a moratorium on coal seam gas (CSG) exploration in 2012, and introduced the <i>Resources Amendment Legislation (Fracking Ban) Act 2017</i> which:</p> <ul style="list-style-type: none"> • bans hydraulic fracturing (fracking) • prevents the exploration for, and production of, coal seam gas (and other unconventional gas) • imposes a moratorium on any petroleum exploration and petroleum production in the onshore areas of Victoria until 30 June 2020 • does not affect exploration and production for offshore gas, including drilling from onshore to offshore. <p>The Victorian Government said the fracking ban formed part of the response to the 2015 parliamentary <i>Inquiry into Onshore Unconventional Gas in Victoria</i>, which found a lack of community support for fracking. The government also referred to the 'clean, green' reputation of their agricultural sector, which employs more than 190,000 people.</p>
Tasmania	<p>Tasmania declared a five-year moratorium on fracking in March 2015, following a one-year moratorium introduced in March 2014. In March 2018, the government extended the moratorium until 2025.</p> <p>The government permits exploration activities for hydrocarbons but does not allow fracking to be used. The Tasmanian Primary Industries Minister cited potential negative impacts on rural communities and farming families, landowners' rights, and public and environmental health. The minister claimed the decision would 'protect Tasmania's reputation for producing fresh, premium and safe produce'.</p>
New South Wales	<p>New South Wales enacted coal seam gas exclusion zones in October 2013, to make residential areas 'off limits' to new coal seam gas activity. In January 2014, additional exclusion zones were introduced for future residential growth areas, seven rural villages and critical industry clusters in the Upper Hunter. The exclusion zones establish a two-kilometre buffer.</p>
South Australia	<p>The South Australian Government imposed a 10-year fracking ban across the Limestone Coast region in November 2018, while allowing the practice to continue in other regions. The Limestone Coast region is regarded as an agriculturally rich area.</p>
Western Australia	<p>Western Australia lifted a statewide ban in November 2018 to allow fracking in areas with existing petroleum licences. Fracking is not permitted in the remaining 98 per cent of the state. The decision follows an independent inquiry that made 44 recommendations, which will result in several regulatory changes. All of these recommendations are to be implemented prior to granting any fracking approvals.</p>
Northern Territory	<p>The Northern Territory lifted a moratorium on fracking in April 2018, following a scientific inquiry that found environmental, social, health, cultural and economic risks could be reduced to acceptable levels if 135 recommendations are implemented. New regulations will be accompanied by new powers to sanction non-compliance and increased criminal penalties for environmental harm.</p>

Source: Queensland Audit Office.

E. Functions of the GasFields Commission Queensland

The *Gasfields Commission Act 2013* provides 14 functions for the GasFields Commission Queensland. We have categorised them into three key areas:

Facilitation

- facilitating better relationships between landowners, regional communities and the onshore gas industry (a)
- facilitating appropriate entities to undertake community engagement and participation in initiatives about assessing health and wellbeing concerns relating to onshore gas activities (k)
- partnering with other entities for the purpose of conducting research related to the onshore gas industry (m)
- publishing educational materials and other information about the onshore gas industry (l)

Oversight

- reviewing the effectiveness of government entities in implementing regulatory frameworks that relate to the onshore gas industry (b)

Advisory

- advising ministers and government entities about the ability of landholders, regional communities and the onshore gas industry to coexist within an identified area (c)
- in response to requests for advice from the chief executive under the *Regional Planning Interests Act 2014* about assessment applications under that Act, advising that chief executive about the ability of landholders, regional communities and the resources industry to coexist within the area the subject of the application (d)
- making recommendations to the relevant minister that regulatory frameworks and legislation relating to the onshore gas industry be reviewed or amended (e)
- making recommendations to the relevant minister and onshore gas industry about leading practice or management relating to the onshore gas industry (f)
- advising the minister and government entities about matters relating to the onshore gas industry (g)
- supporting the provision, to the community and stakeholders, of information prepared by appropriate entities on health and wellbeing matters relating to the onshore gas industry or geographical areas in which the onshore gas industry operates (j).

Enabling functions to allow the commission to perform the above functions:

- obtaining information from government entities and prescribed entities (h)
- obtaining advice from government entities about the onshore gas industry or functions of the commission (i)
- convening advisory bodies to assist the commission to perform a function mentioned above (n).



Audit and report cost

This audit and report cost \$552,000 to produce.

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