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PETROLEUM (MISCELLANEOUS) AMENDMENT BILL

Hidden_Subproceeding:Second Reading

Second reading.

Hidden_Speech

The Hon. A. KOUTSANTONIS (West Torrens—Minister for Correctional Services, Minister for Gambling, Minister for Youth, Minister for Volunteers, Minister Assisting the Minister for Multicultural Affairs) (16:20): I move:

That this bill be now read a second time.

The government is pleased to be introducing to parliament this important bill to amend the Petroleum Act 2000 for governing onshore petroleum exploration and development in South Australia. The proposed amendments seek to enhance the provisions of the act to address both administrative matters and emerging issues in the petroleum and geothermal industry sectors. I seek leave to have the remainder of the second reading explanation inserted in *Hansard* without my reading it.

Leave granted.

As has already been reported to Parliament, the *Productivity Commission Review on Regulatory Burden on the Upstream Petroleum Industry in Australia* highlights South Australia's approach to regulation of the upstream petroleum sector, through administration of the Act, as a working example of best practice regulation. This Bill seeks to ensure that the Act continues to be seen as a best practice regulatory framework.

Public Consultation on Bill

Extensive industry and community consultation on Act amendments has been carried out, initiated by the public release of a Discussion Paper in 2005, a Green Paper in 2006 and the *Petroleum (Miscellaneous) Amendment Bill in 2008*. During this time PIRSA has received numerous submissions from interested stakeholders, all of which have been thoroughly reviewed and considered by PIRSA. This review process has involved numerous meetings with stakeholders to discuss the proposed amendments and submissions made.

Stakeholders consulted during the consultation process included all licensees operating in South Australia at the time, peak industry associations namely the Australian Petroleum Production and Exploration Association and the SA Chamber of Mines and Energy (SACOME), as well as state Government agencies including the Environment Protection Authority, Department for Environment and Heritage, PIRSA's Mineral Resources Group and Planning SA, the Safe Work SA and the Department for Transport, Energy and Infrastructure. Non-industry groups involved in the consultation process included the Natural Resources Management Boards and the Aboriginal Legal Rights Movement (now South Australian Native Title Services) as well as various peak environmental groups.

Key Features of Bill

The major improvements over the *Petroleum Act 2000* which this Bill achieves are:

- Strengthening of provisions for gas storage, encouraging greenhouse gas abatement.
- Greater security of tenure and flexibility in the licensing and activity approval provisions.
- Providing for enhanced competition in relation to the processing of regulated substances.
- Enhancement of landowner notice of entry and compensation provisions, giving greater confidence to landowners (including native title holders and claimants) that their interests are effectively protected.
- Refinement of provisions for royalty payments to enhance certainty of royalty payment forecasts and improve the process for royalty collection.
- Reinforcement of the one-window-to-government concept.
- Streamlining of data submission requirements to reduce regulatory red tape.

More specifically, this Bill makes these improvements through the following key amendments:

Gas Storage Provisions

Provisions for gas storage have been strengthened through the introduction of compatible gas storage tenements. These tenements authorise exploration for gas storage resources and subsequent storage of greenhouse gases, as well as the temporary storage of regulated gases for production and use at a later date (to foster security of gas supplies). No royalty will be payable for the storage of gas. These provisions ensure that the MCMPR Australian regulatory guiding principles for carbon dioxide capture and storage are explicitly addressed in South Australia, and are consistent with the *Environmental Guidelines for Carbon Dioxide Capture and Geological Storage 2008*, the development of which was overseen by the Environment Protection and Heritage Council (EPHC) and the MCMPR Joint Officials Working Group.

Transitional provisions have also been amended to ensure gas storage rights for licences granted under the *Petroleum Act 1940* are preserved.

Over the Counter Licence Applications

The Bill proposes modification of the Act to reflect that following submission of a valid 'over-the-counter' Petroleum Exploration Licence application, either the grant or a process leading to grant will be offered to the applicant. Once the grant or a process leading to grant has been offered for an application, that application will have primacy and further applications will be held in abeyance pending determination of the application given primacy.

Third Party Facility Licensing

The Bill introduces a Special Facilities Licence to allow third parties who are not primary licence holders under the Act to construct and operate facilities for the purpose of processing regulated substances. This new type of licence will encourage third party competition, and can provide the necessary market to ensure existing facility tolls remain competitive.

Land Access and Land Owner Notification Provisions

The Bill proposes the combining of current definitions for 'occupier' and 'owner' and replacing with one definition, 'owner of land' covering all persons who may be directly affected by regulated activities. This new definition aims to ensure all such persons are provided with notification prior to the commencement of activities, and may be entitled to compensation provisions.

This amendment has been strongly applauded by a number of Native Title Claimant groups, as it enables the aboriginal people most knowledgeable of heritage in various parts of the State to be informed of activities, and as a result be included in land access notification actions.

Royalty Payment

Provisions for royalty payments have been refined, to enhance certainty of royalty payment forecasts and to enhance the process for royalty collection.

This amendment is made as follow-up to the Auditor General's 2007 Review of Petroleum Act Revenues.

One-Window-to-Government

To reflect existing consultation practice and reinforce the one-window-to-government concept adopted by PIRSA for the resources industries, both the Environment Protection Authority and Safe Work SA are to be included as agencies that must be consulted under the relevant approval provisions of the Act.

Regulation of the Coal to Liquids process is introduced by the Bill through amendment to the definition of petroleum (to include coal constituting a produce of coal gasification for the purposes of the production of synthetic petroleum). This amendment is made in response to comments from synthetic fuel companies seeking one-window-to-government.

Data Submission Requirements

Amendments to a number of data and report submission requirements have been made to streamline and reduce unnecessary red tape.

Conclusion

The Bill enhances existing provisions by addressing administrative matters as well as emerging issues in the petroleum and geothermal industry sectors. The Bill is supported by industry and community stakeholders, who have been significantly involved in the review and amendment process since 2005.

Through the enhancement and strengthening of provisions, the Bill seeks to ensure that the South Australian Petroleum Act continues to be widely recognised as regulatory best practice.

I commend the Bill to Members.

Explanation of Clauses

Part 1—Preliminary

1—Short title

This clause is formal.

2—Commencement

The measure will come into operation on a day to be fixed by proclamation.

3—Amendment provisions

This clause is formal.

Part 2—Amendment of *Petroleum Act 2000*

4—Amendment of short title

This clause changes the name of the current Act to the *Petroleum and Geothermal Energy Act 2000* which reflects the changes made by this measure.

5—Amendment of section 3—Objects of Act

This clause amends the objects clause to include geothermal resources and natural reservoirs suitable for storage within the regulatory system under the Act.

6—Amendment of section 4—Interpretation

The amendments in this clause are consequential to the amendments made by this measure. It amends the Interpretation section to replace the definition of *highly prospective region* with the concept of a *competitive tender region*. This clause also amends the definition of *licence* to reflect that under this measure, there will be different categories of an exploration licence, retention licence and petroleum production licence. Under this measure, an 'associated facility licence' is replaced by an 'associated activities licence' or a 'special facilities licence'. The definitions of 'occupier' and 'owner' under the current Act are combined in the definition of 'owner'. A product of coal gasification to produce synthetic petroleum is to be brought within the concept of 'petroleum' under the Act. Certain other matters relevant to the operation or application of the Act are to be clarified.

7—Amendment of section 5—Rights of the Crown

This amendment clarifies that the property rights in relation to a regulated substance that is stored in a natural reservoir after production or acquisition are not affected by that storage.

8—Amendment of section 10—Regulated activities

This amendment makes it clear that the storage of petroleum may also involve the storage of other naturally occurring substances.

9—Amendment of section 13—Licence classes

This clause amends section 13 to reflect that there will be 3 different categories of exploration licences, retention licences and petroleum production licences under the Act. An 'associated facility licence' is also replaced by an 'associated activities licence' or a 'special facilities licence'.

10—Amendment of section 14—Preliminary survey licence

This amendment allows the Minister to vary the area to which a preliminary survey licence relates on the application of the licensee.

11—Amendment of section 15—Term of preliminary survey licence

This amendment removes the current restriction on the renewal of preliminary survey licences for a maximum aggregate of 5 years.

12—Substitution of heading to Part 4 Division 1

The amendment of the heading is consequential to the amendments to Division 1.

13—Amendment of section 16—Competitive tender regions

The amendments to section 16 reflect the change in terminology from 'highly prospective region' to 'competitive tender region'.

14—Substitution of heading to Part 4 Division 3

The amendment of the heading is consequential.

15—Substitution of section 21

This clause amends the current section 21 by setting out that there will be 3 categories of exploration licences. These are a petroleum exploration licence, a geothermal exploration licence and a gas storage exploration licence. Depending on the category of licence, an exploration licence authorises the holder of the licence to carry out exploratory operations for relevant regulated resources and operations to establish the nature and extent of a discovery of regulated resources and to establish the feasibility of production and appropriate production techniques. The holder of an exploration licence is (subject to the Act) entitled to grant of a corresponding retention or production licence for a regulated resource discovered in the licence area.

16—Amendment of section 22—Call for tenders

These amendments to section 22 are consequential on the changes regarding the 3 categories of exploration licence and the change in terminology from 'highly prospective region' to 'competitive tender region'.

17—Amendment of section 24—Areas for which licence may be granted

This clause provides that the maximum licence area for a gas storage licence will be 2,500 km^2 and increases the licence area for a geothermal exploration licence from 500 km^2 to 3,000 km^2.

18—Amendment of section 25—Work program to be carried out by exploration licensee

This clause removes the requirement in section 25 for the Minister to approve an acceleration of the work to be carried out under an approved work program.

19—Amendment of section 26—Term and renewal of exploration licence

This clause removes the restriction that an exploration licence granted for a highly prospective region may only be renewed once. It also inserts a subclause that provides that subsections (3), (4) and (5) (which relate to the required excision of a certain amount of the licence area on renewal) do not apply to gas storage exploration licences. It also clarifies the status of any area that has become subject to a production licence or a retention licence.

20—Amendment of section 27—Production of regulated resource under exploration licence

This clause amends section 27 to reflect the change to the 3 categories of exploration licence.

21—Substitution of sections 28 and 29

The new clause 28 which replaces the current sections 28 and 29, provides for 3 categories of retention licence—a petroleum retention licence, a geothermal retention licence and a gas storage retention licence. As with the current section 28, this clause provides that a retention licence is to protect the interests of the licensee in a regulated resource to facilitate the evaluation of the productive potential of a discovery or to carry out work needed to bring the discovery to commercial production. It also provides that in the case of a gas storage retention licence the licence is also to facilitate the testing of the natural reservoir for the storage of petroleum or other regulated substance. It also provides a means by which the licensee may maintain an interest in a regulated resource until production is commercially feasible. Under the retention licence, a licensee is authorised to carry out operations to establish the nature and extent of a discovery and to establish the commercial feasibility of production and production techniques, in addition to other activities specified in the licence.

22—Amendment of section 30—Grant of retention licence

This clause makes consequential changes and inserts a new subclause in relation to the grant of a gas storage retention licence. A person will be entitled to the grant of the licence if the Minister is satisfied that it is reasonable to facilitate the testing of the natural reservoir for the storage of petroleum or other regulated substance, and/or that the use of the natural reservoir for the storage of petroleum or other regulated substance is not currently commercially feasible or reasonable.

23—Amendment of section 31—Area of retention licence

This clause limits the area of a petroleum retention licence to twice the area under which the discovery is likely to extend but not more than 100 km^2. The area of a geothermal retention licence or a gas storage retention licence is limited to 1,000 km^2.

24—Amendment of section 32—Term of retention licence

The current section 32 provides that a retention licence may be renewed from time to time, but only if the Minister is satisfied that although not currently commercially feasible, it is more likely that not that it will be within the next 15 years. This clause amends this section so that the 15 year period does not apply to a gas storage retention licence unless the Minister assesses or determines that the natural reservoir is more likely than not to be used in connection with the production of petroleum. This new subclause does not derogate from the operation of section 39 (requirement for licensee to apply for a production licence) or section 79 (access to natural reservoir).

25—Amendment of section 33—Work program to be carried out by retention licensee

This clause amends section 33 to make clear that Ministerial approval is not required to accelerate the work required under an approved work program.

26—Substitution of section 34

The new clause 34 sets out that there will be 3 categories of production licence: a petroleum production licence, a geothermal production licence, and a gas storage licence. Subject to the terms of the licence, a petroleum production licence authorises operations for the recovery of petroleum or other regulated substance from the ground, including operations that involve injecting petroleum or other substance into a natural reservoir for the recovery of petroleum or other regulated substance. The licence may also authorise the extraction of petroleum or other regulated substance by means such as in situ gasification or the techniques used to recover coal seam methane. It may also authorise operations for the processing of regulated substances. It is also made clear that a production licence authorises the storage or withdrawal of petroleum as part of ensuring its supply or delivery to market. A geothermal production licence authorises operations for the extraction or release of geothermal energy. A gas storage licence authorises operations for the use of a natural reservoir for the storage or petroleum or other regulated substance. A production licence may also authorise the licensee to carry out other regulated activities within the licence area.

27—Amendment of section 35—Grant of production licence

The amendments to section 35 under this clause are consequential.

28—Amendment of section 36—Power to require holder of exploration licence or retention licence to apply for production licence

This amendment is consequential to the changes regarding the 3 categories of production licence.

29—Amendment of section 37—Area of production licence

Section 37 is amended so that the current contents apply to the area of a petroleum production licence. This clause also inserts a provision limiting the area of a geothermal production licence or a gas storage licence to 1,000 km^2.

30—Amendment of section 38—Work program to be carried out by production licensee

This clause makes clear that Ministerial approval is not required for the acceleration of work required to be carried out under an approved work program.

31—Amendment of section 41—Cancellation or conversion of production licence if commercially productive operations in abeyance

This clause extends section 41 to also cover storage operations that have not been carried out on a commercial basis under a gas storage licence.

32—Amendment of section 42—Unitisation of production

This amendment is consequential.

33—Amendment of section 43—Royalty on regulated resources

This clause amends section 43 by inserting a new subclause that provides that the requirements that a licensee lodge a monthly return (setting out the quantity of the regulated substance or energy produced, the quantity sold or the amount realised on the sale and any other information required by the Minister), and that the return be accompanied by the royalty payable by the licensee, may not apply to a particular licensee or class of licence. The Minister may impose by notice to the particular licensee or by notice in the Gazette such other requirements on the licensees as may be appropriate in the circumstances. These requirements may be varied or revoked or added to by further notice.

34—Amendment of section 46—Rights conferred by pipeline licence

This amendment recognises that it may be appropriate for the Minister to authorise the holder of a pipeline licence to carry out a regulated activity on land that is adjacent to the pipeline.

35—Insertion of section 55A

This clause inserts a new section that exempts land that constitutes pipeline land from local government rates.

36—Substitution of heading to Part 9

The change to this heading is consequential to the change in terminology from associated facilities to associated activities.

37—Amendment of section 56—Associated activities licence

These amendments are consequential to the change in terminology from associated facilities to associated activities. This clause also authorises the licensee to carry out any type of associated regulated activity on land outside the area of the primary licence.

38—Amendment of section 57—Area of associated activities licence

This clause amends section 57 to provide that the area of an associated activities licence is limited to 5 km^2 in relation to facilities that the Minister considers to be permanent, and otherwise to 1,500 km^2.

39—Amendment of section 58—Term of associated activities licence

This clause inserts a new subsection that provides that the term of an associated activities licence that is granted for facilities that the Minister considers are of a temporary nature may be determined by the Minister. Such a term may take into account any decommissioning, rehabilitation or other action that may be required. The term of the licence may be renewed from time to time, as the Minister thinks fit.

40—Amendment of section 59—Relationship with other licences

This amendment is consequential to the change in terminology from associated facilities to associated activities.

41—Insertion of Part 9A

This clause inserts a new Part as follows:

Part 9A—Special facilities

59A—Application of Part

This clause provides that the Part applies to an area declared by the Minister to be a *declared area* in the Gazette.

59B—Special facilities licence

This clause establishes a special facilities licence which authorises the licensee to establish and operate facilities within a declared area in relation to searching for any regulated substance, the processing of any regulated substance, producing or generating energy from geothermal energy, or other activities that may be relevant or incidental to searching for, or processing, producing or storing, any regulated substance or product derived from a regulated substance. The licence may confer rights of access to and use of the land to which the licence relates, on terms and conditions specified in the licence. For example, a special facilities licence may be granted to authorise the establishment and operation of facilities such as a processing plant or an electricity generation facility. A person who holds a special facilities licence need not hold any other licence under the Act associated with the production or utilisation of a regulated resource. Nor must the area of a special facilities licence be near the area of any other licence under the Act.

59C—Area of special facilities licence

The maximum area of a special facilities licence is 5 km^2.

59D—Term of special facilities licence

A special facilities licence is for the term specified by the Minister. This term may be extended from time to time. The Minister may cancel the licence if he or she considers that it is no longer being used for the purposes for which it was granted.

59E—Relationship with other licences

A special facilities licence may be granted in relation to an area comprised within the area of another licence. The rights conferred by a special facilities licence will prevail over those of another licence in respect of the same area to the extent (if any) that the Minister determines to be reasonable and appropriate and specified in the licence. Before granting a special facilities licence for the same area as another licence, the Minister must consider the reasons for the licence, the legitimate business interests of the existing licensee, the effect of the operations under the special facilities licence on the operations carried out under the existing licence, the operational and technical requirements for the safe, efficient and reliable conduct of operations under both licences, and any other relevant matters. The Minister must also consult with the existing licensee about the conditions to be included in the special facilities licence. The holder of the existing licence may also be entitled to compensation for the diminution of the rights under that licence if a special facilities licence is granted in relation to the same area. The compensation may be agreed by both licensees, or determined by a relevant court. The holder of an existing licence may also apply to the Land and Valuation Court to review the terms and conditions of a special facilities licence within 2 months of being granted over the same area. The Court may vary the terms and conditions or relocate the area of the special facilities licence.

42—Amendment of section 61—Notice of entry on land

This clause inserts a new subsection that provides that an owner of land who is entitled to notice in relation to the entry of the land by a licensee, may reduce the required period of notice (of 21 days) by written notice to the licensee.

43—Amendment of section 62—Disputed entry

This amendment is consequential on the change to the definition of 'owner'.

44—Amendment of section 63—Landowner's right to compensation

This amendment inserts a new subsection that provides that the compensation that may be payable to an owner of land by a licensee who enters the land and carries out regulated activities may include an additional component to cover reasonable costs incurred by the landowner in connection with any negotiation or dispute related to the licensee gaining access to the land, activities to be carried out on the land and the compensation that may be paid under subsection (2). However, costs will not be recoverable during any period for which a reasonable offer of compensation is open. The amendments will also provide that, in assessing compensation, other relevant compensation that may have been paid or may be payable will be taken into account, insofar as to do so is fair, reasonable and appropriate.

45—Amendment of section 65—Application for licence

This clause amends section 65 of the Act to make provision for the precedence of exploration licence applications. Under the new subsection, an application for an exploration licence will rank ahead of any other application for an exploration licence for an overlapping area received by the Minister after the first application. This subsection will not apply where the application is in response to a call for tenders under section 22. Any ranking will also cease to apply if it is cancelled by the Minister on the grounds that the applicant failed to comply with a requirement under the Act within any specified time, the application is found to be invalid, or there is some other default, defect or circumstance the Minister considers is sufficiently significant to warrant cancellation of the ranking.

This clause also makes consequential amendments to this section in relation to the change in name of certain licences.

46—Amendment of section 68—Extent to which same area may be subject to different licences

This clause substitutes subsections (1) and (2) of section 68. The new subsection (1) is a consequential amendment due to the new categories of licences.

47—Amendment of section 69—Grant of compatible licence to area already under licence

A consultation process is to be included under section 69.

48—Amendment of section 74—Classification of activities to be conducted under licence

This clause substitutes the word 'supervision' with 'surveillance'.

49—Insertion of section 76A

It will now be possible for the Minister and a licensee to agree on the suspension of any condition of a licence. A suspension may, in an appropriate case, lead to an extension to a period of the licence by a period not exceeding the period of suspension.

50—Amendment of section 79—Access to natural reservoir

This amendment changes the reference to a 'regulated resource' to a 'regulated substance'.

51—Amendment of section 82—Consolidation of licence area

The concept of *adjacent licence areas* is to be expanded to include 2 or more areas within the vicinity of each other.

52—Amendment of section 83—Division of licence areas

These amendments make express provision for the Minister to determine the terms and conditions of a new licence granted on the division of an existing licence area and clarifies the status of relevant areas for the purposes of section 26 of the Act.

53—Amendment of section 85—Reporting of certain incidents

This clause amends section 85, which deals with the requirement for a licensee to report a serious incident to the Minister. The amendment extends the definition of a serious incident to include an event or circumstance that results in the incident falling within the classification of serious incidents under the regulations or a relevant statement of environmental objectives.

54—Amendment of section 86—Information to be provided by licensee

An amendment makes a minor change from referring to 'the other' information requested by the Minister to 'any other information' requested by the Minister and therefore distinguishes the further information required to be provided under the regulations. Another amendment makes it clear that information or reports must also be provided by a former licensee in an appropriate case.

55—Insertion of section 86A

This clause inserts a new section as follows:

86A—Fitness-for-purpose assessment

This section applies to prescribed licences, which means a retention licence, a production licence, a pipeline licence, an associated activities licence or a related activities licence. Subclause (2) requires that a licensee under a prescribed licence must carry out a fitness-for-purpose assessment of facilities operated on land within the area of the licence at intervals prescribed by the regulations in order to assess risks to public health and safety, the environment and the security of production or supply of natural gas (if relevant). The regulations may prescribe requirements for the assessment. A licensee must prepare and furnish the Minister with a report on the assessment in accordance with the regulations. A licensee must promptly carry out any remedial action that is necessary or appropriate in view of the report, and in particular must ensure that any identified risks are eliminated or reduced as far as reasonably practicable. Failing to comply with a requirement under this section is an offence with a maximum penalty of $120,000.

56—Amendment of section 100—Content of statement of environmental objectives

This clause makes a minor change to section 100 in relation to the content of a statement of environmental objectives. The statement 'may' include (instead of 'must' include) conditions and requirements to be complied with in order to achieve the stated objectives.

57—Amendment of section 105—Enforcement of requirements etc of statement of environmental objectives

This clause corrects an incorrect cross reference.

58—Amendment of section 111—Liability for damage causes by authorised activities

The liability of a licensee (or former licensee) for costs associated with serious environmental damage may extend to situations where costs are incurred as a result of the threat or potential of serious environmental damage.

59—Amendment of section 112—Registrable dealings

This amendment reflects the fact that resources may now be utilised for storage.

60—Amendment of section 123—Publication of results of investigation

This clause amends section 123 which deals with the publication of the results of an authorised investigation. The new provision provides that information on the authorised investigations carried out during the course of a year must be included in an annual report published by the department.

61—Amendment of section 130A—Avoidance of duplication of procedures etc

This clause amends section 130A to refer to 'surveillance' rather than 'supervision' of a activities under a licence.

62—Amendment of Schedule—Transitional provisions

This amendment clarifies the operation of an existing transitional provision.

Schedule 1—Transitional provisions

Related amendments are to be made to the *Development Act 1993* and the *Mining Act 1971*.

The amendments to the *Development Act 1993* will facilitate a practice by which a proposed statement of environmental objectives under the *Petroleum and Geothermal Energy Act 2000* may be (and must be in prescribed circumstances) referred to the Minister under the *Development Act 1993* for advice.

The amendment to the *Mining Act 1971* will ensure that the *production* of petroleum or another substance under the *Petroleum and Geothermal Energy Act 2000* is excluded from the operation of the *Mining Act 1971*, as is presently the case in relation to *recovery*.

Transitional provisions relate to the status of existing licences and applications under the new regime.

Hidden_Speech

Mr PEDERICK (Hammond) (16:22): I rise as the lead speaker on this bill. I note from the briefings which I received and which the Hon. David Ridgway received in the other place that this does not seem to be a controversial piece of legislation. I have only just gained access to the second reading explanation; but, be that as it may, I will make a few comments in regard to the bill. The proposal of the bill is to:

- enhance the provisions of the Petroleum Act to strengthen provisions for gas storage;

- create greater security of tenure and flexibility in the licensing and activity approval provisions;
- provide for enhanced competition in relation to minerals processing;
- enhance landowner notice of entry and compensation provisions;
- refine royalty payment provisions; and
- reinforce the one window to government concept and streamline data submission requirements.

Overall, the bill seems to be streamlining all the processes involved with geothermal and petroleum industries. The background to this bill is that in March 2005 Primary Industries and Resources South Australia released the Petroleum Act 2000 implementation issues. The initial four year operation of the act had understandably presented some implementation problems. This discussion paper attempted to identify those issues and suggest appropriate solutions. A green paper on proposed amendments to the act followed at the end of 2006. This bill is a response to the issues initially identified and the proposed amendments which followed.

The name change from the Petroleum Act to the Petroleum and Geothermal Energy Act reflects the changing face of the mining sector, and this is supported by an addition to the objects of the act of regulating the exploration of geothermal resources and natural reservoirs for storage and production.

The definition of 'petroleum' is extended to cover the product of coal gasification, which is an emerging technology and a process used to produce synthetic petroleum. Other substances occurring as a result of petroleum storage in underground reservoirs are covered as 'regulated substances'. Clause 7 of the bill clarifies that petroleum that is produced and reinjected into natural reservoirs is owned by the licensed producer, not the Crown.

In regard to competitive tender regions in the bill, the minister is already able to designate a highly prospective region under the act. Such areas at present are the Cooper Basin and Otway Basin, and the minister is required to give out acreage by tender. These areas, seen to be highly prospective for petroleum exploration, will be replaced by the term 'competitive tender region'.

Market supply, proximity to infrastructure and technological innovations (among other things) all contribute to the suitability of an area for the competitive tender process, and this change highlights that geological prospectivity is only one contributing factor. This change is predominantly for marketing purposes, and it is important to highlight the fact that areas outside these regions are not necessarily low prospect. Clause 19 of the bill grants that exploration licences in these areas will be renewable twice, rather than once, and the maximum area for a petroleum exploration licence will be extended to 10,000 square kilometres.

Under landowner rights, the definitions of 'owner' and 'occupier' of land are amalgamated as 'owner of land' for the purpose of avoiding unintended consequences such as the occupier only being notified but the landowner, who is entitled to compensation for entry, not being given a notice for a right to consent. Currently, pastoralists are the only type of landowner or occupier who cannot object to a notice of entry. This restriction has been removed and the new definition is extended and will cover all persons who may be directly affected by activities.

Under clause 44 of the bill, an owner of the land may now be compensated for reasonable costs incurred in relation to negotiation or dispute relating to access to land and the activities carried out on the land. Compensation will also be provided for devaluation in land caused by the development of permanent facilities by the licensee.

There are some significant licence changes. Currently, under section 13 of the act, the following licence classes exist: (a) preliminary survey licence; (b) speculative survey licence; (c) exploration licence; (d) retention licence; (e) production licence; (f) pipeline licence; and (g) associated facility licence. The exploration, retention and production licences will each be broken into three subcategories—namely, petroleum, geothermal and gas storage. Other changes will occur to the remaining licence classes, and I will elaborate.

Preliminary survey licences (PSL) permit the preparatory work necessary prior to mining activities. The bill will allow the minister to vary the area upon application to which that licence relates, which is already the case for a pipeline licence for the operation of a transmission pipeline. Further, there will no longer be a maximum aggregate five year term for a PSL. This is already the case for speculative survey licences which allow exploratory operations.

As stated, the exploration licence class is divided into three categories and, depending on the category, the licensee may carry out exploratory operations, operations to establish the nature and extent of a discovery, and to establish the feasibility of production and appropriate production techniques. The holder of an exploration licence will be entitled to the grant of the corresponding retention or production licence for a

regulated resource discovered in the licensed area. That shows the significance of the division of licence categories.

Clause 17 of the bill provides that the maximum licence area for a gas storage licence will be 2,500 square kilometres. The rights under the licence will continue after the exploration and production licences have extinguished. Royalties will not be payable for gas storage. The maximum licence area for a geothermal exploration licence will be increased from 500 square kilometres to 3,000 square kilometres.

Clause 45 of the bill creates a provision for the precedence of exploration licence applications, and applications will be dealt with in the order of receipt unless the minister has called for tenders for an exploration licence under section 22 of the act.

In regard to retention licences, clauses 21, 22, 23 and 24 protect the interests of a licensee in a discovery of a regulated resource until they have properly evaluated the productive potential and/or carried out that work necessary to bring the discovery to commercial production. Once again, the licence is divided into three. For a gas storage retention licence it will facilitate the testing of a natural reservoir for storage suitability. The area of a petroleum retention licence will be limited to up to 100 square kilometres, and, for geothermal retention or gas storage, 1,000 square kilometres.

Currently, the minister is able to renew a retention licence if satisfied that the relative project is likely to be commercially feasible within 15 years. Under this bill, the probable 15-year period will not apply to gas storage retention licences unless the natural reservoir is likely to be used in connection with the production of petroleum.

There will be three categories of production licences, and this is in clauses 26, 27, 28, 29 and 30. The main purpose of this is to cover in situ gasification and coal seam methane as part of the petroleum production process and cover storage or withdrawal of petroleum as part of ensuring its supply and delivery to the market.

Under clause 31, the minister will be able to cancel production licences or convert them to retention licences if they have not been used for 24 months. This will be the same for gas storage facilities.

An associated facility licence allows the operation of facilities outside a licensed area that are reasonably necessary for, or incidental to, the primary operations. This definition will be divided into either an associated activities licence or a special facilities licence. Currently, only a petroleum production licensee or an associated facilities licensee can build or operate a processing facility. The new SFL will allow third parties—non-primary licence holders—to construct and operate processing facilities.

The current act has created unnecessary impediments to entrepreneurial investment in the searching and processing of minerals and production of geothermal energy. The potential for third-party ownership and operation of processing facilities to service licensees now exists.

Shared facilities will create economies of scale in order to commercialise small discoveries. The area for such activities will be limited to 5 square kilometres for permanent facilities and, otherwise, 1,500 square kilometres. For a temporary facility, the minister will determine the licence term necessary and may renew them as he or she deems necessary, or cancel them if it is decided that it is no longer being used for the purpose for which it was granted.

Under new applications to all licence holders, which is covered in clause 33 of the bill, it provides that licensees will have to lodge monthly returns showing quantities of substance or energy produced, sold, etc., and royalties payable. The minister can gazette particular licences or categories of such where this does not apply. This will assist the government in creating a more accurate projection of royalty receipts.

Clause 55 of the bill will require a licensee to carry out a fitness-for-purpose assessment of facilities operated on land within their area at prescribed intervals. This will be to assess risk to public health and safety, the environment and the security of production or supply of natural gas, if relevant. A report of such will need to be prepared by the licensee, who must also promptly carry out any remedial action that is necessary or appropriate in view of that report. Failing to comply attracts a maximum penalty of $120,000. A licence application requires a work program to be submitted for the minister's approval. Under clause 18, the minister will no longer have to approve the acceleration of work under a work program.

In regards to other items related to this bill, amendments to the Development Act 1993 will facilitate a practice by which a proposed statement of environmental objectives under the Petroleum and Geothermal Energy Act 2000 may be, and must be in prescribed circumstances, referred to the minister under the Development Act 1993 for advice. The amendment to the Mining Act 1971 will ensure that the production of petroleum—or another substance under the Petroleum and Geothermal Energy Act 2000—is excluded from the operation of the Mining Act 1971 as is presently the case in relation to recovery. Transitional provisions relate to the status of existing licences and applications under the new regime.

The Liberal Party has consulted widely and has contacted 19 stakeholders directly. These include the Aboriginal Legal Rights Movement; Adelaide Energy Pty Ltd; the Australian Coal Association; the Australian Compliance Institute; the Australian Pipeline Industry Association; Beach Petroleum Ltd; BHP Billiton; EnergyQuest; Flinders Power; Geothermal Resources Ltd; Heathgate Resources Pty Ltd; and Hybrid Energy SA Pty Ltd. Also consulted were Origin Energy CSG Ltd; Origin Energy Retail Ltd; Petratherm; Santos; SAPEX; Torrens Energy; and Stuart Petroleum. The feedback we have received indicates that people are supportive of the bill and supportive of the changes.

I note that it bring these industries—gasification, petroleum, energy, geothermal—all moving forward. I note that there are quite a few companies moving on with the proving up geothermal work in the Far North, in the Cooper Basin, in the Flinders Ranges, and other areas. I also note the longstanding exploration and oil and gas work that has been conducted in the Cooper Basin. In fact, I worked there for two years in 1982 through to 1984. It has been a very productive area for South Australia and it has employed thousands of South Australians over many years.

I note that this bill embraces the technology of capturing gas. Let us hope that that gets proved up successfully. A lot of work has been done internationally and I would like to see many successes, especially in the synthetic fuel department where fuel will be extracted from coal. Whereas in the past coal may have been mined, I think the way of the future will be to turn it into synthetic fuel.

With those few words I indicate that the Liberal Party supports the bill. I understand that it will bring many advances and it will make it a lot easier for third parties to co-invest with other parties to get these technologies moving forward. Let us hope that the technologies and the production can co-exist well together. I commend the bill to the house.

Hidden_Speech

The Hon. A. KOUTSANTONIS (West Torrens—Minister for Correctional Services, Minister for Gambling, Minister for Youth, Minister for Volunteers, Minister Assisting the Minister for Multicultural Affairs) (16:39): I would like to thank the shadow minister for his detailed support for the bill. The vibe and gist of his explanation showed me that he has a deep understanding of the Petroleum (Miscellaneous) Amendment Bill 2009. I commend the bill to the house.

Bill read a second time and taken through its remaining stages.