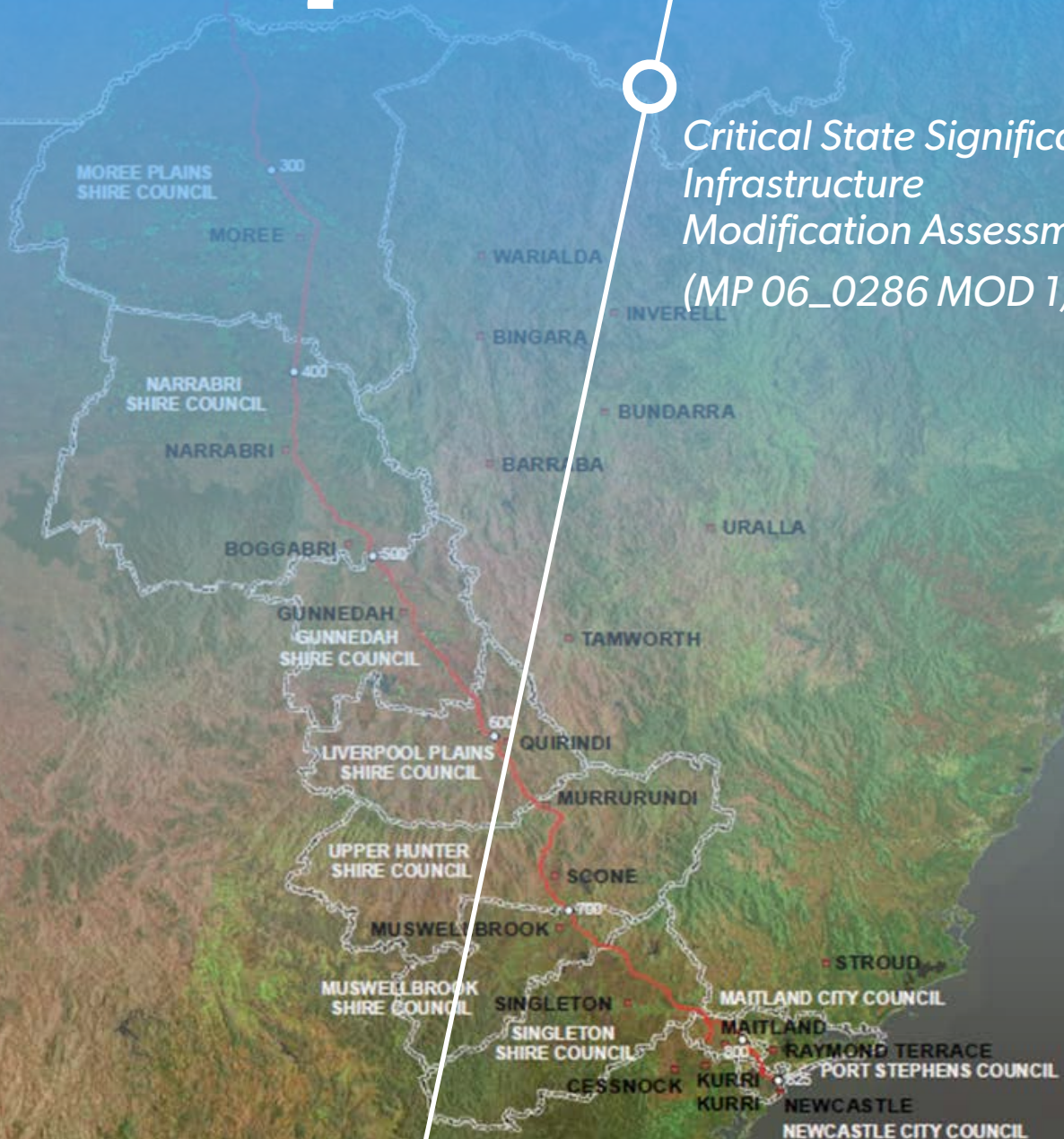




Queensland- Hunter Gas Pipeline

Critical State Significant
Infrastructure
Modification Assessment
(MP 06_0286 MOD 1)



October 2019

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Executive Summary

Hunter Gas Pipeline Pty Ltd (Hunter Gas) proposes to develop a new 825 kilometre (km) high-pressure gas pipeline, connecting the existing gas transmission hub at Wallumbilla in south-eastern Queensland to the industrial area to the north of Newcastle.

The project is classified as Critical State Significant Infrastructure, and on 11 February 2009 the then Minister for Planning approved the NSW component of the project, which traverses 10 local government areas, subject to strict conditions of approval.

These conditions require Hunter Gas to minimise the impacts of the project in consultation with affected landowners and other key stakeholders, and to offset any biodiversity impacts of the project.

Modification Request

Under Condition 1.4 of the existing conditions of approval, Hunter Gas was given 10 years to commence the development of the project otherwise the approval would lapse.

On 18 October 2018, Hunter Gas submitted a request with the Department seeking to modify this condition and secure another 5 years to commence the development of the project.

According to Hunter Gas, the pipeline is just as important now as it was when it was approved, and the only reason why the development of the pipeline has been delayed is due to the significant uncertainties in the East Coast gas market over the last decade, which have made it difficult to commit funds to the development of the pipeline.

Exhibition and submissions

The Department exhibited the modification request from 8 November 2018 until 22 November 2018, and received 195 submissions, including 4 from government agencies, 3 from Councils along the approved pipeline, 7 from special interest groups and 181 from the general public.

Most of these submission, including a submission from Moree Plains Shire Council, objected to the proposed modification, saying the strategic context of the project had changed and it was no longer critical for NSW, that the impacts of the project should be assessed under contemporary standards, that it would facilitate the development and use of coal seam gas development on the East Coast and exacerbate climate change, and that Hunter Gas had done nothing to act on the approval over the last decade and should not be given any more time to physically commence the development of the project.

However, the submissions from the government agencies and other two Councils did not object to the proposed modification and were satisfied that its impacts could be managed under the existing conditions of approval.

Assessment

The Department has assessed the merits of the proposed modification, having regard to the existing conditions of approval, the modification request and all associated documents, the issues raised in submissions and Hunter Gas's formal response to these issues.

Based on this assessment, the Department is satisfied that the project is as critical now for the NSW economy as it was when it was approved, even though there have been significant changes in the East Coast gas and electricity markets over the last decade, as it would:

- increase energy security and reliability in NSW by diversifying the potential sources of gas supply available to NSW and improving its ability to respond to any disruptions in supply from traditional sources in South Australia and Victoria;
- provide a critical link in the East Coast gas pipeline network, which would reduce NSW's current dependency on the Moomba-Sydney Gas Pipeline to receive gas from Queensland or the Northern Territory;
- create greater competition between gas transmission companies, particularly the APA Group and Jemena;
- improve the efficiency of the East Coast gas market by providing greater flexibility for moving gas around the transmission network, especially to parts of northern NSW where there is a distinct lack of pipeline capacity;
- put downward pressure on gas prices in NSW;
- facilitate the development of gas-fired dispatchable energy, which would support the growth of renewable energy generation and the transition to a low emissions economy; and
- support regional development in NSW by attracting investment of around \$560 million, creating up to 600 jobs during construction and 25 jobs during operation, and supporting existing and future gas users.

The project's impacts were comprehensively assessed and evaluated when the project was approved in 2009.

Despite several submissions saying this assessment was now out of date, the Department's detailed assessment has found that there have been no material changes to the land within the approved pipeline corridor in the last 10 years, and that the existing conditions of approval remain robust enough to ensure that the project is carried out safely and would not have any significant impacts on people or the environment.

Nevertheless, the Department has recommended changes to the existing conditions of approval to update certain references, incorporate several standard conditions, and allow the construction of the project to be staged.

The Department acknowledges the considerable uncertainties in the East Coast gas and electricity markets over the last 10 years, and accepts that these uncertainties have been a major factor in delaying the development of the project.

These uncertainties have been due to a range of factors, including:

- several major reviews and inquiries into the operation of the east coast electricity and gas markets and the subsequent development of policies and plans to respond to some of the current challenges within the markets, including the:
 - Finkel Review into the Future Security of the National Electricity Market;
 - NSW Energy Security Taskforce's review of the resilience of the NSW electricity system;
 - Australian Market Energy Operator's (AMEO) Integrated System Plan, which seeks to guide the development of infrastructure to support the National Electricity Market over the next 20 years;
 - Australian Competition & Consumer Commission's Gas Inquiry, which is due to be completed in 2020;
 - Commonwealth Government's introduction of the Australian Domestic Gas Security Mechanism (ADGSM), which seeks to ensure there is sufficient natural gas for domestic use in Australia;
- the delay in coal seam gas development in NSW associated with, among other things, the:
 - NSW Chief Scientist & Engineer's Independent Review of Coal Seam Gas Activities in NSW;
 - AGL's decision to wind up production at the Camden Gas Project by 2023 and not to proceed with the approved Gloucester Gas Project;
 - development of the NSW Gas Plan;

- buyback and cancellation of several petroleum exploration licences across NSW, which reduced the coverage of NSW by petroleum titles from 60% to 8.5% and concentrated the remaining titles in north-western NSW;
- introduction of:
 - o new requirements governing the release of new areas for petroleum exploration, including the requirement for the Department to conduct a Preliminary Regional Issues Assessment of the likely economic, social and environmental impacts associated with the release before any final decision is made;
 - o several reforms to strengthen the regulation of coal seam gas activities in NSW and ensure it is carried out in accordance with best practice, including the introduction of Aquifer Interference Policy and several codes of practice, banning the use of certain chemicals, and making the Environment Protection Authority (EPA) the chief regulator of all coal seam gas development;
 - o a benefit sharing scheme for coal seam gas where the community in which any coal seam gas project occurs would get a share of the royalties generated by the project; and
- the ongoing assessment of the development application for the Narrabri Gas Project, which attracted over 23,000 submissions;
- the extensive focus in Queensland on establishing a major liquefied natural gas (LNG) export industry with major gasfields in the Surat and Bowen Basins and LNG plants and export facilities at Gladstone;
- the Independent Scientific Inquiry into Hydraulic Fracturing in the Northern Territory; and
- the delay in the development of several approved gas-fired power in NSW - including the Tomago, Wellington, Dalton, Marulan and Tallawarra power stations - due to the uncertainties associated with securing a reliable supply of gas at competitive prices.

Many of the uncertainties have now been resolved, and the Department can see no reason why Hunter Gas should not be able to commence the development of the pipeline within the next 5 years.

Given the obligations under the existing conditions of approval, which require extensive consultation and work to be carried out before the pipeline can be constructed, the Department can see little benefit in requiring the physical commencement of development to occur within a shorter period.

Consequently, the Department has recommended that Hunter Gas be given until 15 October 2024 to physically commence the development of the project.

Conclusion

Based on its detailed evaluation of the merits of the proposed modification, the Department believes the significant benefits of the project, which is considered to be critical for the NSW economy, would outweigh the minimal impacts associated with extending the lapse date of the existing conditions of approval.

Consequently, it considers the proposed modification to be in the public interest and recommends that it be approved subject to some minor changes to the existing conditions of approval.



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1. Introduction

Hunter Gas Pipeline Pty Ltd (Hunter Gas) proposes to develop the Queensland-Hunter Gas Pipeline project, a new 825 kilometre (km) high-pressure gas pipeline (see **Figure 1** below), connecting the existing gas transmission hub at Wallumbilla in south-eastern Queensland to the industrial area to the north of Newcastle.



Figure 1 | Queensland-Hunter Gas Pipeline project 200 m Alignment

The pipeline is classified as Critical State Significant Infrastructure because it is considered to be essential for the NSW economy. This is principally because it would:

- *Increase gas supply to NSW* by providing a vital missing link in the east coast gas transmission network that would allow NSW to receive more gas from the north, particularly the burgeoning gasfields in Queensland and the Northern Territory but also, potentially, from future gas development in northern NSW such as the Narrabri Gas Project. The increased supply of gas would help to mitigate the predicted reduction in gas supply from traditional reserves in South Australia and Victoria over the next few decades.
- *Increase the energy security of NSW* by diversifying the potential sources of gas supply and improving its ability to withstand any shocks or disruptions to gas supply, such as the explosion at the Longford gas plant in 1998 and fire at the Moomba gas plant in 2007, both of which significantly reduced the available gas supply to NSW.
- *Provide greater competition in the NSW gas market* by reducing the dependence of NSW on the Moomba-Sydney gas pipeline to supply gas from northern Australia and providing an alternative way for gas to be transported to key markets in NSW, such as the Newcastle region.
- *Put downward pressure on gas prices*, which have risen significantly from around \$4/gigajoule (GJ) in 2007 to between \$9-12/GJ now, by increasing gas supply and making it easier to move this gas around the East Coast market.
- *Facilitate the development of gas-fired power stations in NSW*, which could provide the dispatchable energy required during peak periods as existing coal-fired power stations in NSW gradually close over the next 20 years; this would support the development of renewable energy, such as wind and solar, and help reduce the greenhouse gas emissions of NSW.
- *Support regional development in NSW* by facilitating the provision of cheaper gas to existing commercial and industrial users in both northern and eastern NSW to help them remain competitive but also by supporting the creation of new businesses and jobs.

On 11 February 2009, the then Minister for Planning approved a concept plan and project application for the NSW component of the new pipeline, which would traverse 10 local government areas: Moree Plains, Narrabri, Gunnedah, Liverpool Plains, Upper Hunter, Muswellbrook, Singleton, Maitland, Port Stephens and Newcastle.

The approved project includes the construction and operation of:

- *A 611 km underground pipeline*: this pipeline would be buried around 2 meters (m) below the surface within a 30 m easement that would be fixed within the approved 200 m development corridor for the project following further consultation with affected landowners and key stakeholders.
- *Off-take and in-take points along the pipeline*, including a short lateral pipeline to an industrial facility in Maitland: these connections to the pipeline would allow gas to be supplied to users along the route or, alternatively, to be collected from suppliers along the route.
- *Meter stations*: these stations would be located at the off-take and intake points along the pipeline and occupy an area of around 2,500 m²; they would measure the transfer of gas to or from the pipeline and include equipment to adjust the temperature and pressure of the gas.
- *Mainline valves*: these valves would be located at strategic points along the pipeline and occupy a fenced and graveled area of around 250 m²; they would enable the isolation of sections of the pipeline to reduce the volume of gas released in the event of damage or programmed maintenance.
- *Scraper stations*: these stations would be co-located with the mainline valves and allow the insertion and/or retrieval of "pigs" to clean the internal sections of the pipeline or to detect damage or metal loss within the pipeline.

- *Corrosion protection system*: this system would include small power rectifiers and anode beds at approximately 3 to 5 km intervals along the pipeline that would maintain the pipeline at a negative potential to prevent corrosion if the pipeline coating is damaged at some stage.
- *Ancillary infrastructure*, including access tracks, construction compounds, and power and communications infrastructure.

The project has a capital investment value of around \$860 million, \$560 million of which would be spent in NSW, and would generate up to 600 jobs during construction and 25 jobs during operation.

The capacity of the pipeline would vary according to demand, starting at 80 PJ a year - which is around 66% of NSW's current supply - and ultimately reaching 160 PJ of gas a year.

The approval of the pipeline is subject to strict conditions. These conditions require Hunter Gas to:

- finalise the route alignment of the pipeline within the approved development corridor prior to any construction and to minimise any adverse impacts on the natural or built environment in consultation with key stakeholders, including affected landowners, the holders of existing mining or petroleum titles and the relevant councils;
- develop detailed plans for all watercourse crossings, including the under-boring of all major watercourses such as the Boomi River, Mehi and Gwydir Rivers, Namoi River and Hunter River;
- avoid and/or minimise any impacts on endangered ecological communities and threatened species and to offset any biodiversity impacts associated with the final alignment of the pipeline;
- undertake a final hazard analysis of the project prior to construction to ensure the pipeline is constructed and operated safely;
- ensure the project does not cause any water pollution;
- minimise any waste produced by the project, and ensure all waste is properly classified, handled and disposed of in accordance with existing policies and guidelines;
- minimise the construction impacts of the project, including its dust, noise, blasting and traffic impacts;
- prepare and implement detailed management plans for the construction and operation of the project to the satisfaction of the Secretary; and
- keep the community fully informed of the progress and environmental performance of the project.



2. Proposed Modification

Under Condition 1.4 of the existing conditions of approval, Hunter Gas was given 10 years to physically commence the development of the pipeline from when the approval was granted (11 February 2009) otherwise the approval would lapse.

On 18 October 2018, Hunter Gas submitted a request to the Department seeking to modify this condition and secure another five years for it to physically commence the development of the pipeline.

This request is described in detail in the modification report and additional information that were submitted to the Department by Hunter Gas (see **Appendices B, D and E**).

According to Hunter Gas, the pipeline is just as important now as it was when it was approved, and the only reason why the development of the pipeline has been delayed is due to the significant uncertainties in the East Coast gas market over the last decade, which have made it difficult to commit funds to the development of the pipeline.

These uncertainties have been due to a range of factors, including:

- several major reviews and inquiries into the operation of the east coast electricity and gas markets and the subsequent development of policies and plans to respond to some of the current challenges within the markets, including the:
 - Finkel Review into the Future Security of the National Electricity Market;
 - NSW Energy Security Taskforce's review of the resilience of the NSW electricity system;
 - Australian Market Energy Operator's (AMEO) Integrated System Plan, which seeks to guide the development of infrastructure to support the National Electricity Market over the next 20 years;
 - Australian Competition & Consumer Commission's Gas Inquiry, which is due to be completed in 2020;
 - Commonwealth Government's introduction of the Australian Domestic Gas Security Mechanism (ADGSM), which seeks to ensure there is sufficient natural gas for domestic use in Australia;
- the delay in coal seam gas development in NSW associated with, among other things, the:
 - NSW Chief Scientist & Engineer's Independent Review of Coal Seam Gas Activities in NSW;
 - AGL's decision to wind up production at the Camden Gas Project by 2023 and not to proceed with the approved Gloucester Gas Project;
 - development of the NSW Gas Plan;
 - buyback and cancellation of several petroleum exploration licences across NSW, which reduced the coverage of NSW by petroleum titles from 60% to 8.5% and concentrated the remaining titles in north-western NSW (see **Figure 2** below);
 - introduction of:
 - o new requirements governing the release of new areas for petroleum exploration, including the requirement for the Department to conduct a Preliminary Regional Issues Assessment of the likely economic, social and environmental impacts associated with the release before any final decision is made;
 - o several reforms to strengthen the regulation of coal seam gas activities in NSW and ensure it is carried out in accordance with best practice, including the introduction of Aquifer Interference Policy and several codes of practice, banning the use of certain chemicals, and making the Environment Protection Authority (EPA) the chief regulator of all coal seam gas development;
 - o a benefit sharing scheme for coal seam gas where the community in which any coal seam gas project occurs would get a share of the royalties generated by the project; and
 - the ongoing assessment of the development application for the Narrabri Gas Project, which attracted over 23,000 submissions;
- the extensive focus in Queensland on establishing a major liquefied natural gas (LNG) export industry with major gasfields in the Surat and Bowen Basins and LNG plants and export facilities at Gladstone;
- the Independent Scientific Inquiry into Hydraulic Fracturing in the Northern Territory; and
- the delay in the development of several approved gas-fired power in NSW - including the Tomago, Wellington, Dalton, Marulan and Tallawara power stations - due to the uncertainties associated with securing a reliable supply of gas at competitive prices.

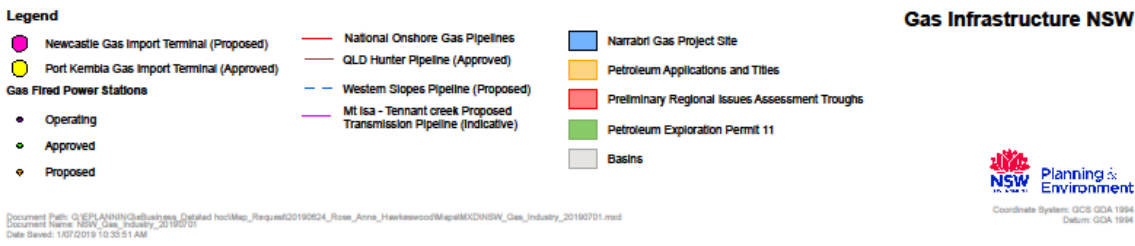
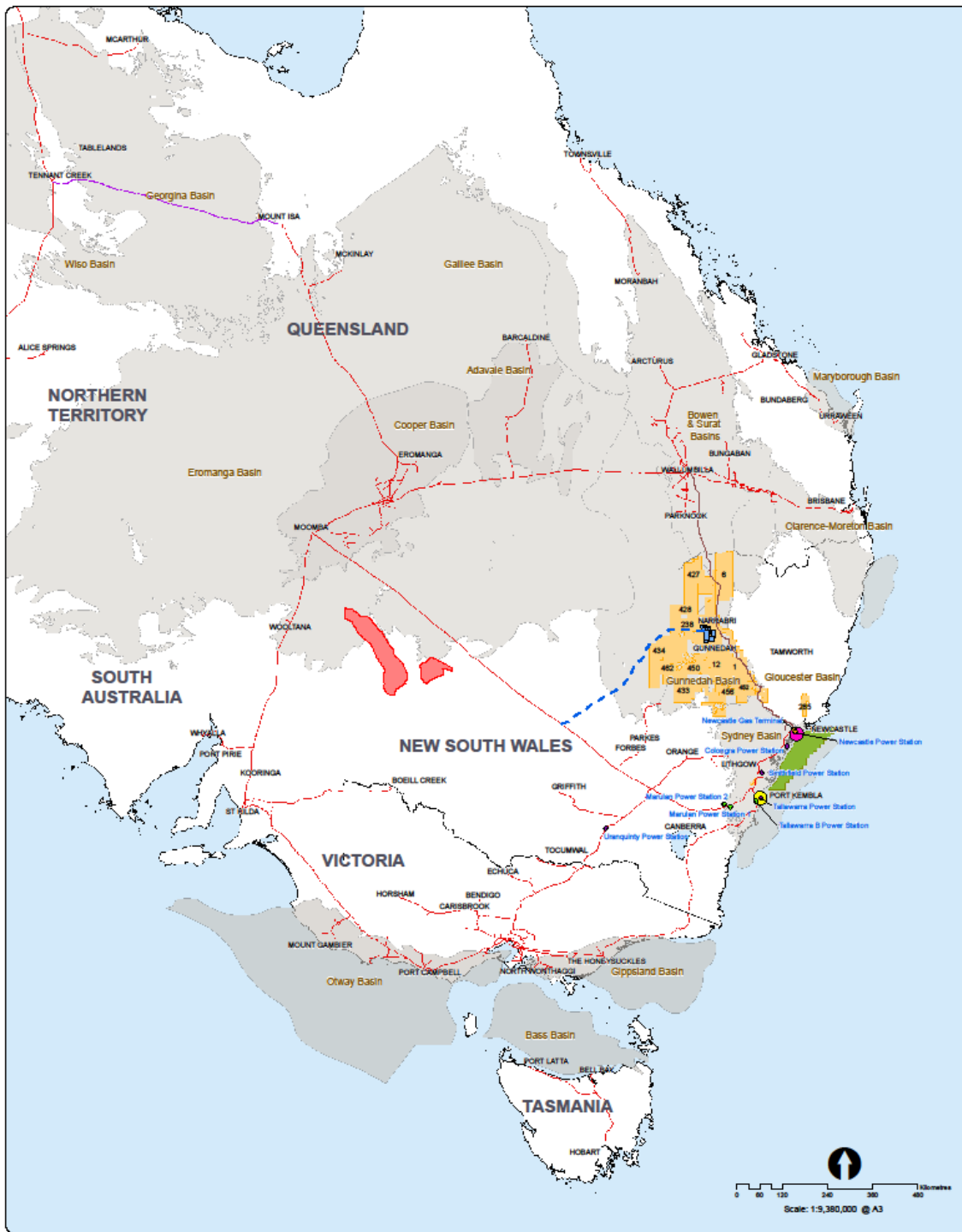


Figure 2 | Gas Infrastructure in NSW, including the existing petroleum exploration licences.

Hunter Gas believes many of these factors are now no longer an impediment to investing in the project, and that it will be able to develop the pipeline within the next 5 years.

To support this claim, it points to Australian Energy Market Operator (AEMO)'s Gas Statement of Opportunity 2019 which predicts that: "From 2024, the forecast southern supply (including committed gas projects) is projected to be insufficient to meet forecast demand if no further sources of gas or alternative infrastructure are developed. Furthermore, infrastructure constraints will mean additional gas cannot be transported from Queensland or the Northern Territory to Southern States."

The Australian Competition and Consumer Commission (ACCC) has also identified these infrastructure constraints as a major impediment to the development of an efficient East Coast gas market, and in particular the capacity constraints of the existing Moomba-Sydney and South Western Queensland Gas Pipelines during the peak winter season (May-August).

In 2017, Hunter Gas Pipeline entered into a Memorandum of Understanding with Jemena - the owner and operator of some of Australia's most important gas transmission pipelines - to construct and operate the new pipeline.

The new pipeline would allow Jemena to extend its pipeline coverage of the East Coast and facilitate the development of crucial linkages between the Eastern Gas Pipeline, which currently supplies gas to NSW from the Longford gas plant in Victoria, and its existing pipelines in south-eastern Queensland and the new Northern Territory Gas Pipeline (see **Figure 3**).

This would enable Jemena to supply gas from both the Northern Territory and Queensland to NSW. It would also allow it to transport any gas imported to NSW through the proposed gas import terminals at Port Kembla and Newcastle to northern NSW and other parts of the East Coast gas market.

It would also introduce healthy competition into the east coast transmission market, as the APA Group is currently the only company with an extensive network of gas pipeline infrastructure on the east coast.

Finally, the new pipeline would be located close to Santos's proposed Narrabri Gas Project and other petroleum exploration licences in northern NSW (see **Figures 2 & 3**).

Now that Santos has committed to providing all of the gas from the Narrabri Gas project to the domestic market, Hunter Gas believes the new pipeline would provide the shortest and cheapest route to connect the project with major domestic markets in NSW, particularly in the Hunter region, and to supply gas to the:

- existing 850 MW Colongra gas power station on the Central Coast; and
- proposed Tomago gas power station, which was recently declared to be a Critical State Significant Infrastructure project as it would significantly increase the energy security and reliability of NSW.

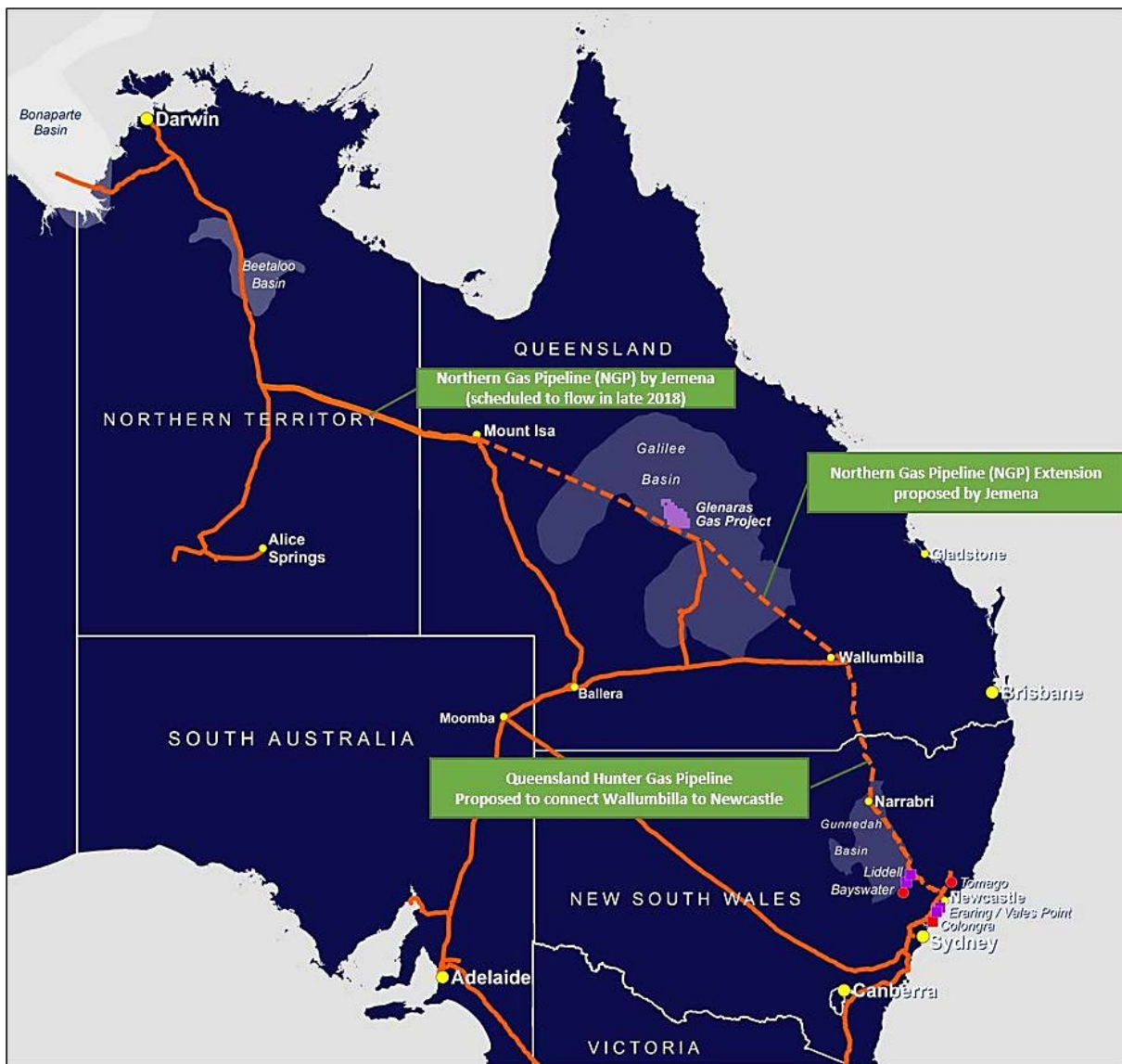


Figure 3 | Gas Transmission Network, showing Jemena’s proposed extensions including the approved Queensland-Hunter Gas Pipeline



3. Statutory Context

3.1 Power to Grant Approval

The Queensland-Hunter Gas Pipeline project was declared to be a Part 3A project under the then *Environmental Planning & Assessment Act 1979* (EP&A Act) on 18 December 2007 and a critical infrastructure project on 13 June 2008.

After a detailed assessment process, which included detailed community consultation, the then Minister for Planning approved a concept plan and project application for the project on 11 February 2009.

Following the removal of Part 3A of the EPA& Act in October 2011, the approved project was made a Transitional Part 3A project which allowed it to be modified under the former Section 75W of the EP&A Act.

With the reforms to the EP&A Act in March 2018, these transitional arrangements were changed to wind up any future use of the former Part 3A provisions. Under the changes, Transitional Part 3A projects had to be declared to be either State Significant Development or State Significant Infrastructure (SSI) projects before they could be modified, and any modifications to these approvals had to be assessed under the current statutory framework rather than under the former Section 75W of the EP&A Act.

On 20 July 2018, the approved Queensland-Hunter Gas Pipeline project was declared to be a SSI project, and retained its classification as a Critical SSI project.

On 18 October 2018, Hunter Gas lodged a request with the Department seeking to modify the approval to give it another 5 years to physically commence the development of the Queensland-Hunter Gas Pipeline project.

The Department exhibited the request in November 2018 and received 188 public objections, including an objection from Moree Plains Shire Council. Consequently, the Minister for Planning and Public Spaces must determine the modification request.

3.2 Scope of Modification

The modification request is only seeking to change the lapsing date of the existing approval. Everything else would remain exactly the same as the approved project. Consequently, the Department is satisfied that the request can be characterised as a modification to the existing approval, and that the Minister for Planning and Public Spaces may determine the application under Section 5.25(4) of the EP&A Act.

3.3 Extension of Time to Determine the Request

On 28 February 2019, further amendments were made to the transitional arrangements for former Transitional Part 3A projects which are relevant to the determination of this modification request.

These amendments prevent an approval for a Transitional Part 3A Project that has been declared to be a SSI project from lapsing if a request to modify the relevant lapsing condition in the approval was duly made before the lapsing date, and the request was not determined before the lapsing date.

When this occurs, the approval lapses 12 months after the date on which the modification request was duly made unless the relevant modification is:

- refused or withdrawn, in which case the approval lapses on the day it was refused or withdrawn; or
- granted, in which case the approval lapses on the day specified in the modified approval.



4. Engagement

4.1 Exhibition

Due to the relatively simple nature of the proposed modification, the Department exhibited the modification request from Thursday 8 November until Thursday 22 November 2018.

During the exhibition period, the Department received 195 submissions, including 4 from government agencies, 3 from Councils along the approved pipeline route, 7 from special interest groups, and the remaining 181 from the general public.

In relation to the submissions from the general public, 20 submissions were from people living in the LGAs where the pipeline would be developed, including 2 from landowners whose land sits within the approved development

corridor for the pipeline: one in the Moree Plains LGA and the other in the Narrabri LGA. The remaining submissions came from further afield with 117 submissions coming from people living in other parts of NSW, 44 from people living in other states and territories within Australia, and 4 from people living overseas.

A more detailed breakdown of these submissions is shown in **Table 1** below, and a full copy of the submissions is provided in **Appendix C**.

Table 1 | Summary of submissions during the exhibition period.

Submitters	Number	Position
Government Agencies	4	
<ul style="list-style-type: none"> Biodiversity and Conservation Division (BCD) within the Department (formerly NSW Office of Environment and Heritage (OEH)) Heritage Division within the NSW Department of Premier and Cabinet (formerly Heritage Division of the OEH) Roads and Maritime Services (RMS) Environmental Protection Authority (EPA) 	4	Comment
Councils	3	
<ul style="list-style-type: none"> Upper Hunter Shire Council Liverpool Plains Shire Council 	2	Comment
<ul style="list-style-type: none"> Moree Plains Shire Council 	1	Object
Special Interest Groups and Companies	7	
<ul style="list-style-type: none"> Clarence Environment Centre Lock the Gate Alliance Mullaley Gas and Pipeline Accord People for the Plains The Wilderness Society Great Artesian Basin Protection Group Inc. 	6	Object
<ul style="list-style-type: none"> Weston Aluminium Pty Limited) 	1	Support
General Public	181	
LGAs affected by the proposed pipeline:		
<ul style="list-style-type: none"> Moree Plains Narrabri Gunnedah Liverpool Plains Singleton Maitland Newcastle 	3 7 2 2 1 2 3	Object
NSW Other:		
<ul style="list-style-type: none"> Hunter and Central Coast Southern NSW Western NSW Northern NSW Sydney 	9 7 17 39 45	Object
Other States and Territories:		
<ul style="list-style-type: none"> Queensland Victoria Western Australia Australian Capital Territory Northern Territory 	23 10 7 3 1	Object
TOTAL	195	188 Object, 1 Support, 6 Comments

4.2 Submissions from Public Authorities

Apart from Moree Plains Shire Council, none of the public authorities objected to the proposed modification.

Moree Plains Shire Council objects to the proposed modification because it would facilitate fracking and other non-conventional gas activities, and Council currently has a moratorium on these activities in the Shire. It also recommended that if the project proceeds, Hunter Gas should be required to avoid and/or minimise the impacts of the project on prime agricultural land or existing agricultural activities. This is already required under the existing conditions of approval.

The other public authorities had little to say on the proposed modification, other than that the existing conditions of approval should be reviewed and updated to replace references to outdated policies and guidelines. This has been done, and the recommended conditions include these updates.

The former **OEH**, which has subsequently been incorporated into the Department, confirmed that under the existing conditions of approval, Hunter Gas is required to:

- minimise the impacts of the project on endangered ecological communities and threatened species, including any communities or species that had been listed since the approval was granted; and
- offset any biodiversity impacts of the project in accordance contemporary methods, such as the Biodiversity Assessment Method.

The **RMS** confirmed that under the existing conditions of approval, Hunter Gas would need to obtain approval from the relevant roads authority for any works within existing road reserves and prepare a plan to minimise the construction traffic impacts of the project.

Upper Hunter Shire Council noted that the gas pipeline is likely to intersect a proposed water pipeline from Scone to Murrurundi at a number of locations between Wingen and Murrurundi, and asked Hunter Gas to contact Council to discuss the implications of the overlapping routes. This is already required under the existing conditions of approval.

Council also said Hunter Gas should be required to enter into a Voluntary Planning Agreement (VPA) for the project. The Department notes that VPAs relate to development determined under Part 4 of the EP&A Act and not to SSI projects, such as the Queensland-Hunter Gas Pipeline project.

4.3 Submissions from Special Interest Groups and the General Public

Only one of these submissions supported the proposed modification. This submission was from Weston Aluminium Pty Ltd, which operates a smelter in Kurri Kurri and would receive gas directly from the new pipeline.

The remaining 187 submissions objected to the proposed modification. This included objections from peak bodies (such as the Wilderness Society, Local the Gate, the People for the Plains and the Mullaley Gas and Pipeline Accord) and two landowners whose property would be affected by the pipeline.

The main reasons given for objecting to the proposed modification were:

1. *The strategic context for the project has changed dramatically over the last decade, and this change has reduced the need for the pipeline to the point where it is no longer critical for the NSW economy.*

For instance, the development of the approved Port Kembla gas import terminal and proposed Newcastle gas import terminal may replace the need for the pipeline

In addition, even if there is demand for a new pipeline, these submissions criticized Hunter Gas for not securing any commitments from gas supplies to use the pipeline despite the fact that it had had 10 years to do so; and noted that Santos, which controls most of the remaining petroleum exploration licences in NSW

and is proposing to develop the Narrabri Gas Project (see **Figure 2**), had not made any commitments to use the pipeline.

These submissions also argued that NSW should move away from its dependence on fossil fuels and transition to renewable energy as soon as possible.

2. The project will have impacts on the natural and built environment, including several major rivers, prime agricultural land, endangered ecological communities and threatened species (such as koalas), wetlands on Kooragang Island, and key infrastructure. It will also increase the safety risks to both people and the environment along the pipeline route.

Since the project was approved, these submissions argued significant changes have occurred in the area that would be affected by the pipeline and also to the policies and guidelines that would guide the assessment of the economic, environmental and social impacts of the project. Consequently, the approval should be allowed to lapse, and the project should be reassessed under contemporary standards.

3. *The project would facilitate the development of coal seam gas and other petroleum projects* in northern NSW, Queensland and the Northern Territory, which would result in adverse impacts on the environment. It would also help to increase Australia's greenhouse gas emissions and exacerbate climate change.
4. Hunter Gas does not have the capability to develop a project of this scale and has had *more than enough time* to physically commence the development of the project, but has done nothing.

It has not done any of the work required under the conditions of approval, including finalising the pipeline route in consultation with affected landowners, and should not be given any further time to develop the project.



5. Assessment

The Department has assessed the merits of the proposed modification, having regard to the existing conditions of approval, the modification request and all associated documents, the issues raised in submissions and Hunter Gas's formal response to these issues (see **Appendices D and E**).

Many of the issues raised in submissions relate to the merits of the approved project and the role it may play in facilitating coal seam gas and other petroleum development in NSW and other parts of Australia rather to the merits of the proposed modification.

5.1 Changes to Strategic Context

The strategic context for declaring the project to be a critical infrastructure project in 2008 was dominated by the findings of the *Owen Inquiry into Electricity Supply* in 2007, which found that:

- NSW would require new baseload electricity generation capacity from 2013;
- gas-fired generation would become increasingly competitive to fill this demand; and
- additional gas pipeline capacity would be required to meet forecast demand for gas in NSW, particularly in there was an increase in gas-fired electricity generation.

While these findings have been superseded in recent years by the significant changes that have occurred in the national electricity and gas markets (increases in wind and solar development; tightening domestic gas supply;

deficiencies in the East Coast gas market) and the findings of more recent reviews and inquiries (see Section 2), both at State and Commonwealth level, the Department has no doubt that the Queensland-Hunter Gas Pipeline project remains critical for the NSW economy and should proceed.

The reasons for this are essentially the same as the reasons that were used to declare the project critical in the first place. Essentially, it would:

- increase energy security and reliability in NSW by diversifying the potential sources of gas supply available to NSW and improving its ability to respond to any disruptions in supply from traditional sources in South Australia and Victoria;
- provide a critical link in the East Coast gas pipeline network, which would reduce NSW's current dependency on the Moomba-Sydney Gas Pipeline to receive gas from Queensland or the Northern Territory;
- create greater competition between gas transmission companies, particularly the APA Group and Jemena;
- improve the efficiency of the East Coast gas market by providing greater flexibility for moving gas around the transmission network, especially to parts of northern NSW where there is a distinct lack of pipeline capacity;
- put downward pressure on gas prices in NSW;
- facilitate the development of gas-fired dispatchable energy, which would support the growth of renewable energy generation and the transition to a low emissions economy; and
- support regional development in NSW.

Even if the approved and proposed gas terminals in NSW proceed, the pipeline is still likely to be necessary to create a more connected and efficient East Coast gas market, and for gas from the new import terminals to be moved to various locations around NSW.

5.2 Impacts of the Project

The impacts of the project were fully assessed prior to the then Minister for Planning approving the project in February 2009.

This assessment concluded that the proposed route of the pipeline would avoid key natural features in the region, including several National Parks, and that the remaining impacts of the project would mostly be confined to the final pipeline easement of 30 m and could be minimised and/or offset under the existing conditions of approval.

Several submissions claimed that the project area had changed substantially since the project was approved, but a closer evaluation of this claim shows that there have been no material changes to the land within the approved development corridor: the pipeline would still be developed on largely disturbed and agricultural land; and most of this land would be rehabilitated following the construction of the pipeline.

Further, the Department believes the existing conditions of approval are robust enough to ensure that the impacts of the project would be kept to a minimum and that any residual biodiversity impacts would be offset in accordance with current requirements.

These conditions are summarised in **Table 2** below.

Table 2 | Summary of Existing Conditions

Matter	Conditions
Rivers & other waterways	<p>Hunter Gas must:</p> <ul style="list-style-type: none"> locate the pipeline under all major watercourses, using directional drilling; develop detailed plans for all watercourse crossings and get these plans endorsed by the Department prior to construction; ensure no water pollution occurs; and prepare a detailed plan for project prior to construction that outlines the measures that would be implemented to minimise the water impacts of the project, including any soil erosion or acid sulphate soil impacts.
Biodiversity	<p>Hunter Gas must:</p> <ul style="list-style-type: none"> avoid all endangered ecological communities within the approved pipeline corridor, and may only disturb these communities if it can demonstrate to the Secretary that the pipeline would have minimal impacts on these communities; ensure the pipeline does not go through any wetlands listed under the <i>State Environmental Planning Policy (Coastal Management) 2018</i> and minimise any disruption to previous vegetation rehabilitation works undertaken on the western part of Kooragang Island; avoid any blockage of fish passage on watercourses; submit a study of the potential impacts of the project on koala habitat prior to construction; limit the clearing or any native vegetation to the greatest extent practicable; minimise the impacts of the project on threatened species and their habitat; and offset any residual impacts of the project.
Heritage	<p>Hunter Gas must:</p> <ul style="list-style-type: none"> consult further with the Aboriginal community prior to construction about the heritage values in the vicinity of the pipeline route; avoid and/or minimise the impacts of the project on Aboriginal or historical heritage items; implement standard chance find procedures if any previously identified significant Aboriginal heritage items are identified during construction; and include the detailed management measures that would be implemented to minimise any heritage impacts of the project.
Prime agricultural land	<p>Hunter Gas must:</p> <ul style="list-style-type: none"> consult with all landowners affected by the final 30 m easement of the project, and may modify the approved alignment to address matters identified in any consultation; and monitor and manage any impacts of the project during operations, including any soil erosion or safety risks.
Sterilisation of mineral resources	<p>Hunter Gas must:</p> <ul style="list-style-type: none"> consult with all mining or petroleum titleholders whose tenements would be affected by the final 30 m easement of the project, and try to resolve any potential conflict between the project and any current or future resource exploration or extraction activities
Infrastructure	<p>Hunter Gas must:</p> <ul style="list-style-type: none"> minimise the impacts of the project on all existing infrastructure in the vicinity of the project; and bear the cost of repairing or relocating any infrastructure that would be directly affected by the project.

Matter	Conditions
Traffic	<p>Hunter Gas must:</p> <ul style="list-style-type: none"> • obtain consent from the relevant road authority for all works associated with the project that would occur in a road reserve; • consult with Gunnedah Shire Council to minimise any potential impacts on the existing leases and access/occupation rights within the Pullaming Stock Route; • minimise the traffic impacts of the project; and • prepare a detailed traffic management for the construction of the project, which includes a Driver Code of Conduct for workers.
Hazards	<p>Hunter Gas must:</p> <ul style="list-style-type: none"> • construct and operate the pipeline in accordance with the relevant Australian standards, which include implementing standard safety measures to minimise any risks to people or the environment; • prepare a final safety for the project prior to construction; and • comply with the safety requirements under the pipeline legislation and licence.
Construction impacts: dust, noise, blasting, odour	<p>Hunter Gas must:</p> <ul style="list-style-type: none"> • construct the project during regular construction hours; • only carry out blasting during regular blasting hours; • minimise the dust emissions of the project; • not generate any offensive odour; and • prepare and implement a detailed construction environment management plan for the project.

The Department has recommended several changes to the existing conditions of approval. These changes include:

- updating the references to agencies and definitions;
- updating the references to legislation, policies and guidelines referred to in the conditions;
- including the Department’s standard conditions for:
 - keeping the community informed about the progress of the project and handling complaints, including requiring Hunter Gas to make all relevant information about the project publicly available on its website;
 - managing compliance, which include requiring Hunter Gas to notify the Department of the commencement of key stages in the project and to submit compliance reports in conjunction with these notifications;
 - managing and reporting on any incidents; and
 - providing regular updates;
- clarifying the drafting of certain conditions to avoid any uncertainty; and
- allowing the construction of the project to be staged.

With these changes, the Department is satisfied that the conditions of approval as modified would provide a robust framework for managing the impacts of the project.

5.3 Facilitating coal seam gas development and other petroleum development

Under the NSW Gas Plan, NSW is committed to securing gas supplies for NSW households and business by establishing a safe, sustainable industry.

This includes requiring all coal seam gas and petroleum projects to undergo a detailed assessment of their potential impacts under the EP&A Act with detailed community consultation before they may proceed; and if they proceed, requiring these projects to comply with strict codes of conduct and other controls and standards.

The pipeline will provide the necessary infrastructure required to enable gas produced on the East Coast or imported to Australia to be transported to gas users across the East Coast transmission network, and improve the efficiency and competitiveness of the existing East Coast gas market.

While the Department acknowledges community concerns about climate change and the risks posed by continuing to use fossil fuels in NSW and other parts of Australia, there is consensus among key public authorities, including AEMO and the ACCC, that gas will continue to play a significant role in energy markets in Australia in the foreseeable future and support the transition to a low emissions economy.

5.4 Capability of Hunter Gas & the Delays in Physical Commencement

Several submissions criticised the capability of Hunter Gas to develop the project.

Under the EP&A Act, approval authorities must assess the merits of the development on land, and cannot consider either the capability of the proponent or whether it is a fit and proper person.

However, as indicated earlier, in 2017 Hunter Gas entered a Memorandum of Understanding with Jemena to construct and operate the pipeline should it proceed, and Jemena has extensive experience in undertaking these activities.

The Department acknowledges the considerable uncertainties in the East Coast gas market over the last decade, and accepts the reasons given Hunter Gas for postponing any investment in the pipeline (see **Section 2**).

Many of the uncertainties have now been resolved, and the Department can see no reason why Hunter Gas should not be able to physically commence the development of the pipeline within the next 5 years.

Given the obligations under the existing conditions of approval, which require extensive consultation and work to be carried out before the pipeline can be constructed, the Department can see little benefit in requiring the physical commencement of the development to occur within a shorter period.

Consequently, the Department has recommended that Hunter Gas be given until 15 October 2024 to physically commence the development of the project.



6. Evaluation

The Department has assessed the modification request in accordance with the relevant requirements of the EP&A Act.

Under the request, Hunter Gas is seeking another 5 years under the existing approval to physically commence the development of the project. Everything else associated with the approved project would remain the same.

Most of the submissions, including a submission from Moree Plains Shire Council, objected to the proposed modification, saying the strategic context of the project had changed and it was no longer critical for NSW, that the impacts of the project should be assessed under contemporary standards, that it would facilitate the development and use of coal seam gas development on the East Coast and exacerbate climate change, and that

Hunter Gas had done nothing to act on the approval over the last decade and should not be given any more time to physically commence the development of the project.

As outlined in **Section 5**, the Department is satisfied that the project remains critical for the NSW economy as it would increase the energy security and reliability of NSW, reduce its reliance on gas from Victoria and South Australia, provide a crucial link in the East Coast gas transmission network, increase competition between gas transmission companies, improve the efficiency of the East Coast gas market, put downward pressure on gas prices in NSW, facilitate the development of gas-fired electricity as NSW transitions to a low emission economy, and support regional development in NSW.

The project's impacts were comprehensively assessed and evaluated when the project was approved in 2009, and the is subject to strict conditions of approval that require Hunter Gas to minimise the impacts of the project in consultation with affected landowners and key stakeholders, and to offset any residual biodiversity impacts of the project.

There have been no material changes to the land within the approved pipeline corridor over the last decade, and the Department is satisfied that the existing conditions of approval remain robust enough to ensure the project is carried out safely and would not have any significant impacts on people or the environment.

Nevertheless, the Department has recommended changes to the existing conditions of approval to update certain references, incorporate several standard conditions, and allow the construction of the project to be staged.

The Department acknowledges the considerable uncertainties in the East Coast gas and electricity markets over the last 10 years, and accepts that these uncertainties have been a major factor in delaying the development of the project.

Many of the uncertainties have now been resolved, and the Department can see no reason why Hunter Gas should not be able to commence the development of the pipeline within the next 5 years.

Given the obligations under the existing conditions of approval, which require extensive consultation and work to be carried out before the pipeline can be constructed, the Department can see little benefit in requiring the physical commencement of development to occur within a shorter period.

Consequently, the Department has recommended that Hunter Gas be given until 15 October 2024 to physically commence the development of the project.

Based on its detailed evaluation of the merits of the proposed modification, the Department believes the significant benefits of the project, which is considered to be critical for the NSW economy, would outweigh the minimal impacts associated with extending the lapse date of the existing conditions of approval. Consequently, it considers the proposed modification to be in the public interest and recommends that it be approved subject to the recommended changes to the existing conditions of approval.



7. Recommendation

It is recommended that the Minister for Planning and Public Spaces:

- **considers** the findings and recommendations of this report;
- **determines** that the request for Queensland-Hunter Gas Pipeline modification application (MP 06_0286 MOD 1) falls within the scope of section 5.25 of the EP&A Act;
- **accepts and adopts** all of the findings and recommendations in this report as the reasons for making the decision to grant approval to the request;
- **agrees** with the key reasons for approval listed in the draft notice of decision;
- **modifies** the approval MP 06_0286 (**Appendix F**); and
- **signs** the attached Recommended Notice of Modification (**Appendix G**).

Recommended by:

 15/10/19

Stephen O'Donoghue

Director

Resource Assessments

Recommended by:

 15/10/19

David Kitto

Executive Director

Special Projects



Appendices

Appendix A – List of Documents

Queensland-Hunter Gas Pipeline Project – Environmental Assessment, September 2008.

Queensland-Hunter Gas Pipeline Project – Director-General Assessment Report, February 2009.

Queensland-Hunter Gas Pipeline Project – Project Approval, February 2009.

Queensland-Hunter Gas Pipeline Lapse Date Extension Application, October 2018.

Queensland-Hunter Gas Pipeline Lapse Date Extension Application - Attachment 1 - Pipeline corridor as approved, October 2018.

Queensland-Hunter Gas Pipeline Lapse Date Extension Application - Attachment 2 - HGP Construction readiness, September 2018.

Queensland-Hunter Gas Pipeline Lapse Date Extension Application - Attachment 4 – Gas Pipeline Map, October 2018.

Queensland-Hunter Gas Pipeline Lapse Date Extension - Response to Public Consultation submissions, RLMS (Resource and Land Management Services), December 2018.

2018 Gas Statement of Opportunities - Attachment 5, Australian Energy Market Operator, June 2018.

2019 Gas Statement of Opportunities - Attachment 6, Australian Energy Market Operator, March 2019.

Australian Competition and Consumer Commission (ACCC), Gas Inquiry 2017-2020, Interim Report, April 2019.

Appendix B – Modification Report

<https://www.planningportal.nsw.gov.au/major-projects/project/25456>

Appendix C – Submissions

<https://www.planningportal.nsw.gov.au/major-projects/project/25456>

Appendix D –Submissions Report

<https://www.planningportal.nsw.gov.au/major-projects/project/25456>

Appendix E – Additional Information

<https://www.planningportal.nsw.gov.au/major-projects/project/25456>

Appendix F – Recommended Consolidated Approval

<https://www.planningportal.nsw.gov.au/major-projects/project/25456>

Appendix G – Recommended Notice of Modification

<https://www.planningportal.nsw.gov.au/major-projects/project/25456>