Production bonus
Additional payments for landholders when project performance exceeds forecasts

Reference 2 - 0.95% Coverage

For its Gloucester Gas Project, AGL has agreed to pay private landholders a share of an annual ‘Production Bonus Fund’ into which AGL contributes funds for each well on private land for which production exceed project forecasts. These payments are additional to the agreed annual compensation. These landholders are therefore able to share in the upside benefits from the project when it is performing well, while retaining a reliable income stream from annual compensation payments at other times (and not being exposed to any downside risk from low production rates or commodity prices).

Reference 3 - 2.35% Coverage

AGL agrees that the communities that host CSG projects should share in their benefits, however we consider that any additional funds should benefit the wider community rather than be focused on landholders. The current barriers to producing more natural gas in NSW are not related to the ability of CSG companies to sign mutually beneficial land access and compensation agreements with landholders, but rather arise from concerns about CSG extraction in the broader community. Therefore AGL does not consider that diverting a proportion of government royalties to landholders in the form of a benefits payment would result in additional gas projects or more gas production in NSW (as proposed by IPART).

AGL supports the NSW Government’s proposed Community Benefits Fund which will be supported by government and industry and will be used to fund projects within the communities where coal seam gas is produced. In this way, affected local communities will share in the benefits of gas development and will have a say in decisions about the allocation of funding. In particular, AGL supports the proposal to front-end investment from the fund so that communities can see benefits during the construction phase of projects, rather than waiting for when royalties are paid in the production phase. The design of this fund will allow CSG companies to contribute to the fund as a means of partially offsetting royalties payable to the government.

Reference 3 - 1.10% Coverage

Additionally, AGL supports the NSW Government’s proposed Community Benefits Fund which will be supported by government and industry and will be used to fund projects within the communities where
coal seam gas is produced, so that the broader community is also able to share in project benefits.

Origin is confident that significant value is shared with our landholders and the broader communities in which we operate. In addition to compensating landholders, Origin contributes in many ways to the regions including, for example, through community investment and its ‘Working Together’ program. The program provides opportunities for landholders to share in the benefits of the gas industry. Origin broadly supports providing a guiding spreadsheet, but holds concerns that the example spreadsheet may be setting incorrect expectations about the quantum of compensation required to meet the statutory liability, especially given that ‘averages’ are being used. Based on Origin’s calculations, the overall compensation (when including the incentive payment) suggested by the spreadsheet is well in excess of what would be statutorily required and may not be economically sound. An unintended consequence could be that other value sharing initiatives that benefit entire communities would be lost.

Origin’s view is that a strict benefits payment regime removes flexibility from negotiations with landholders. Currently in Queensland, it is possible to structure a compensation package to best meet the business and personal needs of the landholder and to further share benefit through other initiatives. By setting a strict regulatory regime around benefit payments, some of that flexibility is removed and wouldn’t actually promote resolution of the conduct and compensation matters.

The Project will bring substantial economic benefits to Narrabri and the region including 1,200 jobs during construction, 200 ongoing positions and $160 million Regional Community Benefit Fund to support local and regional programs and initiatives. The Project is also expected to deliver around $1.6 billion in royalties to the State.

In the longer term, landholders with production wells on their land will receive a share of a royalties based compensation pool, proportionate to the amount of their land Santos is utilising.

Production – benefit payments The production stage follows exploration and appraisal. During this stage production and transmission of gas occurs. A different form of agreement will be entered into with the landholder to cover a typical production well has a life span of 20–30 years.

Year Two onwards Rather than receiving a land value based payment, landholders involved in the longer term production phase will share in a Landholders Incentive Fund. The Fund will be equivalent to 5% of Santos’ statutory annual royalty payment. Landholders will receive a share of the Fund proportionate to the amount of their land being utilised by Santos. A landholder with 2–3 production wells on their property would receive approximately $50,000 per year (inclusive of the $30,000 annual fee for service).
Santos believes it is unnecessary to legislate benefit payments during the production phase to those landholders hosting gas development on their land. Rather the payment or non-payment of benefits should be a commercial decision negotiated by the project proponent and the landholder. It should be noted that Energy NSW, the Santos entity developing the proposed Narrabri Gas Project has agreed to share the benefits of production with its landholders (see Attachment). Legislating the payment of benefits (being both a payment by the State from its royalty stream and the project proponent as proposed by IPART) to landholders’ risks compromising the legal principle that the Crown owns mineral resources on behalf of all citizens. The justification given in the Issues Paper confuses access and ownership, benefit and compensation stating: “For this reason, we consider the nexus for the benefit payment should be the landholder who is facilitating access to the resource.”

To reiterate, the mineral resource (in this case natural gas) is owned by the State, and the proponent pays a royalty to the Crown for that resource. The proponent pays compensation to the landholder for access and any inconvenience on the surface of the land.

Reference 6 - 0.48% Coverage

Further the example provided by IPART in the Issues Paper would result in an effective royalty rate of 11% at the well head, higher than in any other state and reducing the competitiveness and attractiveness of NSW as an investment destination. For this reason Santos strongly opposes this proposal.

Reference 7 - 0.39% Coverage

Of course if the Government decides to allocate some part or even all of its royalty payment to landholders that is their decision, but this must be a separate process unrelated to the commercial agreement between proponent and the landholder.

Reference 8 - 0.81% Coverage

Santos does not support the costs of benefit payments being shared between the gas company and the NSW Government as discussed above. We believe the compensation should be paid by the proponent as a commercial agreement with the landholder, and is not a matter for the government. However government has a role via Community Benefit Funds, royalties for the regions scheme and such like, which aim to share the benefits of natural gas exploration and production with the communities in which it occurs.

Reference 9 - 2.28% Coverage

Santos in NSW provides the landholders involved in the longer term production phase of the Narrabri Gas Project a share in a Landholders Incentive Fund. The Fund replaces the land value based payment used during exploration and will be equivalent to 5% of Santos’ statutory annual royalty payment. Landholders will receive a share of the Fund proportionate to the amount of their land being utilised by Santos. A landholder with 2–3 production wells on their property would receive approximately $50,000 per year (inclusive of the $30,000 annual fee for service).

It should be noted that is a commercial arrangement specific to NSW with no Government payment. 2 IPART Landholder benchmark compensation rates p.35

Santos Submission: Landholder benchmark compensation rates: Gas exploration and production in NSW

The example in 6.3 of the Issues Paper of one percent of the value of the gas at the wellhead paid by both the Government and the producer would equate to 20% of Santos’ annual royalty payment. This is not commercially viable in the long term. Additionally, the proposed benefits fund would be in addition to land compensation payments which under our scheme do not continue under the Landholder Incentive Scheme. Finally, agreeing the method of distributing these benefits among landholders would lead to complex and lengthy negotiations. All these factors would deter investment in NSW.
The proposal to legislate the payment of benefits muddles this principle by confusing surface impacts with mineral rights.

Should the Government wish to appropriate a greater share of the royalty take to landholders that is a matter for the State, but seeking to effectively increase the royalty take from proponents would have significant commercial consequences.

Santos does not support legislated or mandated benefit payments. Such payments must remain a commercial decision for individual projects, especially given the IPART recommendation is equivalent to a higher royalty payment. Santos reiterates that its land access compensation arrangements pay a benefits payment once production is underway. This is specific to the proposed Narrabri Gas Project.

However, it does not consider possible vehicles for payment of compensation, how compensation could be calculated, whether it would be time limited or practice in other jurisdictions. It also does not consider how it would relate to other existing measures to ensure that local communities benefit from gas activities, including Resources for Regions payments, the Community Benefits Fund, local council rates, local council developer contributions and Voluntary Planning Agreements. It is important to consider the cumulative community benefits of these payments by industry, the risk of duplication and inconsistency across these initiatives, as well as the implication that it could discourage companies from making voluntary contributions or investing in development at all.

To manage these uncertainties, the Issues Paper raises two possible strategies: i) pooling benefit payments among landholders, and ii) making benefits payments upfront based on forecast production value, with a discount rate. Both of these proposals shift risks between the parties and should be considered in greater detail.

Impact on royalties: IPART suggests that economic benefits payments could be funded through a gas company contribution to the value of 1% of production and a government contribution to the value of 1% of production drawn from royalties. However, the Issues Paper does not provide evidence of how such payments would support the goal of creating benchmarks to assist parties to negotiate compensation. Additionally, the rationale for these figures and an analysis of the implications is not provided in the Issues Paper.

It is also not clear whether it is appropriate for taxpayers to fund half of the cost of economic benefit payments to landholders. There does not appear to be a clear role for government as both companies and landholders have incentives to privately negotiate the best combination of compensation and
benefit payments for their specific circumstances.

Reference 5 - 2.64% Coverage

Royalties are collected from gas companies by government because natural resources are owned collectively by the people of NSW. Royalties are used to fund essential services like health and education. Diverting a proportion of these funds to private individuals would be out of step with the treatment of other resources in NSW and in other jurisdictions across Australia. This would be on top of the ‘royalty refund’ contribution the NSW Government has already committed to make to encourage contributions to the Community Benefits Fund.

Reference 1 - 7.95% Coverage

Should communities 'benefit' from a royalty type compensation arrangement? This is definitely a double edged sword. It is a well known strategy used by mining companies to divide and conquer local communities, via strategic donations to community projects. More of the same from a' royalties for community' type of scheme would only serve to reduce the communities ability to achieve outcomes for itself. One could argue, that as mining royalties for communities increase there may well be a reduction in support from government agencies. In this situation the mining /gas companies goal of achieving a social licence (by purchase) will be complete. Ultimately the measure of the strength of a community is determined, by its members ability to come together, on a volunteer basis for the common good of the community. Large handouts of gas royalties will only serve to degrade such communities.

Reference 2 - 0.78% Coverage

Santos has also indicated that once they go into production that the terms of the access agreement with hosting landowners will be changed to “an annual $30,000 service fee plus a share of the Landholder Incentive Fund times Landholders Percentage of Total Private Surface Area (this is calculated as a percentage of the private landowner’s land utilised by Santos as compared to the total area used for Santos’ operations)”. This fund is called the Landholder Incentive Fund and, according to the distributed material, would be set up by Santos which “will be an annual amount equal to 5% of Santos’ royalty payments associated with private land within the production licence area”. So Santos has already put plans in place to pay extra from gas production income to their hosting landowners. This in a sense answers some of the questions the Tribunal has asked, unless Santos now wishes to renge on the access and compensation package that it has much publicised in the Narrabri Gas project area. (See Santos document: “Working Together in Partnership”).

Reference 3 - 2.11% Coverage

In the latest Santos handout the $30,000 fee for service has now been qualified to only be available to landowners who actually signup “and agree to assist with general monitoring and upkeep of the sites located on their land” for Santos. This has implications regarding fairness and work place related issues (see Santos document: “Narrabri Gas Project - Working with landholders”).

Reference 4 - 2.15% Coverage

It is interesting to note that in the Santos handouts they mention two (2) funds, a “Regional Benefit Fund” which is co-contributed to by Santos and the NSW State Government that will be established to provide for the regional communities which host their operations and a second fund exclusively for hosting landowners called the “Landholder Incentive Fund”. The information available indicates that Santos will be the sole contributor and distributor. Payments from this fund could be open to abuse and seen as an inducement of some kind to host Santos’ operation. Any benefits paid over and above the Landowner Access Compensation Agreement benefits must be carefully managed and distributed with extreme sensitivity, as the gas infrastructure will be rolled out progressively as the gas company
expands its fields and the wells dry up. The unfortunate side of the Landholder Incentive Fund is it could be seen to be used to “punish” those who do not want CSG or were forced to accept the placement of CSG infrastructure on their land.

Reference 4 - 0.82% Coverage

Santos has a “Landholder Incentive Fund” of their own, so why not ensure that other companies do the same and save the NSW State Government and the taxpayer some money. The NSW State Government should not become involved in any form of payments to individuals or corporations involved in hosting, or neighbours to those hosted operations, as it could compromise their independence in investigating issues.

Reference 5 - 0.33% Coverage

However, the NSW State Government should look very seriously at how this Landholder Incentive Fund is distributed as the fund distribution could be open to abuse.

Reference 6 - 1.18% Coverage

Rather than the model for payment Santos has suggested, the payments should be based on Lot and Deposited Plans not the amount of land utilised for CSG operations. Maybe even a capped payment type system might work. Whatever system is used it must be fair and equitable to those who host at the start and those who host at the end. Whatever is decided the fund must be open to public scrutiny and audits on a regular basis.

Santos has also established a benchmark for the short term leasing of a property, that being $150,000 for 3 years. (Documents can be produced upon request).

Reference 7 - 1.07% Coverage

There also needs to be a clear definition of what an exploration is well and what a production is well. There also needs to be a precise definition of both of these terms when both production and exploration take place in the same area or the exploration well’s extracted gas is used to power any machinery and make a financial return. As an example: Exploration Pilot wells powering a power station of any kind whose electricity generated is of a benefit to the gas company in any way either by external sales or internal use.

Reference 8 - 1.05% Coverage

Taxation implications on payment amounts received are never explained and this information needs to be included on any publicly available literature (hand-outs, verbal and the like) and explained as a clause within any access agreement. Currently Santos’ requirement for obtaining the $30,000 service fee seems to place an accepting landowner into the “casual worker” classification. The implications of this need to be clearly spelt out in all forms of publicly available material as well as in any access agreement.

Reference 1 - 0.16% Coverage

No, CSG impacts the whole community. Currently our whole community is being held to ransom by AGL with their CSG proposal for our area. All of us are having our lives placed on hold and the the value of our properties adversely impacted even before commencement of the CSG development. If drilling/fracking is undertaken on/below a property, if emissions impact a property or if any disturbance is caused to a local property owner then they should be compensated. Also, just the proposal to develop CSG cause stress and psychological issues for landholders/residents.

Reference 2 - 0.02% Coverage

Benefits should apply from the time of issue of the PEL.
Reference 3 - 0.08% Coverage

Government must share some of the costs of compensation because they are the ones getting royalties and they are the ones who issued the PEL. Gas companies should take into consideration the need for compensation when assessing the price to be paid for a PEL, compensation is a cost of them doing business.

Reference 4 - 0.04% Coverage

Not sure of what this is meant to mean but payments should be divided between all impacted parties and not those who have signed access agreements.

Reference 5 - 0.15% Coverage

Another example would be that no matter how small the area occupied by the CSG operations it is the impact on the whole property and community that is the real impact. If the gas company occupies 1% of a property their impact is on 100% of the landholders lands and he needs to be compensated on that basis, buy the land outright or compensate them for the reduced value and saleability of the whole property. From my experience in valuation I would find it very unlikely that a prudent person would want to purchase a property so impacted.

Reference 6 - 0.08% Coverage

There are no benefits to property owners of CSG operations. All royalties should go to buying impacted properties. Royalties should not be discounted to encourage exploration. Compensation should reflect the increased cost of gas caused by the increased development of gas for export.

Reference 7 - 0.03% Coverage

All royalties divided between landholders on the basis of the gas extracted from their land impacted by CSG.

Reference 8 - 0.06% Coverage

This is just an attempt at blackmail to encourage more people to allow access and to alienate those impacted by horizontal boring. You really have been influenced by the mining industry and your political masters. A load of garbage.

Reference 9 - 0.01% Coverage

NO. it should be shared by all impacted landholders.

Reference 1 - 0.68% Coverage

The Community Benefit Fund must be finalised and the terms of that fund made public. This fund impacts on the level of compensation and is at the heart of any compensation payout, compensation determination before this is finalised is only doing half the job.

Reference 2 - 3.78% Coverage

“In terms of the broader community, AGL sees establishing some sort of Community Benefits Fund as an issue for the broader community, because we see the community as also being impacted by these projects especially during the construction phase. Probably not so much during the later parts of the project but during that construction phase, there will definitely be an impact on a community.” – Another case of the CSG industry trying to influence government and dictate the terms of compensation to their own benefit as well as misleading with statements about “the later parts of the project”. There are huge impacts in the latter parts of the project and beyond.

1. The construction phases may well be the noisiest phase with more people and traffic but once
extraction and fracking is introduced that is when other major issues arise, air quality, water, health, environment, properties values, lifestyles etc.

2. The will be considerable impact on the community during construction and trying to dismiss later impact with the comment “Probably not so much during the later parts of the project” is completely dismissing the very serious on going issues which I consider are more important than noise and traffic; on top of those mentioned in 1) consider also the impact of fracked strata, reduced water tables, well integrity, gas leakage and remaining infrastructure such as well casings which do not have a lifetime guarantee.

When this begins I feel we would be entitled to royalties for coal seam gas extracted from the coal title and also that these wells would interfere with the future Stratford coal expansion nearby.

No comment on benefit payments other than if the property owner has survived the metamorphosis from farmer to industrialist, he deserves to benefit from the spoils.

Benefit payments should apply during the production phase although income at other times could also go to hosts and neighbours eg income from power plants during pre-production. Tax and GST implications of payments must be transparent and documented in access / compensation agreements.

Benefit payments should not be covered by the government, companies should pay benefits to landholders and neighbours from within their own profits. Government should not be considering donating any more of tax payers' dollars to encourage this destructive and risky industry. Furthermore I am disappointed that the government could contemplate funding benefit payments to entice landowners to sign up to these industries when such large numbers of tax payers are opposed to CSG and new coal developments.

Are the funds pooled from within a single project area or from the whole project? The pool of funds should be shared between landowners and their neighbours at certain percentages, based on the amount of impact they will experience. There should however be a maximum number of wells and infrastructure allowable over a certain area, to discourage some landowners from taking on all the infrastructure associated with compensation or benefit payments despite the inequality, impacts, and wishes of their neighbours.

While I appreciate efforts to make CSG and coal companies more financially accountable to those whose land, lives and infrastructure they impact on an everyday basis. It is a pity that we are still spending so much time trying to make CSG and Coal developments palatable to the public, when evidence continues to grow that the impacts of these industries are far from acceptable to growing numbers of people across the world.
Benefit payments should be extended to the community for local projects that benefit all and reduce the environment impacts of the coal/gas developments. Trees planted or even earth works to help minimise impacts.

Reference 1 - 0.39% Coverage

From a “compensation theory” perspective, in ordinary public acquisition of property for works such as roads, water and sewer works and electricity infrastructure, compensation is usually only payable where landholder’s rights are interfered with (usually through a taking of a freehold or easement interest). However, some landholder groups have complained about industrialisation of the landscape. It is possible that the amenity of areas could decline in the minds of the hypothetically prudent purchaser due to the presence of gas fields. Perhaps a sharing of royalty payments could address this issue.

Reference 1 - 2.34% Coverage

The often expressed view of the Narrabri public hearing Chair, Mr Peter Boxall, that compensation is designed so that landholders’ are “no worse or no better off than before the development came” is misleading at best. It is also completely at odds with what is being touted in our local community by Santos and more broadly by the NSW Government, both of whom have actively marketed the Narrabri Gas Project as a way for landholders’ to share in the supposed “benefits” of gas exploration and development, and thus presumably sees a select few “better off” than they might otherwise have been. What of those that will be “worse off”? How they will be compensated for the loss of their valuable underground water, for example, or the rejection of contaminated product at market? There is nothing in the Draft Report for those that will be “worse off”, other than that such events “fall outside of our Terms of Reference”. The IPART can’t have a bet both ways, either both (“better off” and “worse off”) are addressed or neither are addressed.

Reference 1 - 13.40% Coverage

Distribution of ‘Benefits’
This component of the project is fraught. Unlike the compensation part there is no precedent for this kind of payment. The big question is why should CSG hosts receive any money above fair compensation? By law all minerals in the ground are owned by the crown. You would think therefore that any distribution of the value of those minerals when they are extracted should go equally to all Australians. This is how the current royalty system works for energy sources such as coal, conventional gas and petroleum and, until now, for CSG. In what way is CSG so different that a new model for distribution is warranted? The Gas Plan gives no answer to this question. There is nothing inherently different about CSG as a fuel to warrant landholders getting a bigger slice of the proceeds. There are differences in comparison to other fuels though.

Submission from Groundswell Gloucester Inc. Page 3

CSG infrastructure is more distributed than conventional gas and coal. The coal industry typically buys the land where they want to dig. A CSG field (to take the Gloucester example) requires many hundreds of wells spread over thousands of hectares. The miner would have to buy the whole valley. This is commercially impossible as while they will spend millions on key land parcels they will not spend billions. Clearly the public outcry over such a purchase, even if it was profitable, would be prohibitive. Thus the miners need access to as much land as possible without purchasing it. The second difference is that CSG is new. While coal may not be popular with landholders the industry...
has been prominent for so long that people treat as normal being rendered impotent by law and common practice and often accept that in the face of King Coal they have few rights. Given that the need for and the safety of CSG production are both unproven assertions and that there is no history of submission people are less inclined to submit. This resistance has been acknowledged by the deal between government and some miners in NSW who have promised faithfully not to enforce their legal right to land access. The third difference is that CSG is very unpopular. Miners would like to think that they have a social licence for their projects but all evidence is to the contrary.

In the last five years industry arrogance and mismanagement has resulted in a hardening of attitudes against them when, if the industry was as bounteous and benign as claimed, and if the millions spent of public relations was any guide, they ought to loved. Thus the state government is caught in a powerful bind. They dare not offend either the powerful energy industry or the growing public sentiment against CSG. Having incautiously got on the CSG bandwagon years ago, and now starting to repent of their haste, both sides of politics don’t know how to dismount gracefully. Which leads us to the Gas Plan, a plan to get out of the whole gluey mess and buy back public opinion. This plan somehow needs to persuade hundreds of landholders to give access to large areas of land without biting the political cyanide pill of taking them to court to do it. One of the key features, which was very prominent in government publicity for the Gas Plan, is ‘sharing the benefits’. No matter that there is no logic, precedent or equity in it, this promise has a function. That function is that of the pork barrel, the time honoured way to change opinion by throwing money towards vested interests.

In our view it is improper for IPART to participate in such a blatantly political process that has no demonstrated economic value and instead of contributing towards balance and fairness in society does the reverse. If such payments are to be made they should not compound the inequity by reducing royalties available for state-wide purposes, so the miner should pay. If there are such payments then they should be made to the elected council of the district not individuals. This would go some way towards relieving obvious inequities, the gross imbalance of negotiating position between miners and individuals and towards preventing, to a degree, the miners from manipulating the system for their own benefits by choosing favourites.

Reference 1 - 0.75% Coverage

No, it is not agreed, as it is assumed that the compensation claim would be fair and reasonable. Note that we support neighbours who do not directly host gas exploration and production but are affected by the ongoing nuisance such as noise, loss of visual amenity etc. from these activities to receive some compensation. During this phase, the property would be virtually unsaleable.

Reference 2 - 0.20% Coverage

Yes. The Crown owns the resource and the CSG explorers are investing in mining the resource for profit.

Reference 3 - 1.49% Coverage

No. The benefit payments should be made not for payment to individual or pooled landholders, but should be for the benefit of the whole of the community in which the impacts are being felt. Whole communities are affected by not only the initial CSG construction work, but ongoing trucking, flaring, methane gas well leakage (well documented that the majority of CSG wells leak methane), risk to fresh water tables, etc. Benefit payments could be paid to Local Councils for the specific purpose of constructing infrastructure in the particular areas of their Local Government Areas which are impacted. Infrastructure such as community halls, medical centres, parks and gardens, and the like. The coal mining industry appears to be following this course.
We are concerned about how benefit and compensation income is classified. Will benefits be classed as a second income and therefore 50% tax rate, or further primary production? Will compensation be taxed differently from benefits? It is imperative that this information is disclosed to landowners and the public before and during the consideration of contract details.

Benefit payments and compensation to landowners, neighbours and community should not be covered by royalties collected by the government. Taxpayers should not be footing the bill and supporting industry that ought to be viable without government intervention.

We have serious concerns about page 15 of the Guidelines that states that “royalty arrangements for neighbours would be affected over time by the Community Benefits Funds because every $2 paid into CBF is a $1 reduction in royalty payments, capped at 10%”. We are well aware that the process for deciding on the make up of the CBF and who it will benefit is still under way so cannot be used as an incentive for neighbours. When questioned on the inclusion of this incomplete process at Narrabri the Chair suggested that this was simply a writing issue. However number 8 slide of the powerpoint used by IPART also stated “The CBF aims to provide benefits to neighbours and broader communities in which the gas industry operates”.

CA is highly supportive of localised distribution of benefits through the Community Benefits Fund and would recommend that DRE take on the feedback from communities regarding noted impacts from CSG and mining development.

Cotton Australia is supportive of landholders and the wider community directly impacted through the development of the CSG industry sharing in the benefits of the industry. We suggest that individuals who are directly hosting a CSG development should receive benefits over and above any benefit payments made to the wider community. We would recommend that the benefit payment should occur separately to the compensation payment in recognition that it is not an 'impact' based financial benefit but rather sharing of resource royalties that will occur throughout the production life of the well.

We are aware that Division of Resources and Energy (DRE) currently have a discussion paper available regarding the establishment of a Community Benefits fund. We would suggest that the mechanisms around benefit sharing including how benefits are calculated and shared will require collaboration between these two concurrent processes. While the review paper indicates that this payment should only occur in the production phase we would suggest that the benefit should commence when the CSG infrastructure is used to generate
financial returns. Cotton Australia is aware of unique cases where wells currently in the pilot testing phase are producing gas that is used for commercial purposes and is generating a financial return. We understand that it is normal practice that wells can typically only generate revenue and financial return during the production phase. However given that instances and approvals occur where this may not necessarily be the case it is recommended that benefits payments are made whenever revenue and financial return from gas production occur. Cotton Australia, as suggested in response to questions 9–11, would recommend that IPART undertake direct consultation as soon as possible with landholders to discuss potential models for benefit payments. The allocation of benefit payments through the use of a fair and equitable model is key to ensuring landholders receive remuneration in recognition of land access arrangements.

Payments from industry for the right to access the resource have historically been made in the form of royalty payments to the Government, as owner of the resource, on behalf of the community. The proposal is impractical as royalties are not calculated on the basis of individual wells. Royalty liabilities are usually assessed on a licence area basis, which by its very nature will often involve a wide geographic area, with the potential for a large number of wells across numerous properties. Due to variations in the productive capacity of wells, an inequality will always exist in regard to the value of those wells and hence the royalty earned. Irrespective of the proposed division of the royalty, a boundary of any sort will always deliver inequality, either between landholders, groups of landholders, or the wider community.

APPEA recommends that if the Government wishes to directly compensate landowners through royalties, it should be sourced from its 10 per cent share of the wellhead value paid by the gas company. The Government would then assume responsibility for undertaking the process of apportioning the quantum of payments to individual landowners. In this respect, NSW competes with other jurisdictions to attract investment and currently has in place a royalty regime that is comparable to other mainland jurisdictions. Requiring industry to pay a "benefit" to the community over and above the royalty payment will negatively impact the competitive ranking of NSW as an investment destination.

Industry already voluntarily contributes to communities and in Queensland contributions totalled $166m in the period from January 2011 to March 2015. Further, as noted in the issues paper, landholders may receive benefits from gas exploration and production in the absence of an entitlement to a direct royalty stream. For example roads, fences, and gates may be upgraded and landholders may receive a production bonus which is unrelated to any compensable effect. As we have noted above, in most cases a strict calculation of compensable effects does not produce a compensation amount that reflects community expectations and this fact is reflected in the compensation packages negotiated by the industry. The benefits of activity reach beyond the individual landholder with entire towns and regional communities enjoying increased economic activity and employment opportunities. We submit that a decision to divert royalty revenue from government to individual landholders would represent a diversion of the benefit from a resource owned by all, to particular individuals. Such an approach has not been seen in other Australian jurisdictions and is likely to have broader implications with respect to the royalty income received from other resources. For example, what would be the rationale for not also diverting a share of coal and mineral royalties to individual landholders if that was the practice for gas royalties?
APPEA does not support a mandated benefit or incentive payment as part of a compensation agreement. The decision by individual companies to offer a ‘production bonus’ or similar is a commercial decision specific to each project and should not be legislated. Landholders may also receive benefits from gas exploration and production in the absence of an entitlement to a direct royalty stream. For example, upgrades to a landholder’s property are a common part of a compensation agreement.

APPEA recommends that if the Government wishes to directly compensate landowners during the production phase, it should be sourced from the Government’s share of royalties.

NSW Farmers submits that strengthening and increasing the transparency of royalty information is crucial to enabling the affected community/communities to not only understand the royalty collection quantum but to aid in ensuring the right people and places benefit from the funds collected by Government. For this reason, NSW Farmers submits that setting compensation benchmarks is but one piece of the puzzle in improving communication and transparency and importantly, certainty, around coal seam gas in NSW. The improvements to the royalty information and distribution of community benefits via the community benefits fund as proposed in the Gas Plan are just as important and must be formulated ASAP.

NSW Farmers’ recommendation 1: That the royalty and community benefits fund information be released as soon as possible to complete the Chief Scientist’s recommendation.

Benefit payments
NSW Farmers agrees with the proposition that benefit payments, beyond that of compensation, are important in the context of ‘sharing the benefits’ as stipulated in the NSW Government’s Gas Plan. However, we do not agree that benefits should extend only to the production stage of CSG. Some exploration can take place for many years and can involve fully productive wells. In the eyes of the landholder, surely, the issue of benefits is surely addressed at the outset, when the development is new to the area and new to the landholder.

NSW Farmers is a strong supporter of community benefits and takes this opportunity to again stress the importance of returning advantages to the communities who are suffering the direct disadvantage because of these industries.

NSW Farmers recommendation 7: That benchmark benefit rates be recommended for both exploration and production phases.
Any benefit payments which may be sourced from the value of the subsurface mineral property rights cannot currently be included in the compensation methodology at s.55 Land Acquisition (Just Terms Compensation) Act 1991. If such benefit payments during the production stage were sourced from the value of the subsurface mineral property rights this would require a recasting of settled property law (see preliminary comment 2.7).

Just on that compensation angle and the 7 tie-up that you might like to make with the Community Benefits Fund, Santos has stated in its submission to you that the neighbour is not entitled to any compensation as he will be justly compensated through the regional Community Benefits Fund.

Until the distribution of that fund is properly designed and the distribution is worked out and how it's supposed to be laid out, the neighbour

Even then, there is no guarantee that the neighbour will get anything or any benefit whatsoever from the regional Community Benefits Fund. I think IPART needs to think very quickly and very thoroughly about giving neighbours some sort of recognition in this set-up.

How do you compensate communities for this overall function? Do you really just throw money on them? In the case of my town of Boggabri, we have seen a reasonable influx of cash and sponsorship. The community spirit in Boggabri is pretty much held up by those people who were there previous to the mining construction - a few old people who are still part of the voluntary organisations that keep the community wheels going. By anyone's definition, how do you define a community? It is about people coming together for the common good of that community to do something on a voluntary basis. Having a massive great extractive industries slush fund will not solve the problem; in fact, it will probably make the problem a whole lot worse. If we look at welfare independent communities and talk about government welfare, that doesn't make it a better community. It's the community coming together with no cash involved, possibly to raise money in the community for the benefit of the community on a voluntary basis that gives you strength in the community, not throwing cash at it. I think that this whole Community Benefits Fund will be rather problematic. Throwing cash at the issue will not solve the problem.

MR DONALDSON: Back on the Community Benefits Fund, I am a bit concerned that we have a big slush fund of money that is contributed to the community and perhaps administered by the local shire council. I could envisage that council or those communities becoming literally totally dependent on the roll-out of this industry for their funding to the 26 point where they may start to lose other forms of funding that would normally come through government state and federal channels. That would effectively lock in this 29 industry purely based upon the royalties that local government or the local communities would receive from
that 31 entity. That is very similar to the voluntary planning agreements that you see in the mining industry which relate to damage to infrastructure, and it will be considerable. There has been a massive amount of damage to infrastructure in Queensland obviously with high traffic loads with 38 trucks. So there does need to be compensation to those 39 entities to deal with that. I am just a bit concerned that 40 those entities would be literally without funding. Thank 41 you.

Reference 6 - 0.55% Coverage

THE CHAIRMAN: I think the distinction is if a 6 neighbouring farm, for example, would be impacted by the 7 drilling of the well and the various other activities. 8 Obviously noise and dust are two obvious ones. There are 9 other things like visual amenity and things like that. 10 That has been taken care of in our report because we have 11 addressed the issue of the compensation of neighbours. 12 13 14 Whether it has been addressed to everybody's satisfaction is another issue, but we have addressed it and we have received varying views in the submissions.

15 16 The Community Benefits Fund gets more to the issues 17 that Alistair has been talking about. It is issues about 18 the fund making available funds to the community more 19 broadly, not just neighbours, so that is the way we have 20 proceeded. 21 22 The thing is we were tasked to do this. The 23 government is obviously operating on a number of fronts, 24 and you have outlined three or four things that they are 25 doing. They have asked us to do this and when we finish 26 and give them our report in November they will then slot 27 that in with their other decisions.

28 29 MS HUNTER: So that particular reference needs to be 30 removed because, in the guide, it doesn't say neighbourhood 31 impacts will be taken into account under the Community 32 Benefits Fund. 33 34 THE CHAIRMAN: Let's look at that and make sure that the 35 distinction is clear. Thanks for that.

Reference 7 - 0.42% Coverage

MR PICKARD: In this particular PEL, and I suppose in 12 others, the gas company has a lease over a particular 13 property which would be $150,000 for a three-year lease. 14 Is an owner who enters into those sorts of lease agreements 15 entitled to a production bonus for the wells? That's my 16 first question. 17 18 I would also like to ask: is the production bonus 19 equal for all properties or is the production bonus based 20 on the amount of gas wells and infrastructure used on each 21 22 individual property? That's something that needs to be looked at and explained, thank you.

23 24 THE CHAIRMAN: Thank you. John will answer that.

25 26 MR SMITH: In our model we have just simplified incentive 27 payments. In the example that Jenny went through earlier, 28 we had an estimate of $10,000 a year. We are not proposing 29 or requiring any particular form of an incentive scheme. 30 We recognise that Santos and AGL already have their own 31 schemes, so they are probably better placed to look at how 32 the benefits are distributed, but we are certainly not 33 saying how we think it should be done.

Reference 1 - 0.24% Coverage

Also the details of how the Community Benefits Fund will operate are not known at this stage. The final results on what the Community Benefits Fund will provide and how it will work are not known at this stage. That 44 report will not be finalised by the time the tribunal makes 45 its report. That is vital information to assess the 46 compensation that will be available to the landholder.
I don't think there is enough taken into consideration regarding the impact of coal seam gas coming to a community and impacting on a whole community. That impact includes health issues, property value issues, lifestyle issues. What needs to be done is that when one looks at impacts and compensation, one should look at compensation on a 36 community-wide basis. When one sees coal seam gas come to a community like mine, it impacts on the entire community.

Reference 3 - 0.29% Coverage

MR GALWAY: Yes, you can get online and have a look at the results online. I have just a couple of other points. There were a lot of issues raised by Chris. In terms of the issue surrounding the whole community and establishing compensation for a whole community and then divvying it up, I am not sure that is the correct way to go about trying to establish compensation. I think compensation with directly affected landholders should be dealt with as one issue.

Reference 4 - 0.82% Coverage

In terms of the broader community, AGL sees establishing some sort of Community Benefits Fund as an issue for the broader community, because we see the community as also being impacted by these projects especially during the construction phase. Probably not so much during the later parts of the project but during that construction phase, there will definitely be an impact on a community. That is why we would prefer to see some sort of government royalty scheme brought forward and then that 11 would be distributed across at an earlier stage instead of waiting for the project to get up and running - so before the royalties are actually going back to the government. In terms of devaluation of properties or in terms of having wells on your land, in Queensland there are now a number of properties which are actually being advertised for sale with the benefit of having coal seam gas wells on the property. A lot of landowners see it as a guarantee. It is a revenue stream. It is a guaranteed income especially in drought periods. They actually see it as a benefit and they are now advertising their properties for sale with that as part of the advertisement to actually encourage people because they would have a guaranteed income.

Thank you. I think that's about all I have to say.

Reference 5 - 0.50% Coverage

THE CHAIRPERSON: Thank you, Stuart. Lindsay? Before we move on to Lindsay, could I explore something with you, Stuart. You are saying the compensation to the community is more appropriate, more suitable during the construction time. You're suggesting the government ought to be funding that compensation at that time; is that right? MR GALWAY: Yes, that is something that we have been investigating, namely, that there would be combined contribution. We see that there should be some sort of investment fund especially during that construction phase and then there would be an ongoing benefit from there and 42 during the whole operation of the project. Obviously this should be brought forward; rather than being paid later, it ought be brought forward during that construction phase.

Reference 6 - 0.11% Coverage

MS TOWERS: Just to be clear, the government is actually 47 19 CSG BENCHMARK COMPENSATION Transcript produced by DTI consulting at the moment on a Community Benefits Fund which .20/10/15

Reference 7 - 0.18% Coverage

MR HARE-SCOTT: Reading your executive summary here on page 3, where you make draft recommendations, you say 17 18 Gas companies should fund benefit or 19 incentive payments to
landholders as part 20 of their compensation arrangements.  

THE CHAIRPERSON: That's to do with the individual 23 landholders,

Reference 8 - 0.17% Coverage

MS MULLER: Yes, I wanted to clarify what the processes 44 have been to date regarding DRE's work on the Community 45 Benefits Fund and how much you have been liaising with 46 them just to see how that will work because I saw in the 47 Narrabri consultation, there was a lot of concerns over how

Reference 9 - 0.39% Coverage

neighbour payments will be made and community payments 2 and all of those sorts of things. That was quite a commonly 3 reoccurring theme. You mentioned, John, that you agreed 4 with some sort of neighbour payments, where there are 5 6 exceedances of conditions, but you mentioned that was largely around relocation costs and the like. I was just 7 wondering, sort of going forward, in order to address some 8 of those concerns around neighbour payments and all of that 9 sort of thing, what sort of consultation processes or what 10 sort of information you have been able to glean from the 11 DRE to get some additional advice to inform that process.

Reference 10 - 0.73% Coverage

MR ROBERTSON: Just going back to my point on the 8 Community Benefits Fund and it not being finalised before 9 the tribunal's report goes back, if you haven't got the 10 details of what the Community Benefits Fund is going to 11 provide, how do you compensate a community? I'm talking 12 13 14 quite specifically about my area at the moment, but it can be expanded to other areas. I am referring to loss of tourism, jobs, our local school is impacted, the amenity, 15 the lifestyle, the development that would have gone in 16 there, the industry, the shops, the mental stress, the 17 18 19 have come through. 20 21 Also the local government authority has to pay for 22 community members leaving - or as we have had happen in Queensland recently, the suicide information details that increased infrastructure, such as roads, counselling, water 23 supply, signage, public information. If there is a 24 devaluation in the valuation of the rateable lands - and in 25 Queensland, there has been in some areas a loss of rateable 26 27 28 value as far as the Valuer General is concerned - that is a loss of revenue to the local government. My concern is that, as I said, the tribunal's report will be going in

Reference 11 - 0.02% Coverage

before all these things are finalised.

Reference 12 - 0.32% Coverage

THE CHAIRPERSON: Chris, our terms of reference are to do 32 with landholder compensation for those who have CSG on 33 their land, not the surrounding community. We are looking 34 at immediately adjoining neighbours and the effects of 35 having someone next door to you with CSG. When it comes to 36 the community effects that you are talking about, I believe 37 that's what the Community Benefits Fund is going to take 38 into account. We have your concerns on record and, as 39 Fiona says, that other review will look at those issues.