

**Attn: Executive Director, Resource Assessments
Department of Planning and Environment
GPO Box 39
Sydney NSW 2001**

Re: Submission - Santos Narrabri Gas Project

Dear Sir/Madam;

Thank you for the opportunity to respond to the Narrabri Gas Project Environmental Assessment.

I object to the Narrabri Gas Project and recommend that the project be rejected.

Please find below my concerns.

Kind Regards

Phil Laird

Narrabri Gas Project Submission

Executive Summary

Legal advice¹ and experience from landholders in the Queensland Coal Seam Gas (CSG) fields indicates that land access agreements with gas companies DO NOT include insurance cover for many of the risks of great concern to rural landholders, including:

- contamination of surface or underground water,
- damage to neighbouring properties for which a claim is made against the landholder with the gas mining on their property,
- loss of industry accreditation,
- spread of noxious weeds, biosecurity hazards and other land management impacts.

Gas companies tend only to carry Public Liability insurance and this is “woefully inadequate and not a recourse for such damage”² arising from the above risks.

In NSW gas exploration companies have to disclose if they have insurance cover³ when negotiating land access with landholders.

Some livestock producers and farmers have sought insurance coverage for pollution from gas mining and have been unable to obtain it⁴.

There is no inclusion of contingency plans such as Comprehensive Environmental Insurance in the Narrabri Gas Project (NGP) EIS to manage a range of risks, including Residual Risk, which was specifically referred to in the Secretaries Environmental Assessment Requirements.

When asked directly at the Santos 2017 Annual General Meeting “Does Santos have adequate insurance for remediation or to provide compensation to landholders for negative impacts on their business?” the Santos Chairman avoided answering the question⁵ instead effectively asking people to ‘trust us’. A very dubious prospect.

As a result the NGP is effectively managing its residual risk via risk transfer. i.e. Transferring the residual risk to landholders, the environment and the community.

This is unacceptable and potentially unconscionable. The existence of effective Insurance is one of the markers of any industries social licence. Without a social licence the future of the NGP and the coal seam gas industry is limited or non existent.

Comprehensive Environmental Insurance exists in the modern insurance market. The NSW Chief Scientist⁶ indicated that a robust and comprehensive, three layered policy was one of the necessary pre-requisites in order to manage the CSG industry.

¹ A Guide for Landholders, Managing the risks of shale and other gas developments on your property, WRA, 2016

² Ibid

³ NSW Dept of Resources and Industry, *Exploration code of practice: petroleum land access* http://www.resourcesandenergy.nsw.gov.au/__data/assets/pdf_file/0005/688595/PUB16-428-FINAL-Exploration-code-of-practice-petroleum-land-access.pdf

⁴ A Guide for Landholders, Managing the risks of shale and other gas developments on your property, WRA, 2016

⁵ See Attachment 1 – Transcript 2017 Santos AGM

⁶ NSW Chief Scientist and Engineer, *Environmental risk & responsibility and insurance arrangements for the NSW CSG industry*, May 2014

Recommendations:

1. Full Comprehensive Environmental Insurance be required for all major mining projects in NSW
2. That model insurance conditions be developed as a matter of urgency and prior to any new CSG determination
3. Santos NGP EIS be reviewed for compliance with the Secretaries Environmental Assessment Requirements in relation to contingency plans to manage Residual Risk.
4. Contingency plans for the management of residual risk for non Santos stakeholders be identified and quantified in dollar terms prior to project determination
5. Cost benefit analysis be recalculated to include environmental insurance costs for all stakeholders in the short and long term prior to determination
6. Fundamental data in relation to well location and baseline data be provided prior to project determination
7. Santos Ltd be required to provide Comprehensive Environmental Liability for the current development consents and permits that they hold
8. Santos be required to provide when seeking land access, a Certificate of Currency of Comprehensive Environmental Insurance including policy terms and conditions, and parties noted on the policy
9. NSW Government enact Chain of Responsibility Legislation following the Queensland model to ensure responsible persons are liable for environmental contamination
10. All relevant Material Safety Datasheets and Operational Plans be required to be made available by Santos Ltd and their agents and sub-contractors to the Dept of Planning for publication prior to any project determination. Quarterly updates be mandated and publicised
11. MLA Guidelines be consulted to determine banned chemicals compounds that cannot be used on livestock producing land and/or native habitat that could enter the food chain. Banned chemical compounds that could enter the food chain be excluded from use in the CSG industry
12. No landholder should ever be forced to accept land access with a gas company

Introduction

Unconventional Gas companies take on their own risk, they self insure or underinsure. The NSW Chief Scientists 2014 report into CSG said:⁷

“Informal advice from insurance industry sources in Australia indicates that traditionally oil and gas companies have a higher risk appetite than other large industries. This means they generally take on their own risk, that is, self-insure or underinsure.

The [Chief Scientists Report](#) Recommendation 9 said in 2014:

“That Government consider a robust and comprehensive policy of appropriate insurance and environmental risk coverage of the CSG industry to ensure financial protection short and long term. Government should examine the potential adoption of a three-layered policy of security deposits, enhanced insurance coverage, and an environmental rehabilitation fund.”

Despite this, in 2017, Comprehensive Environmental Insurance is still not *mandated* in NSW planning legislation.

However, legal advice provided by EDO NSW⁸ indicates that insurance conditions can be attached to approvals provided under the:

- (a) Environmental Planning and Assessment Act 1979 (NSW) (EPAA);
- (b) Petroleum (Onshore) Act 1991 (NSW) (PO Act); and
- (c) Protection of the Environment Operations Act 1997 (NSW) (POEO Act).

The advice states that it is best to require insurance under all Acts to ensure consistency.

The Santos Narrabri Gas Project is the first test of the governments commitment to the NSW Chief Scientists report and unwavering community concerns.

Recommendation

- *Full Comprehensive Environmental Insurance be mandated for all major mining projects in NSW*
- *That model insurance conditions be developed as a matter of urgency and prior to any new CSG determination*

Massive Insurance Gap

Advice from landholders is that their Farm Insurance does not cover liabilities from unconventional gas activities that is of a creeping long term nature, that occurs over a wide area, and that is carried out under a Land Access Agreement or Conduct and Compensation Agreement. Standard farm insurance policy terms and conditions have provisions that:

⁷ NSW Chief Scientist and Engineer, *Environmental risk & responsibility and insurance arrangements for the NSW CSG industry*, May 2014

⁸ EDO NSW, 16.3.2016

1. Pollution is *generally excluded* in many common Farm Insurance policies⁹ unless the pollution event arises from a sudden happening which is unintended and takes place entirely at one specific location.
2. “General Exclusions” may also exist where the damage or liability was *intentionally caused* or incurred by a person acting with the landholders express or implied consent¹⁰. This exclusion could include resource depletion and pollution arising from unconventional gas activities such as drilling, fracking, depressurising coal seams, etc
3. Landholders have a duty under [S21\(1\) of the Insurance Contracts Act 1984](#) to disclose every matter that the insured knows, or could be reasonably be expected to know, that is relevant to the insurers decision to insure the insured.

This heightened duty of disclosure may mean that when gasfield operations begin, nearby landholders may need to disclose that event. This could lead to modifications to their existing farm insurance policies such as increased premiums, and doubts that existing insurance policies may not cover damages or liabilities that arise from gasfield operations. See Insurance Case Study below.

There is an insurance gap that must be managed by landholders and the government to protect the public purse.

Unfortunately, the ability of landholders (and the government) to obtain comprehensive environmental insurance is unlikely due to cost and the rigorous detailed knowledge required in the insurance policy writing process.

To develop a tailored policy for a gas project, an insurance company must understand the underlying geology, overlying land use and environmental baselines, be expert in the projects EIS, state and federal government regulation, company operational procedures, project expansion plans, companies financial capability and balance sheet provisions, existing insurance policies, land access arrangements as well as the farmers considerations.

In reality it is only a gas company that can provide the data and the finance to develop and purchase an insurance policy as much of this detail is unknown to landholders.

Action Required re planned “CrapCo” restructure

Santos have indicated that it will move the NGP into a secondary company that contains non-core assets¹¹. The plan is to “sweat” or “exit” the assets. As there is no income stream from the NGP it is reasonable that the company intends to on-sell the NGP – potentially at very short notice, either before or after a planning determination.

Current Santos tenements are vulnerable to under capitalised speculators who cannot meet calls on their balance sheet for remediation of existing development consents let alone the expanded NGP. Abandoned and non-producing oil and gasfields are impacting landholders and state coffers in Canada today¹² as low oil prices force companies to walk away from unremediated wells.

⁹ Elders Farm Insurance, Product Disclosure Statement May 2016
https://www.eldersinsurance.com.au/uploads/PDS/QM3234-0516%20Elders%20Farm%20Pack_web_0516.pdf

¹⁰ Ibid

¹¹ Santos, Origin seek to fix past mistakes with “CrapCo strategy”
<http://www.afr.com/brand/chanticleer/santos-origin-seek-to-fix-past-mistakes-with-crapco-strategy-20161208-gt6kk6> retrieved 21.4.2017

¹² ‘It’s a mess:’ Oil crash creating graveyard of wells abandoned on Albertans’ land
<http://business.financialpost.com/news/energy/its-a-mess-oil-crash-adds-to-graveyard-of-wells-abandoned-on-albertans-land> retrieved 21.4.2017

It is imperative that existing environmental liabilities be covered by full Financial Assurance to ensure remediation and Comprehensive Environmental Insurance cover be mandated now under existing authorities to ensure future liabilities from land and water contamination, air pollution etc can be met.

Recommendation

As a matter of urgency, Santos Ltd be required to provide Comprehensive Environmental Insurance for the current development consents and permits that they hold.

Santos Narrabri Gas Project (NGP)

Despite the failure to mandate environmental insurance conditions the Chief Scientists recommendation was taken into account by the Secretaries Environmental Assessment Requirements ([SEARS](#)) for the Santos NGP to assess "*whether contingency plans would be necessary to manage any residual risks*". I.e.

The Environmental Impact Statement (EIS) for the development must comply with the requirements of Clauses 6 and 7 of Schedule 2 of the Environmental Planning and Assessment Regulation 2000.

In particular, the EIS must include: an assessment of the likely impacts of the development on the environment, focusing on the specific issues identified below, including:

- *a description of the measures that would be implemented to mitigate and/or offset the likely impacts of the development, and an assessment of:*
 - *whether contingency plans would be necessary to manage any **residual risks**;*

What is residual risk?

ISO 27001 defines residual risk as the risk remaining after risks have been identified and treated. It is the exposure to loss remaining after other known risks have been countered, factored in, or eliminated¹³. Expressed differently, it is the amount of risk left over after natural or [inherent risks](#) have been reduced by risk controls¹⁴.

Residual risk can be managed with insurance.

Without insurance gas companies are managing the residual risk via risk transfer. i.e. Transferring risk to the landholder. This is achieved through a combination of:

1. Refusing to provide detailed, site specific baselines
2. Refusing to provide material safety data sheets and operational data
3. Insisting on legal indemnities in land access agreements that must be enforced in court. Enforcement success is remote due to a lack of baselines, monitoring and operational data identified in 1 and 2 above

¹³ Residual risk. <http://www.businessdictionary.com/definition/residual-risk.html> retrieved 21.4.2017

¹⁴ Gregory Monahan (2008). [Enterprise Risk Management: A Methodology for Achieving Strategic Objectives](#). John Wiley & Sons.

4. Relying on coerced, forced land access with short time frames so that a landholder can never conduct proper due diligence (See case study below)

NGP EIS Shortcomings

1. Residual Risk Contingency Plans missing from EIS

The Santos EIS appears to skirt the SEARS specific requirement to *assess whether contingency plans would be necessary*.

The Executive Summary's "Residual Risk" section and subsequent chapters characterise a range of risks and generally assess those risks as low, potentially varying from place to place.

The section references Chapter 10 that deals with the assessment of risks and Chapter 30 that deals with environmental management and monitoring. Both sections focus on identifying and mitigation of inherent risks by monitoring, reporting and compliance assurance.

This is clearly a contingency plan for inherent risk NOT residual risk as required by the SEARs.

As shown in the residual risk definition above, Santos do not correctly contemplate residual risk, because residual risk is the risk that is left after undertaking risk assessment, risk monitoring, risk reporting and compliance assurance.

Other than residual risk transfer to landholders, which is clearly inequitable, there appears to be no contingency plans for Santos to manage residual risk to the environment and the community such as contemplated by the Chief Scientist in the short or long term.

"a robust and comprehensive policy of appropriate insurance and environmental risk coverage of the CSG industry to ensure financial protection short and long term"

Furthermore, the EIS does not canvas contingency plans for managing residual risks for stakeholders other than Santos. Managing risks comes at a cost and the cost for third parties managing the risks arising from the NGP could be substantial.

The projects history of spills and contamination events are red flags to other stakeholders such as the environment, adjacent landholders, local business, the community and the state of NSW. As a result all of these stakeholders may need to manage the suite of risks posed by the NGP in order to protect their interests and pre-existing commitments such as the quality of their bank mortgage security ^{15 16}. (See Attachment 3 – CBA Email)

This may require non Santos stakeholders to obtain their own insurance to manage the risk, at an unknown cost at the time of the exhibition of the EIS. This makes it impossible to determine the net benefit of the NGP over the short and long term.

Recommendation

- Santos NGP EIS be reviewed for compliance with the Secretaries Environmental Assessment Requirements in relation to contingency plans to manage Residual Risk.
- Contingency plans for the management of residual risk for non Santos stakeholders be identified and quantified in dollar terms prior to project determination.

¹⁵ The Australian, 10.7.2013 "Rabobank bans loans to shale gas and tar sands" Retrieved 21.4.2017

¹⁶ The Guardian, "Commonwealth Bank: coal seam gas makes property unacceptable as loan security" Retrieved 21.4.2017

- *Cost benefit analysis be recalculated to include environmental insurance costs for all stakeholders in the short and long term prior to project determination*

2. EIS not Fit for Purpose

The ability of other, non Santos stakeholders, to manage either the inherent risk or residual risk that arises from the NGP is severely limited or non existent.

Despite the thousands of pages of material in the EIS, the lack of specific well location data makes the EIS an ineffective residual risk planning document and impractical residual risk assessment tool for insurance purposes.

Any insurance company looking at this EIS to provide a tailored policy for the proponent or to neighbouring landholder clients for the risks arising from the NGP without the locations of wells couldn't assess Residual Risk in anything but general terms.

Furthermore well location data would need to be accompanied by credible baseline data in order to assess risk, develop operational policy guidelines and establish criteria (such as deviations from baseline) on which to make a payout should a claim need to be made.

Even if a landholder had the financial capability to insure themselves for environmental liabilities, the NGP EIS is not fit for this purpose. Basic information on well locations and its relationship to the landholders property is crucial to establishing and managing residual risk.

Recommendation

- *Fundamental data in relation to well location and baseline data be provided prior to project determination.*

No Comprehensive Environmental Insurance

The EIS does not include any commitments to carry comprehensive environmental insurance.

This is consistent with the Santos Chairperson's avoidance of the issue and failure to commit to comprehensive environmental insurance in a waffling response to a direct question at the 2017 Santos AGM¹⁷.

His long winded answer is of serious concern to all landholders in the project area. The Chairperson's assertion that Santos has never contaminated an aquifer and that its record speaks for itself, gives no comfort, as Santos's record includes the confirmation in 2013 by the EPA that an aquifer was contaminated by Santos near the Bibblewindi Water Treatment Facility.¹⁸

Without comprehensive environmental insurance coverage, in the event of a major spill, aquifer contamination or aquifer collapse, the community and landholders must rely on:

1. Indemnities and compensation that are contingent on the companies ability to pay. (e.g. Linc Energy) and/or
2. Legal enforcement that require landowners to bring a legal claim to prove personal, environmental, or property damage in court.¹⁹ Without suitable baselines for a range of indicators, it is unlikely such legal action would be successful.

¹⁷ See Attachment 1 – Transcript 2017 Santos AGM

¹⁸ Investigation Report – Santos Ltd and Eastern Star Gas Pty Ltd
http://d3n8a8pro7vhmx.cloudfront.net/lockthegate/pages/1160/attachments/original/1399238109/Santos_Bibblewindi_Investigation_Report_-_Final_-_To_be_released.PDF?1399238109 Retrieved 8.5.2017

Moreover, multi layer company structures are designed to minimise/firewall risk from asset owning entities.

Santos is no exception. The 2013 EPA investigation appeared to be uncertain of the exact legal entity that they were investigating, adding question marks after the ABN. "ABN 80 007 550 923?? (Santos)"²⁰

Opaque corporate structures mean that it is unlikely that individual farmers, state governments or even a class action of farmers can get damages in the courts without Chain of Responsibility legislation as now enacted in Queensland. It is recommended that NSW enact such legislation as a matter of urgency.

By not taking out environmental insurance cover, the proponent is effectively managing their residual risk by transferring that risk to the landholder and the environment. This is clearly inequitable. Landholders, the environment and the public purse are subsidising the NGP by unwillingly shouldering this risk. A risk that grows due to the heavy concern about Santos's poor finances and its track record.

Santos's track record in the Pilliga should be sufficient for the state government to insist that Santos be fully insured for any activities that they undertake.

Farmers and landholders, in many cases have a multi-generational, low risk profile, seeking to minimise risk and pass on the property to the next generation in as good or better condition than they found it. Oil and gas companies who seek to maximise shareholders returns, tend to have a high risk appetite, precisely because they don't own the land and have no monetary or long term interest in the land or the environmental services that it provides.

The stated intention of Santos, to spin off the NGP project to a related entity for resale and the failure of the company Chairperson to commit to environmental insurance should be a red flag for this project.

Recommendations

- *Santos be required to provide when seeking land access, a Certificate of Currency of Comprehensive Environmental Insurance including policy terms and conditions, and parties noted on the policy*
- *NSW Government enact Chain of Responsibility Legislation following the Queensland model to ensure responsible persons are liable for environmental contamination*

Risk Management for Farmers

In general gas companies carry Public Liability Insurance only and their production operations represents a significant change to the risk profile of the farm and farming family.

Insurance disclosure rules mentioned above mean that farmers who host CSG activities on their land need to disclose this fact. Depending on the insurer and the farmers bank, the

¹⁹ Western Rivers Alliance, A Guide for Landholders - Managing the business risks of shale or other gas developments on your property, 2016

²⁰ Investigation Report - Santos Ltd and Eastern Star Gas Pty Ltd
http://d3n8a8pro7vhmx.cloudfront.net/lockthegate/pages/1160/attachments/original/1399238109/Santos_Bibblewindi_Investigation_Report_-_Final_-_To_be_released.PDF?1399238109 Retrieved 8.5.2017

disclosure could mean a significant increase in insurance costs, some exemptions to claimable events, the inability to get a new loan and/or an increase in the cost of finance.

In fact Rabobank in its submission to NSW Inquiry into CSG in 2011 said there was a risk to Asset Values.

*"When coal seam gas (CSG) mining activities are undertaken concurrently with agricultural activities on agricultural land, the size and scale of farming operations can be impacted, the production and efficiency base of the agricultural enterprise can be constrained and **a new spectrum of operational risks could emerge.**"²¹*

Rabobank went further in 2013 by banning loans to unconventional gas fuel projects including farmers who host unconventional gas operations.

"Major Dutch bank, Rabobank, has decided to cease lending money to unconventional fossil fuel projects – shale gas and tar sands – because of the environmental and social implications. In addition it will decline loans to farmers who lease their land to shale gas extraction companies."²²

Livestock Producers hosting CSG are advised in the Livestock Protection Assurance (LPA) Guidebook:

"A risk assessment must be carried out when any changes to the enterprise's current activities occur, such as a change in land use on the property. It will be examined in detail should your property be subjected to a random audit."²³

To manage risk, landholders need to identify the risks and mitigate where necessary and/or where mandated by industry or accreditation schemes.

For example the LPA scheme requires landholders to develop a Risk Assessment Plan (RAP) and manage risk. The LPA scheme specifically says:

"Do livestock have access to leaking electrical transformers, capacitors, hydraulic equipment or coal mine wastes?"²⁴

If the RAP identifies additional risk from gasfield activities, the first step toward mitigation is to notify the gas company of the risk and seek clarification of their Insurance Policies.

The landholder should seek Material Safety Datasheets for all chemicals, including Drilling and Fracking Fluids and documentation of gasfield operational practices in order to satisfy the RAP.

The landholders RAP may also require baselines of water and soil quality along with regular water testing. All this can become very expensive when taken over multiple sites and water sources.

If gas companies do not provide Material Safety Data sheets or full documentation of their operational procedures, insurance policies, planning approvals and future plans it may be that the residual risk associated with the

²¹ Rabobank Australia and New Zealand, 2011, Submission 455 NSW Inquiry into Coal Seam Gas

²² The Australian, 10.7.2013 "Rabobank bans loans to shale gas and tar sands" Retrieved 21.4.2017

²³ LPA Guidebook for Assessment http://www.mla.com.au/globalassets/mla-corporate/meat-safety-and-traceability/documents/lpa_guidebook_v7.pdf

²⁴ Ibid

project cannot be managed from a landholders perspective. The landholder may deem this as just cause to refuse entry.

Recommendations

- *All relevant Material Safety Datasheets and Operational Plans be required to be made available by Santos Ltd and their agents and sub-contractors to the Dept of Planning for publication prior to any project determination. Quarterly updates be mandated and publicised*
- *MLA Guidelines be consulted to determine banned chemicals compounds that cannot be used on livestock producing land and/or native habitat that could enter the food chain. Banned chemical compounds that could enter the food chain be excluded from use in the CSG industry*

Insurance Case Study – Rod Dunbar

Rod Dunbar, from Nutwood Downs Station in the NT has written advice from his insurance broker as to the implications for him of signing an access agreement to facilitate Origin Energy's 450 well plan for his station. This information has been tendered to the NT Gas Inquiry²⁵. Here is a snippet from his broker, see Attachment 2.

"Very Glad you have not signed anything here and we would recommend that you do not do so."

1. *"Additionally the policy (as does all standard Public Liability policies) does not cover any Pollution Liability, which would be a large exposure to you under this contract."*
2. *"We believe the underwriters would load your Farm Insurance premium by approximately 100% on the assets insured, simply because of the increased risk of fire & explosion."*
3. *"The amount of information and documentation required to obtain quotes for these are substantial, most of the detail would need to come from Origin, the insurers would need to have full risk management reports conducted to refer to there risk engineers etc and the insurance premium costs we would consider enormous, if cover could even be obtained which we would consider is doubtful."*
4. *"Additionally under point 39 in the contract it excludes any Consequential Loss that you may occur to your farm as a result of the operators negligence or negligence of its contractors."*

"This is not something that you could insure, so you would be left exposed for this also."

Rod Dunbar's experience shows the dangers that landholders face when dealing with gas companies. This exchange shows that if the landholder had not done his due diligence or had land access forced upon him the result could have been to effectively transfer the environmental risk from the gas company to his business and the environment along with any consequential losses caused by the gas companies negligence

²⁵ Submission Lexcray Pty Ltd, The Scientific Inquiry into Hydraulic Fracturing in the Northern Territory, 2017

No landholder should be faced with such a unconscionable contract that is negotiated in a .
that uses and abuses a landholders trust.

Recommendation

No landholder should ever be forced to accept land access with a gas company.

Attachment 1 – Transcript 2017 Santos AGM²⁶

David Quince: “On this issue of CSG and insurance. Considering Origins recent announcement they do not have any such insurance, if an aquifer is contaminated either during exploration or production, **does Santos have adequate insurance for remediation or to provide compensation to landholders for negative impacts on their business?**”

Santos Chairman, Peter Coates: “Look, err, let me just make a statement. We’ve been, we’ve been at this business now for 60 years and ah, we have never to the best of my knowledge, err damaged an aquifer or caused a problem or a major problem with a water course. I’d like to just refer you to Alan Finkel’s comments, the Chief Scientist, I think its worth looking at that. That just sums up this whole debate with, with there is such emotion about watercourse and I understand the emotion on watercourse, its something that’s very dear, and very important to Australians. Quality of water. But umm, this, this is about fracking and err, not totally in response to err, what David’s question, but I just think it puts this thing in context. The Chief Scientist says that fracking is being widely used in the coal seam gasfields, particularly in Queensland. Now we don’t use fracking in NSW, but its been used particularly in Queensland. Its been widely used across America, the evidence is not there that it is dangerous, in fact the evidence is that if properly regulated it’s completely safe. Now I, the reason I raise that point is that we, we all have an emotional attachment to water, we all want, we the last thing any of us want to do is damage a watercourse. Santos has been in this business for 60 years and has not damaged, not caused any damage to an aquifer that I’m aware of, nor caused any serious damage to a water course. So, ah, you know, I think our record speaks for itself on this. Thank you.”

²⁶ Santos Annual General Meeting Transcript, 4.5.2017, Adelaide

Attachment 2

From: Jon Bourke [Jon.Bourke@mga.com]

Sent: Monday, 20 February 2017 12:46 PM

To: 'Rod Dunbar'; Alana Brown

Cc: 'Rayna Dunbar'; William Dunbar

Subject: RE: Farm Pack Insurance - Policy Invoice from MGA Insurance Brokers

Hi Rod,

Very Glad you have not signed anything here and we would recommend that you do not do so.

In terms of your insurance we agree with the legal feedback you have had to date in that you will be exposed to some additional liabilities under the terms of this contract.

I have made comments below to your questions:-

We would like our Insurer to answer these two questions in relation to this matter please;

In the event of this Contract being forced upon Lexcray by provisions of the Petroleum Act

- how would the application of the Contract effect our current Insurance? Would our Insurance premium rise and by how much?

Under current insurance arrangements you are NOT insured for Contractual Liability.

Specifically - You are Not Insured for Liability in respect of any obligation assumed by You under any agreement except to the extent that

- a) The liability would of been implied by law**
- b) The liability arises from provision in a contract for lease of real or personal property other than a provision which obliges the insured to effect insurance or provide indemnity in respect of the subject matter of the contract**
- c) The liability is assumed by You under a warranty of fitness or quality as regards the products**

Additionally the policy (as does all standard Public Liability policies) does not cover any Pollution Liability, which would be a large exposure to you under this contract.

We believe the underwriters would load your Farm Insurance premium by approximately 100% on the assets insured, simply because of the increased risk of fire & explosion.

Under the terms of the contract also the Liability Limit must be increased to \$20,000,000 from the current level of \$10,000,000. In premium terms this would cost approximately \$750 more per year.

In the event of this Contract being forced upon Lexcray by provisions of the Petroleum Act

- What would be the cost to Lexcray if Lexcray were to insure against any damages arising out of the activities of Origin on Nutwood Downs discussed and covered in this correspondence.

Essentially to provide cover against there activities you would require a Contractual Liability Insurance coverage & Pollution Liability Insurance for a significant limit, but the maximum available with most insurers capacity for this is only \$25,000,000.

The amount of information and documentation required to obtain quotes for these are substantial, most of the detail would need to come from Origin, the insurers would need to have full risk management reports conducted to refer to there risk engineers etc and the insurance premium costs we would consider enormous, if cover could even be obtained which we would consider is doubtful.

We only deal with Authorised Insurers that have licenses to conduct business in Australia and we do not consider any of them would provide insurance protection for these risks with these unfair contracts with Origin Energy.

Additionally under point 39 in the contract it excludes any Consequential Loss that you may occur to your farm as a result of the operators negligence or negligence of its contractors.

This is not something that you could insure, so you would be left exposed for this also.

I hope this helps if you would like us to formally approach insurers to get the ball rolling with trying to get quotes for this please advise accordingly.

Kind Regards

Jon Bourke

Attachment 3 - CBA Email

Commonwealth Bank

Commonwealth Bank of Australia
ABN 48 123 123 124

From: Retail Credit Decisioning

Sent: 01/07/2016

To: [REDACTED]

SUBJECT: [REDACTED]

Date: 01/07/2016

[REDACTED]

Customer Name: [REDACTED]

Facility:

Product/s: 2 Year Fixed Rate Home Loan (TP)

Account No:

Loan Amount: \$500,000.00

If not already provided to the Bank, please supply supporting documents as soon as possible clearly identifying with the application Bank Reference Number. Supporting documents are required for the application to progress further.

Unfortunately, we are unable to provide assistance with the above application at the present time as the application does not meet the Banks approval conditions. If application details change please resubmit the application.

We provide the following comments:

The Application fails to meet the Bank's lending criteria due to the follow reasons: Security unacceptable

1) Long form valuation has revealed 4 gas wells on the land, making the security unacceptable for residential lending purposes.

Application is declined, and this decision supersedes any former decisions.

[REDACTED]

If you would like to discuss this please contact your local Mortgage Services.

Further information can be obtained on <http://www.commbroker.com.au> using the Bank Reference Number above or contact your local Mortgage Services centre.

Commonwealth Bank
Retail Credit Decisioning