Canberra observed

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Federal budget outcomes

No surprises for minerals explorers

The budget funds the Prime Minister’s commitment to the Junior Minerals Exploration Incentive (JMEI) and makes $100 million of direct tax offsets available over the next four years. The JMEI is a tax credit arrangement that allows minerals exploration companies, which have no mining income to renounce, to pass future tax deductions (losses) to their investors, providing those investors are Australian residents. It is hoped that the JMEI will encourage investment in greenfields exploration for minerals.

The budget also continues funding of the Research and Development Tax Incentive, which encourages companies to invest in research and innovation in the mining and minerals exploration sector.

Win for Geoscience Australia

It was a great budget for Geoscience Australia (GA). GA has been allocated more than $260 million over four years in order to develop satellite data based infrastructure: http://www.ga.gov.au/news-events/news/latest-news/eco-statement-on-budget-2018-19

Over the next four years GA will use $160.9 million to fund the development of a satellite-based augmentation system (SBAS). SBAS augments and corrects positioning signals transmitted to Australia by GPS, improving accuracy, availability and reliability. $64 million will be used to establish a national ground station network, improve coordination across government and the private sector, and ensure Australian industry has access to world-leading software tools for positioning. The goal of these two projects is to make reliable positioning data accurate to 10 cm available in every corner of Australia. Areas with mobile coverage will have access to positioning data accurate to 3 cm.

In addition, GA will spend $37 million over the next four years to develop the Digital Earth Australia program (www.ga.gov.au/DEA), and expand it to include providing industry with access to huge archives of government satellite data in a ready-to-use form. This funding will take GA’s role as the national remote sensing agency to the next level.

The Federal Government has also topped up NCRIS, which means that AuScope will have an ongoing role in supporting research infrastructure for the geoscience community. The Government has committed additional funding of $1.9 billion to national research infrastructure, which complements the ongoing NCRIS program funding of $150 million per year announced in 2015. The projects will be delivered through an expansion of the existing NCRIS program, which brings the total investment in national research infrastructure projects to $4.1 billion over 12 years.

Minister Canavan establishes Resources 2030 Taskforce

What it will do

Minister for Resources, Matthew Canavan, announced on 28 March 2018 that he was setting up a taskforce to identify reforms to secure the future of Australia’s resource sector.

In the Minister’s words, ‘We must look beyond current issues and short-term thinking. We need bold, yet attainable, new policies and reforms that will maintain us as a leading mining nation in the long-term’. He wants the Taskforce to ‘focus on key areas that can attract investment, contribute to regional economic progress, build community support, find new minerals, and ensure that Australia remains competitive and gets best use of its mineral resources before they are exported’.

The Taskforce will consider potential reforms in line with the following policy areas:

- investment – business simplification and competitive investment settings
- communities – regional development and bolstering community support
- exploration and business development – new basins, markets, minerals and geological sciences
- innovation and technology – improving productivity, developing mining equipment, technology services and supply chains and

The Taskforce will report to the Minister by the end of August 2018. It doesn’t have much time!

Who will do it?

The Taskforce is chaired by Andrew Cripps, a former Queensland Minister for Natural Resources. He is supported by:

- Paul Flynn, CEO and Managing Director, Whitehaven Coal
- Mike Henry, President Operations, Minerals Australia, BHP Billiton
- Marcia Langton, Foundation Chair, Australian Indigenous Studies, Faculty of Medicine, University of Melbourne
- Joyce McCulloch, Mayor, Mount Isa City Council
- Chris Pigram, Chair of the Independent Expert Scientific Committee on Coal Seam Gas and Large Coal Mining Development
- Will Robinson, Managing Director, Encounter Resources Limited
- Adrienne Rourke, General Manager, Resource Industry Network
- Erica Smyth, Chair, NOPSEMA Advisory Board (NOPSEMA is a Commonwealth Statutory Agency regulating health & safety, structural integrity & environmental management of all offshore petroleum facilities in Commonwealth waters).
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Will it help the resource industries?

Probably. The Taskforce comprises a group of talented and experienced people who understand the resource industry and therefore is likely to make sound recommendations.

Are there likely to be pitfalls or omissions? Yes. Here are some of questions to ponder on:

1. At present the minerals industry is re-bounding from the slump of early 2016, when exploration investment plunged to a 10 year low. With increasing demand for minerals resources needed to power the renewable energy sector, the future looks good. So, why is there a need for a minerals focused taskforce?
2. The petroleum sector is not healthy. Australian production of petroleum and condensate has more than halved since 2000, when it was about 3500 MI/month, to 1300 MI/month in October 2017. Furthermore, exploration expenditure in the last quarter of 2017, at $254 million, fell to its lowest level since 2004. So, why is the taskforce focused on the minerals sector, which is healthy, and not on petroleum, which is in dire straits?
3. The environment is recognised as an important policy area so, why is there no hydrologist, or land management scientist on the task force?
4. It might appear, from the chosen policy areas, that the taskforce should focus on providing jobs in rural Australia, rather than on finding more efficient ways to find and develop new deposits. If this is correct, will this help Australia’s competitiveness?

We will have to wait until the end of August 2018 for answers to these questions.

Australia and East Timor agree on maritime border: but is it a good deal for Australia?

On 6 March 2018 Australia’s Julie Bishop and Timor-Leste’s Hermenegildo Pereira signed the Treaty between Australia and the Democratic Republic of Timor-Leste establishing their maritime boundaries in the Timor Sea.

This ended a long running dispute over the boundary that has been going on for over 30 years. In 1972, before Timor-Leste existed, Australia and Indonesia agreed to a boundary that essentially was at the edge of the continental shelf (see Figure 1). The Timor Gap Treaty was signed in 1989, when East Timor was still under Indonesian occupation. East Timor was therefore left with no permanent maritime border, and Indonesia and Australia shared the wealth in what was known as the Timor Gap.

In 2002 East Timor gained independence and the Timor Sea Treaty was signed, but no permanent maritime border was negotiated. East Timor had long argued the border should sit halfway between it and Australia, placing most of the Greater Sunrise oil and gas field in their territory, and Australia argued that, as the sediments on the continental shelf were derived from the Australian continent, the boundary should be at the edge of the shelf. Furthermore, Australia and Indonesia had already signed an agreement in 1972 to position the boundary at the edge of the continental shelf.

Meanwhile, in 1997, the United Nations Convention on the Law of the Sea was adopted and the boundary was to be half way between Australia and Timor-Leste. The exclusive economic zone (EEZ) would then be positioned as shown in Figure 1. This boundary was never ratified.

In 2004 East Timor re-started negotiations with Australia about the border and, in 2006, a treaty was signed to split the revenue from the Greater Sunrise oil and gas field evenly between the two countries but no permanent border was set. This led the five companies Woodside Petroleum Limited (operator and 33%), Royal Dutch Shell (27%), ConocoPhillips (30%) and Osaka Gas (10%) in the joint venture operating the Greater Sunrise resource to shelve the project. The value of the resource is estimated to be of the order of $50 billion, so the stakes were high!

Australia resisted adopting 1997 boundary but was caught in a bind over the Chinese territorial claims in the China Sea. How could Australia tell the China to abide by the rule of law when it wasn’t complying with the UN Law of the Sea near Timor-Leste?

Figure 1. Three boundaries are shown in this diagram: the 1972 Australia-Indonesia Seabed Boundary; the 1997 EEZ Boundary that complies with the United Nations Convention on the Law of the Sea (but never ratified); and the recently agreed boundary between Timor-Leste and Australia, shown in green. The area bounded by the green line and a straight line between TA1 and TA13 defines the Joint Petroleum Development Area, where the current commercial agreements shall continue unchanged.
In 2017 Australia eventually agreed to accept Dili’s formal notice to terminate the agreement to split petroleum revenue equally from the Greater Sunrise resource. The dispute was taken to the Permanent Court of Arbitration at The Hague and, as a result, the boundary shown in Figure 1 was agreed to.

However, the revenue sharing agreement from the Greater Sunrise resource depends on whether the pipeline from the resource goes to Australia or Timor-Leste. If the Greater Sunrise Fields are developed and the pipeline goes to Timor-Leste, the ratio of revenue will be 30 per cent to Australia and 70 per cent to Timor-Leste. If the pipeline goes to Australia then the ratio will be 20 per cent to Australia and 80 per cent to Timor-Leste. Either way it seems to be a good deal for Timor-Leste.

The next step might be that Indonesia will want to re-draw their boundary with Australia to comply with the United Nations Convention on the Law of the Sea. If that happened the 1997 boundary shown in Figure 1 would become the new boundary, and we could lose more of our continental shelf. Not a good deal at all!

Northern Territory lifts fracking moratorium

The process

The Northern Territory Government’s Chief Minister, Michael Gunner, announced on 17 April 2018 that his government had accepted all the 135 recommendations made by the independent fracking inquiry he had established in December 2016. The process leading up to this decision started on 14 September 2016, when he announced a moratorium on hydraulic fracturing in onshore shale reservoirs in the NT, pending the appointment of an independent scientific panel to inquire into the impacts and risks associated with hydraulic fracturing.

In January 2017 Justice Rachel Pepper was appointed Chair of the Inquiry, along with eight scientists across a range of disciplines (www.frackinginquiry.nt.gov.au). It received more than 1250 submissions and held meetings with community groups, environmental groups, Land Councils, local councils, government agencies, industry and individual members of the public. The key issues were:

- the nature and extent of the risks identified with the hydraulic fracturing of onshore shale gas reservoirs, and its associated activities on the environmental (aquatic, terrestrial and atmospheric), social, cultural and economic conditions of the NT
- whether these risks can be mitigated to an acceptable level
- if they can, by what methodology or methodologies can these risks be mitigated and
- whether the existing regulatory framework is sufficient to implement these methodologies, and if not, what changes must be made to it and by when.

The outcomes

The overwhelming consensus of the participants argued that hydraulic fracturing for onshore shale gas in the NT is not safe, is not trusted and is not wanted. However, the panel decided that, with a rigorously enforced and improved regulatory regime, the onshore extraction of shale gas could be advantageous to the

Figure 2. Potential reserved areas from shale gas development are coloured red and the purple areas are considered to have no oil or gas potential. The cross-hatched areas already have exploration licences granted. Source: NT Department of Environment and Natural Resources.
the requirement for gas companies to obtain a water license
• strict new requirements that must be met before production can take place including the development of robust and transparent monitoring strategies, discussions with industry and pastoralists regarding land access requirements and compensation, and release of all environmental management plans for public comment
• broad standing to seek judicial and merits review of statutory decisions
• broad new powers to sanction non-compliance, civil enforcement proceedings and increased criminal penalties for environmental harm.

If anyone wants a readable review of hydrofracturing techniques, this report would be a good place to start. It provides an excellent analysis of the techniques, the costs and benefits, as well as a good background on the geology of the NT. One gets the impression that the panel appreciated the risks involved with hydrofracking and have put together a robust compliance regime to reduce these risks to a reasonable level. There is no claim that there are zero risks.

According to the Chief Minister, the reforms will require significant additional resources and he has approved $5.33 million over three years to implement all the recommendations. There is also a greenhouse gas emission issue and the NT Government is seeking offsets from the Australian Government for the emissions, generated by the fracking.

The government accepted the Inquiry’s advice about no-go zones for fracking. If these are added to the areas where there is no petroleum potential, 49% of the Territory will be frack free. These areas include the National Parks, Conservation Areas, Indigenous Protected Areas, towns, residential and strategic assets, and areas of high cultural, environmental or tourism value. Figure 2 shows the areas that can be used for fracking.

The NT Government has tackled a very controversial issue in a responsible and effective way and should be commended for its actions.

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