

LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

WRITTEN QUESTION

Mrs Lambley to the Minister for Primary Industry and Resources:

Fracking

The Northern Territory budget papers contain information on Jemena Northern Gas Pipeline project.

1. Why should my constituents trust in the Government's fracking inquiry when infrastructure has been approved which the pipeline proponent Jemena and the fracking industry's peak lobby group says require fracked gas for project viability?
2. Why aren't you waiting for science and for the community to inform decisions before approving infrastructure?
3. Will the Minister assuage the concerns of Territorians by applying a conditional restriction on the transportation of fracked gas through the Northern Gas Pipeline?

Gas Pipeline

4. Given that Queensland-based fertilizer company Incitec Pivot is the only customer have signed up to purchase gas from the Northern Gas Pipeline and they have stated that they will save \$55 million a year every year for 10 years by having access to the gas supplied through the Northern Gas Pipeline, how much per unit is Power and Water selling its excess gas to them for?
5. How much will the Northern Territory Government pay in tariffs to Jemena to transport our Northern Territory gas to Queensland?

Mining

6. What conversations have been had between the NT Government and the Federal Government about the proposed Chandler salt mine and permanent toxic and hazardous waste storage facility?
7. Is the Chief Minister concerned about the possibility of the Tellus facility becoming a trojan horse for a nuclear waste repository?

8. Has the NT Government considered the potential costs of security for the Chandler facility after its initial proposed 29 year life?
 9. What is the NT Government's position on a coal deal made just before the CLP left office reported in the Australian on Tuesday August 23 2016?
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ANSWERS

Fracking

1. The pipeline is sized for current gas market conditions and knowledge of conventional onshore and offshore resources for which there are ongoing opportunities for further development. Jemena has consistently indicated that the project is not reliant on access to fracked gas.

The Northern Gas Pipeline (NGP) was approved following an in-depth environmental impact assessment by the NT Environmental Protection Authority (EPA) and meeting all approval criteria under the *Energy Pipelines Act* and *Environmental Protection and Biodiversity Conservation Act* as well as all other applicable legislation in the NT. The economic viability of the project, in which the NT government has no direct interest, is a matter for the proponent of the project entirely.

The NT is largely underexplored and industry must yet prove whether or not unconventional gas development can be done economically. Furthermore, conventional sources of gas remain yet to be discovered, developed or has the potential to supply the Northern Gas Pipeline. Other sources could include offshore gas reserves.

At this stage the development of unconventional shale gas resources by means of hydraulic fracturing is under review via the Independent Scientific Inquiry into Hydraulic Fracturing of Unconventional Shale Gas Resources (the Inquiry). The government will not make any decisions until the outcomes of the Inquiry's report are studied in detail and debated in the Legislative Assembly. Therefore the government is firm that the approval of the NGP does not pre-empt the fate of the moratorium on hydraulic fracturing of unconventional gas resources.

2. The pipeline is sized for current gas market conditions and knowledge of conventional onshore and offshore resources for which there are ongoing opportunities for further development. Jemena has consistently indicated that the project is not reliant on access to fracked gas.

The NT stands to benefit from the sales of gas from the Blacktip field to the East Coast. Gas supply in the NT is secured through a long term contract between ENI (the operator of the Blacktip field in commonwealth waters off the coast of Western Australia) and Power and Water Corporation (PWC). PWC has contracted more gas than currently needed in the local NT market.

The NGP creates a market for that unused gas and enabling PWC to monetise that gas. PWC, an NT government owned entity, has assured the government that it has sufficient contracted gas at agreed prices to secure affordable gas for Territorians until 2034, thus being unaffected by East Coast gas price volatility.

While a moratorium is in place and the Inquiry is being undertaken, no activities that involve fracking of shale gas reservoirs can occur.

The government will wait for the outcomes of the Inquiry and thoroughly review the report before it makes its decision about whether or not hydraulic fracturing can be undertaken safely in the NT in tightly prescribed and highly regulated areas.

3. In April 2017, Jemena was granted a pipeline licence for the NGP. The licence conditions do not include any restrictions on the source of gas or the method by which it has been extracted. The Minister is not aware of any precedent where such a measure would have been imposed on any pipeline anywhere.

The question whether shale gas development with the use of hydraulic fracturing will be allowed in the NT will be informed by the Inquiry and debated in the legislative assembly.

Gas Pipeline

4. Due to confidentiality arrangements between PWC/Incitec Pivot, information requested is Commercial in Confidence.
5. This information is also subject to confidential arrangements between PWC and Jemena and is Commercial in Confidence. Additional information, is however, available on Jemena's website, which details the structure of the transportation and nitrogen removal tariffs for third party users.
<http://jemena.com.au/industry/pipelines/northern-gas-pipeline/services>

Northern Gas Pipeline Tariffs

Read the NGP Gas Transportation Agreement

<http://jemena.com.au/documents/pipeline/neqi/ngp-gta-standard-form.aspx>

To incentivise the future development of Northern Territory’s gas resources, Jemena has designed a rolled in tariff (RiT) regime. This regime incentivises other shippers to contract capacity by enabling all shippers to obtain access to pipeline transportation services on fair and reasonable terms. It also ensures foundation shippers are not disadvantaged by contracting early and that all shippers will benefit from future growth.

Our RiT regime includes a number of features that will be attractive to future shippers. In real terms, there are no circumstances where the initial tariff will increase. For any pipeline expansion where the marginal cost of the additional capacity is lower than the average tariff for all existing capacity, the tariff level for all customers will be adjusted downwards to reflect the average cost of capacity in the newly expanded pipeline. If the marginal cost of additional capacity is above the average cost of capacity, then the RiT is not adjusted and the party seeking the additional capacity will pay a shipper expansion capacity charge.

As Available services and other pipeline charges (such as overrun charges and imbalances) will all be based on the RiT, and therefore a reduction in the RiT over time will also see a reduction in all applicable charges. We will also offer an As Available Park and Lend service to provide customers with access to any available park capacity on a day at a competitive price.

Refer to the GTA for further information on the RiT methodology.

Gas Transportation Tariffs as per below:

Service Type	Firm Forward Haulage	As Available Forward Haulage	As Available Park & Lend
Tariff	\$1.4447 (rolled in tariff)	Rolled in tariff x 130%	\$0.1032/GJ
Tariff Structure	Capacity Charge	Variable Charge	Variable Charge
Transportation Charges	Tariff x Maximum Daily Quantity	Tariff x Actual Delivered Quantity	Tariff x Daily Cumulative Imbalance

**All tariffs are quoted in 2017 dollars are subject to escalation for CPI.*

Nitrogen Removal Service

Gas shipped on the NGP must be stripped of nitrogen to meet east coast market specifications. Read our Nitrogen Removal Services Agreement [here](#).

Where an Access Seeker intends to subscribe for Firm Transportation Services:

- a. up to the Base Capacity of the Pipeline; or
- b. in excess of the Base Capacity of the Pipeline and:
 - i. the Access Seeker notifies Jemena that it requires Nitrogen Removal Services to be provided; or
 - ii. the Access Seeker is unable to satisfy Jemena that the gas to be delivered by the Access Seeker at the receipt point meets the Australian Gas Specification in terms of the level of inert gas and in particular, the concentration of nitrogen, contained in the gas,

It is a condition of entry into the Gas Transportation Agreement that the relevant Access Seeker will enter into an agreement with Jemena for the removal of nitrogen from the relevant gas to be delivered by the Access Seeker on Jemena’s standard terms and conditions for the provision of Nitrogen Removal Services (Nitrogen Removal Services Agreement).

The term, MDQ and type of service for the Nitrogen Removal Services Agreement is required to match the term, MDQ and Firm Service under the Gas Transportation Agreement. The Access Seeker is required to enter into the Nitrogen Removal Services Agreement irrespective of whether in fact Nitrogen Removal Services are required to be performed with respect to the relevant gas as the assessment will be undertaken based on the overall volume and composition of comingled gas in the Pipeline. Refer to the Access Principles for further details.

	Firm Nitrogen Removal Service	As Available Nitrogen Removal Service
NRSA Tariff	Term (years) Tariff \$/GJ (2017 dollars)	
	10	\$0.7430
	15	\$0.5572
Tariff Structure	Capacity Charge	Variable Charge
Transportation Charges	NRSA Tariff x Maximum Daily Quantity	NRSA Tariff x Actual Delivered Quantity

**All tariffs are quoted in 2017 dollars are subject to escalation for CPI.*

Mining

- 6. The Chandler Salt project is currently being assessed for potential Environmental Impacts under both NT and Australian Government legislation.

The issue of permanent storage of hazardous waste was identified in the early stages of the Environmental Assessment process and has been specifically addressed in the “Terms of Reference” for the Chandler Project. The development proposal triggered formal assessment by the Northern Territory under the Environmental Assessment Act and by the Federal Government under the Environmental Protection and Biodiversity Conservation Act. The “Terms of Reference” for the Environmental Impact Statement (EIS) were prepared in consultation between the Northern Territory and Federal governments and finalised after a public review process.

The present terms of reference for the Environmental Impact Assessment do not cover the issue of a nuclear waste repository and so it is outside the scope of the present situation. Any such proposal would require a new, separate and specific assessment process to identify and address issues of concern. From the initial development proposal, Tellus has specified that nuclear waste will not be accepted at this facility for storage. Tellus have stated that they will not accept nuclear or uranium mining waste, infectious materials, materials that can react with salt and materials not safely containerised or sampled.

The permanent storage of hazardous waste will be comprehensively assessed during the assessment of information contained in both the Draft Environmental Impact Statement (DEIS) and the Supplement to the DEIS, which addresses all issues raised by both governments and the public during the public review process. Until this process is completed, it is unknown whether further discussions on the storage issue are required.

7. As outlined in the response to Question 6 any proposal to store nuclear waste will need to be assessed at the Territory and Federal levels to identify the risks and issues associated with this proposal.
8. Provisions of existing legislation consider the potential costs of security for the Chandler Facility. The calculation of the remediation security will be managed and assessed under the Authorisation process in the Mining Management Act (MMA).

As part of the approvals process the proponent will be required to submit a Mining Management Plan for assessment under the MMA. This will be used in the assessment and calculation of the appropriate remediation security at that time.

Government has a policy of obtaining a 100% security bond for the project during the life cycle of the project. Government approvals processes require an environmental security to be lodged before approval is issued and this is reviewed on an annual basis for the life of the project.

9. The Government of the day made a decision to support a proposal put forward by Tri Star. The proposal was to essentially exchange their existing granted tenure for mineral authorities, over the same footprint.

Tri Star sought to pursue this course of action as a means to further the longevity of their Desert Hills Coal Project.

The proposal is permitted under the Mineral Titles Act

The decision demonstrates that the Northern Territory is supportive of ventures that may bring a level of prosperity, economic development and employment to rural and remote areas. This coal project has the potential to be one of those ventures.