

23 March 2021

Productivity Commission
National Water Reform Inquiry
Lodged online at www.pc.gov.au

Dear Sir/Madam,

RE: Response Draft Report – National Water Reform 2020

I am writing to provide APPEA comment on the above draft report.

The Australian Petroleum Production & Exploration Association (APPEA) is the peak national body representing upstream oil and gas explorers and producers active in Australia. APPEA's member companies account for more than 90 per cent of Australia's petroleum production and almost all of Queensland's production. Further information about APPEA can be found on our website, at www.appea.com.au.

Our key comment on the draft report relates to section 6.1 which states that Exemptions for [the mineral and petroleum] industries should be removed, during NWI renewal, to ensure that entitlements for mineral and petroleum industries are assessed on their merits and issued under the same framework that applies to other consumptive users."

APPEA submits that this recommendation is misguided and misrepresents the significant difference in water rights between the petroleum industry and water users under the entitlements and planning framework.

As noted in APPEA's submission on the issues paper, the petroleum industry does not have the same consumptive rights as other water users. Production of water by the petroleum industry under 'associated water' rights come with extensive additional responsibilities and obligations, primarily that the water produced must be beneficially reused.

The largest beneficial use is irrigation and in this way the petroleum industry is required to clean the generally poor-quality water it produces and provide that water to irrigators, which it does at very low cost to the irrigator. The petroleum industries rights are therefore fundamentally different to the rights of irrigators under the entitlements and planning arrangements which enable irrigators to directly consume the water they produce.

Beneficial use is just one of the many regulatory requirements that are unique to associated water rights. A more detailed explanation is **attached**.

The suggestion in the draft report that petroleum should be brought within the same framework that applies to other water users suggests the Commission believes that these unique requirements should be abolished or, alternatively, that the petroleum industry should be brought within the framework but have more limited rights than other water users. Neither of these positions is articulated or justified in the draft report and APPEA considers this is a significant omission that should be rectified in the final report. An explanation of the additional



responsibilities that apply to petroleum under current arrangements should also be included in the final report so that the issue is discussed in the proper context. However, for clarity, APPEA does not support either of these positions and instead we strongly believe that the existing system of associated water rights with additional responsibilities should be retained. In this regard, Clause 34 of the National Water Initiative appropriately recognises that there are particular requirements for the resources sector that need to be acknowledged in water planning. This clause must be retained to ensure that these unique circumstances are properly accounted for. This is not a question of “special treatment”, but about special and careful consideration of arrangements that recognises the unique, rigorous and comprehensive ways in which the industry interacts with water systems.

This existing system enables a major economic resource to be produced and supports a globally significant export industry, ensures there are considerable secondary benefits to farming in particular, and has seen the establishment of a world leading groundwater model and monitoring network in the Surat Basin. We therefore submit that the final report should be amended to support retention of the existing system.

Yours sincerely

Matthew Paull
A/g Queensland Director

Queensland regulatory requirements for associated water take

Petroleum operations in Queensland are subject to a range of regulations and stringent monitoring and compliance regimes that do not apply to water users within the entitlements and planning framework.

The petroleum industry's environmental and water management obligations are governed by a regulatory framework that includes elements of the *Environmental Protection Act 1994*; *Water Act 2000*; and the *Petroleum and Gas (Production and Safety) Act 2004*.

Under the Queensland regulatory framework, petroleum tenure holders have a limited right for the extraction of groundwater in the process of producing petroleum. The rationale for this authority is that petroleum cannot be produced without water also coming to surface. New requirements have been introduced requiring non-associated water take to be measured and authorised.

Associated water can only be produced to the extent necessary to produce petroleum, and with this authority comes significant additional responsibilities that are not applied to other water users. These include, for example, requirements to monitor for impact, fund regional level modelling to forecast impacts, make good for any impacts on other water users, and limitations of how the water can be used that specify that water must be beneficially reused where feasible.¹

Under Queensland's *Waste Reduction and Recycling Act 2011*, companies are also required to identify beneficial uses for produced water including treating the water for other uses such as irrigation, town water supplies, environmental flows and aquifer recharging.

To ensure a comprehensive cumulative groundwater assessment is completed and to provide clarity on the management responsibilities of individual tenure holders, areas with multiple tenement holders can be declared a 'cumulative management area' (CMA) under Queensland legislation.

Where a CMA is established, the Office of Groundwater Impact Assessment (OGIA) is responsible for undertaking assessments, establishing management arrangements and identifying responsible tenure holders to implement specific aspects of those management arrangements. The Surat CMA was established in April 2010 and the most recent UWIR was published in 2019.

The Surat UWIR 2019 reflects a comprehensive regional groundwater flow model that was constructed to predict the impact of current and planned CSG development on groundwater pressures in aquifers. The model is the best available tool to assess regional groundwater impacts.

In summary, the Queensland Government applies many additional requirements to petroleum industry associated water take that do not apply to water users in the entitlements and planning framework. These include:

- A Coal Seam Gas Water Management Policy
- Make good arrangements

¹ Queensland Government, Make Good Obligations. <https://www.ehp.qld.gov.au/management/non-mining/faqs-make-good.html>

- Beneficial use requirements and standards
- Specific standards for the construction and operation of water storage dams associate with resource projects
- Water management conditions within environmental authorities
- Water reporting
- Bore assessment
- The development of regional underground water impact reports
- Funding for a regional groundwater model and monitoring network under the Office of Groundwater Impact Assessment

APPEA submits that these additional responsibilities are relevant to the Commission's recommendation that petroleum should be brought within the same entitlement and planning framework as other water users.

APPEA believes the existing system offers significant benefits and should not be changed.