

# HYDRAULIC FRACTURING SUPPORTED BY WEST AUSTRALIAN PARLIAMENTARY INQUIRY

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'Report 42 - Implications for Western Australia of Hydraulic Fracturing for Unconventional Gas' (**Report**) documents the findings of the Inquiry, that the exploration and production of unconventional gas poses 'negligible' risks to the environment and community and the risks can be managed.

- It is likely that opponents to the extraction and use of hydrocarbons will continue to use fear and misinformation as tools to oppose new unconventional gas projects and will need to be managed by project stakeholders.
- The full list of findings and recommendations can be read in full in the Report.
- The Government released its response to the Report on 17 March 2016 and proposes to adopt 10 out of the 12 recommendations.

## THE REPORT

In November 2015, the Western Australian Parliament's Standing Committee on Environment and Public Affairs (**Committee**) released the much anticipated '*Report 42 - Implications for Western Australia of Hydraulic Fracturing for Unconventional Gas*', the product of a two year-long inquiry into hydraulic fracturing and its implications. The Report is comprehensive and makes 51 key findings and 12 recommendations.

When the Committee first resolved to undertake the inquiry in 2013, it was the first Australian parliamentary committee to inquire into hydraulic fracturing for unconventional gas in Australia. Since then, there has been a spate of Parliamentary and other inquiries conducted across Australia into hydraulic fracturing, bringing the exploration for and production of unconventional gas further into the spotlight. The enhanced focus on unconventional gas is partly attributable to energy security becoming a greater priority for governments and the emergence of improved technologies to extract the resource.

## **WHAT IS UNCONVENTIONAL GAS AND HYDRAULIC FRACTURING**

The term ‘unconventional gas’ is typically used to describe shale gas, coal seam gas and tight gas, each being types of natural gas found in impermeable rock formations.

Hydraulic fracturing is the process whereby fluid (often referred to as ‘frac fluid’) is forced at high pressure into a geological formation with low permeability, which contains oil or gas. The pressure stimulates a flow so that the oil or gas, which would otherwise be inaccessible, can be extracted more easily. In recent years, new technologies have been developed to reduce environmental impacts, such as horizontal drilling and multi-well pads. The Petroleum and Geothermal Energy Resources Act 1967 (WA) is the primary piece of legislation which regulates hydraulic fracturing in WA and is supported by the *Petroleum and Geothermal Energy Resources (Resource Management and Administration) Regulations 2015 (WA)*.

Hydraulic fracturing is in its infancy in WA, and according to the Report, in the last ten years only 15 wells have been drilled in WA to explore for shale and tight gas and 7 of these wells were fractured.

## **COMMUNITY CONCERNS AROUND HYDRAULIC FRACTURING**

The Committee embarked on a significant fact and opinion seeking inquiry and heard evidence that elements of the WA community are concerned about the potential for contamination of ground water, increased seismic activity and the type of chemicals used in the hydraulic fracturing process. Evidence was forthcoming from regulators and industry experts.

What did the Committee find?

The Committee made a number of positive findings around the exploration and production of unconventional gas through hydraulic fracturing. It found that the unconventional gas industry can produce numerous benefits to WA, through the generation of employment, investment and a means for future energy security for WA. The Committee also found that all petroleum activity contains an element of risk and for this reason, there should be a shift of focus, from the prospect of risk, towards ensuring that the Government has cogent regulations and policy in place to manage that risk. Supporting this, the Committee reported that the technology used in the exploration and production of unconventional gas posed 'negligible' risks to the environment and community, and the risks identified in the Inquiry can be managed.

The Committee also addressed the key community concerns around hydraulic fracturing and found:

1. WA is unlikely to experience negative effects from induced seismicity as a result of hydraulic fracturing,
2. the risk of wells intersecting with underground water aquifers is extremely remote,
3. the risk of fugitive methane contamination of ground water is extremely remote, and
4. surface spills of frac fluid may be a greater risk than the hydraulic fracturing process itself, but this can be effectively managed.

The recommendations made in the Report are targeted to help decision makers deliver the necessary safeguards in the regulation of hydraulic fracturing in WA. In our view, there is already a significant regulatory and policy framework in WA to manage the issues raised during the Inquiry.

The final recommendation made in the Report summarises the Committee's overall position: that any future consideration of hydraulic fracturing in WA should be based on established facts and ascertained through baseline data and monitoring, with a view to strengthening the industry's social licence to operate. Other Government inquiries and reports in Australia have made similar findings.

## **GOVERNMENT'S RESPONSE TO THE REPORT**

On 17 March 2016 the WA Government released its response to the recommendations made by the Committee. The Government proposes to adopt 10 out of the 12 recommendations made in the Report and gave reasoned justification as to why two of the recommendations will not be adopted:

1. the establishment of a statutory body similar to the Queensland GasFields commission will not be adopted because mechanisms for negotiating access agreements with landholders has developed significantly since the Committee's Report was released. The Government is committed to improving these mechanisms, including the use of independent mediation, and
2. the recommendation for the establishment of a working group of land owner representatives and community leaders to draft a statutory framework for land access agreements is no longer necessary because a model agreement for access to agricultural land was released in October 2015. DMP will now establish a working group to develop recommendations for further changes that may be required to this model agreement.

The Government noted the recommendation to amend the inter-agency memorandum of understanding (**MoU**) to require the Department of Mines and Petroleum (**DMP**) to refer all unconventional gas exploration and production proposals to the Environmental Protection Agency, however a revised MoU has already been drafted, which requires the referral of *significant* projects only.

## **FUTURE OF HYDRAULIC FRACTURING FOR WA**

The unconventional gas industry is continuing to grow in WA, but is still a long way from reaching its full potential. Once commodity prices improve, we expect that the regulators will receive an increasing number of applications for the exploration and development of unconventional gas in WA.

However, some level of community concern and protest is likely to be an ongoing issue for government, regulators and industry. Approvals for exploration have attracted the ire of some activists, despite those approvals having been granted by decision makers through a considered, factual and risk aware inquiry. Inquiries across Australia have found that the unconventional gas industry can bring significant economic benefits and the risks can be appropriately managed, however, we expect that opponents to the extraction and use of hydrocarbons will continue to use fear and misinformation as tools to oppose new developments.

In order for hydraulic fracturing to be a success in WA, effective and transparent engagement with the community and regulators is necessary. Given the approach taken by activists to date, any future developments will require an experienced multi-disciplinary team to help identify and manage risks in the approvals and land access process.

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