

## **[Redacted] submission to draft Petroleum Regulations**

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To Whom it May Concern,

Best practice regulations for the petroleum industry are very important for Victorian communities in all aspects including wellbeing and safety, the physical environment in our state and expectations of concrete action to address climate change.

In preparing this submission, I have drawn on several concepts used within economics:

- Supply and demand responses – over time there will be shifts in both supply and demand curves, not just supply, in response to availability and cost of alternatives, government policy, changing habits and more.
- Social costs – conceiving of all the benefits and costs associated with resource development, whether tangible or not
- Opportunity cost – highlighting returns from alternative investment of the allocated resources
- Threshold analysis (or safe minimum standards) – decision-makers need to assess whether the quantified net benefits of each project exceed the intangible and possibly irreversible environmental and social impacts, and reject the project if they do not
- Subsidiarity – devolving decision-making about individual projects to the lowest appropriate level; where a project has relatively small benefits decisions should be devolved or local people given a major say.

In my view, the draft Petroleum Regulations need to be strengthened in the following ways:

**Demand response should be factored in.** A very high proportion of gas is used by Victorian households. But the RIS, the draft Regulations and other documents are silent about how this will soon change. The RIS mentions demand 15 times, but not once in this way. It should be made clear in all documentation and communications relating to the Regulations that demand for gas is likely to rapidly decline.

Future gas use will be greatly influenced by changes in energy efficiency, changes in energy use habits and by electrification. The demand curve for gas will shift, and possibly quite dramatically very soon as households act on their climate concern, as renewable energy cheapens and as policy measures like the Victorian Energy Upgrades <sup>1</sup> are strengthened.

AEMO's forecasts about the rate at which gas demand will decline are based on

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<sup>1</sup> <https://www.energy.vic.gov.au/energy-efficiency/victorian-energy-upgrades>

conservative assumptions, as argued by the Energy Efficiency Council and Alan Pears AM of RMIT university.<sup>2</sup>

The RIS cites the ACCC Gas Inquiry on tightening supply-demand. But since 2015 the ACCC has studiously avoided solutions that involve demand response. By contrast, demand is central to DELWP's draft *Gas Substitution Roadmap*<sup>3</sup> and Infrastructure Victoria's draft *Gas Infrastructure 2050* report.<sup>4</sup>

### **Hazards and risks**

**Reporting requirements** in the draft Regulations are inadequate. Annual reports are required on some matters, and should be on standards for managing hazards and risks as agreed in the environment management plan.

Developers should report on compliance, hazards, risks and emissions in accordance with their agreed environment management plan.

Hazards and risks should be measured against **stringent standards** (supported by Deloitte in the RIS). The requirement should be for negligible hazards and risks, rather than just minimisation. Projects should not proceed if they cannot meet this basic requirement.

**Penalties and rehabilitation bonds** should be scaled up dramatically to ensure that companies have incentives to truly take a precautionary approach.

**Contribution to Emission Reduction Targets.** Petroleum development proponents must explain how their proposed extraction will contribute, or otherwise, to Victoria's legislated interim Emissions Reduction Targets for 2025, 2030 and at five yearly intervals beyond that. The Regulations and other communications with proponents should state plainly that a slow pathway to net zero emissions by 2050 is unacceptable.

**Risk assessments by proponents and climate change.** Proponents must be required to include climate change in risk assessments, along with more regional economic, social, and environmental risks and impacts.

**Recognition of the reality of climate change.** I note that the word 'climate' does not appear at all in the draft Regulations or in the two page "The Role of gas in Victoria" designed to help understand the regulations.<sup>5</sup> At least Deloitte do include a section in the Petroleum RIS outlining the Victorian government targets and processes, but they do not cover the reality of climate change, to which I now draw attention.<sup>6</sup>

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<sup>2</sup> Both made submissions in May 2021 to the Energy Efficiency consultation run by AEMO's Forecasting Reference Group [https://aemo.com.au/-/media/files/stakeholder\\_consultation/working\\_groups/other\\_meetings/frg/consultations/2021/frgconsultation-energy-efficiency.zip?la=en](https://aemo.com.au/-/media/files/stakeholder_consultation/working_groups/other_meetings/frg/consultations/2021/frgconsultation-energy-efficiency.zip?la=en)

<sup>3</sup> <https://engage.vic.gov.au/help-us-build-victorias-gas-substitution-roadmap>

<sup>4</sup> <https://www.infrastructurevictoria.com.au/project/infrastructure-victoria-advice-on-gas-infrastructure/>

<sup>5</sup> [https://engage.vic.gov.au/download\\_file/51301/5376](https://engage.vic.gov.au/download_file/51301/5376)

<sup>6</sup> [https://engage.vic.gov.au/download\\_file/51534/5376](https://engage.vic.gov.au/download_file/51534/5376)

The Petroleum Regulations and all documents and communication and publicity relating to them should include reference to the reality of climate change. The Regulations as specified by the 2020 Amendment Act must now include reference to economic, social and environmental factors – on this basis, climate must be specifically covered in the Regulations.

The Victorian community expects no less. Key facts should be noted where appropriate:

- emissions are cumulative, and failure to act early will massively increase total emissions by 2050
- the available carbon budget is running out
- the IPCC and the IEA are calling for urgent action
- with its emission targets, schemes like Victorian Energy Upgrades and the Gas Substitution Roadmap, the Victorian Government moving decisively in this direction because of climate change.

Here's why cumulative emissions over the next 30 years really count. Emissions over the past 30 years equal all emissions since the start of the Industrial Revolution in 1751.<sup>7</sup> Different pathways to Net Zero 2050 will result in greatly different emissions, as graphically illustrated by Ketan Joshi.<sup>8</sup>

**Make fugitive emissions explicit.** The RIS indicates that DELWP and EPA view fugitive emissions very seriously, and want effective monitoring to ensure that they are minimised. Explicit attention should be given to this in the Regulations and all communications and engagement around it.

**Standards of community consultation should be higher.** The draft Regulations are too vague on the required consultation. Thorough consultation with regional communities needs to encompass specific measures and geographic boundaries such as those outlined by Friends of the Earth in their submission. In summary:

- comprehensive letterboxing & public access to application documents within a 50km radius of any proposed gas development;
- direct outreach to all additional and relevant stakeholders;
- local and statewide notification in newspapers (and on Engage Victoria) of all applications for exploration permits, retention leases, and production licences;

**Grounds for rejection of gas developments need strengthening.** Projects should be rejected if proponents fail to adequately address all valid community concerns or to fail to keep stakeholders updated on investigations, processes, and decisions.

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<sup>7</sup> <https://ieep.eu/news/more-than-half-of-all-co2-emissions-since-1751-emitted-in-the-last-30-years>

<sup>8</sup> <https://medium.com/lobbywatch/the-gas-war-part-2-the-australian-gas-industry-and-their-anti-electrification-campaign5b8702d8d6a1>

**If social licence is withdrawn.** The draft Regulations should be strengthened to allow for projects to be halted if regional communities withdraw their social licence. Currently gas development proponents are favoured by the draft Regulations.