

Establishing a gas community benefits fund

Submission

July 2015

Rod Campbell

Matt Grudnoff

About TAI

The Australia Institute is an independent public policy think tank based in Canberra. It is funded by donations from philanthropic trusts and individuals and commissioned research. Since its launch in 1994, the Institute has carried out highly influential research on a broad range of economic, social and environmental issues.

Our philosophy

As we begin the 21st century, new dilemmas confront our society and our planet. Unprecedented levels of consumption co-exist with extreme poverty. Through new technology we are more connected than we have ever been, yet civic engagement is declining. Environmental neglect continues despite heightened ecological awareness. A better balance is urgently needed.

The Australia Institute's directors, staff and supporters represent a broad range of views and priorities. What unites us is a belief that through a combination of research and creativity we can promote new solutions and ways of thinking.

Our purpose—'Research that matters'

The Institute aims to foster informed debate about our culture, our economy and our environment and bring greater accountability to the democratic process. Our goal is to gather, interpret and communicate evidence in order to both diagnose the problems we face and propose new solutions to tackle them.

The Institute is wholly independent and not affiliated with any other organisation. As an Approved Research Institute, donations to its Research Fund are tax deductible for the donor. Anyone wishing to donate can do so via the website at <https://www.tai.org.au> or by calling the Institute on 02 6130 0530. Our secure and user-friendly website allows donors to make either one-off or regular monthly donations and we encourage everyone who can to donate in this way as it assists our research in the most significant manner.

Level 5, 131 City Walk
Canberra, ACT 2601
Tel: (02) 61300530
Email: mail@tai.org.au
Website: www.tai.org.au

Introduction

The NSW Government is currently accepting submissions on how to establish a community benefits fund from the potential development of a coal seam gas (CSG) industry in the state. A Discussion Paper has been published by the Division of Resources and Energy. The Australia Institute has written extensively on the economics of gas in Australia.

Many of the central premises of the Discussion Paper are flawed. The introduction to the paper suggests that NSW gas supply may be at risk and that development of a CSG industry would “moderate upward pressure on prices for consumers”. Both of these claims have been debunked many times. NSW is part of the east coast gas market, which is experiencing unprecedented increases in supply. Prices will be set by international gas prices which NSW gas reserves have no ability to influence.¹

Despite these flaws, the idea of a community benefits fund is important and The Australia Institute welcomes the opportunity to make a brief submission.

Key points on gas community benefits fund

1. Gas company contributions to a Community Benefits Fund must be compulsory, as recommended by the Chief Scientist, not voluntary, as currently proposed by the NSW Government in its Gas Plan.
2. Any Community Benefit Fund payments should be paid by gas companies on top of royalties paid to the government - otherwise these payments are effectively a taxpayer subsidy to support the CSG industry to enter a region. Diverting funding from other State Government uses to fund CSG community benefits is ‘robbing Peter to pay Paul’ and brings zero net benefit to the state. Funding should not be “matched” by the government, which also diverts state government funding from other priorities.
3. Any Community Benefits Fund should be administered completely independently of gas companies, with strong governance, transparency and accountability.
4. Any Community Benefits Fund should not allow spending on "CSG Infrastructure" i.e. Spending on public or private infrastructure designed to facilitate or enable CSG development or spending on infrastructure that can be substituted for company funded infrastructure. State governments in Australia have spent over \$2 billion in recent years on measures that assist the gas industry, spending that reduces funds available for education, health and other major priorities of state governments.²
5. Any Community Benefits Fund should not be used to maintain public infrastructure that has deteriorated as a result of the development or expansion of CSG in the region. This should be funded separately in a works program funded by the Gas companies.

Closing comments

We would be happy to expand on these key points in further submissions or as part of any consultation process.

¹ <http://www.tai.org.au/content/fracking-future>

<http://www.tai.org.au/content/briefing-note-debunking-solving-x-nsw-gas-supply-cliff>

² <http://tai.org.au/content/mining-age-entitlement>