

Subsidising fracking in the Beetaloo Basin

Submission to Senate Environment and Communications References Committee

Unconventional gas in the Northern Territory is unpopular and uneconomic, risking water resources, the climate and taxpayer funds. It provides little revenue and very few jobs. Government-commissioned studies show this is unlikely to change under modelled production scenarios. The recommendations of the Territory's fracking inquiry are not being met, particularly information programs for Aboriginal people which are being led by the gas industry. The Commonwealth should not further subsidise unconventional gas development.

Rhiannon Verschuer

Mark Ogge

Rod Campbell

July 2021

ABOUT THE AUSTRALIA INSTITUTE

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. We barrack for ideas, not political parties or candidates. 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 publishes research that contributes to a more just, sustainable and peaceful society. 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. 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 1, Endeavour House, 1 Franklin St
Canberra, ACT 2601
Tel: (02) 61300530
Email: mail@australiainstitute.org.au
Website: www.australiainstitute.org.au
ISSN: 1836-9014

Summary

Unconventional gas development in the Northern Territory is unpopular and uneconomic. It presents risks to groundwater, climate and taxpayers.

The Commonwealth Government's \$50 million Industry Research and Development (Beetaloo Cooperative Drilling Program) Instrument 2021, and another \$175 million in related subsidy measures, represent just the latest in a long line of subsidies for the NT gas industry. Nearly \$100 million were overseen by the NT Government between 2010 and 2020, while \$4 billion was committed by the NT Government's Power and Water Corporation to the offshore Blacktip project and \$1 billion committed to transporting that gas.

The public receives little in return for these subsidies other than jobs for former politicians. The gas industry pays almost no royalties to the NT or Federal governments and is one of the smallest employing industries in the NT economy. At the last census just 657 Territorians worked in oil and gas extraction. Tens of thousands worked in health care, education and other service industries.

The future is unlikely to change this situation. A study commissioned by the NT Fracking Inquiry led by Judge Rachel Pepper found that the most probable outcome was that the industry would fail to commercialise, while the least likely outcome was a "gale" of 365 petajoules of unconventional gas produced each year.

Ignoring the Pepper Inquiry's finding, a study commissioned by the Commonwealth Department of Industry, Science, Energy and Resources explored scenarios that would produce 1,200 PJ per year, but found such a scenario would need field costs to be less than AUD\$5 per gigajoule, while costs over \$7/GJ would likely see the NT onshore gas industry requiring ongoing public subsidy. A study published by Australia's energy market operator estimates these costs at between \$7/GJ and \$10/GJ.

This means the industry is unlikely to develop without further public subsidy. The Pepper Inquiry estimated that the increase in Territory employment generated by an unconventional gas industry would be between zero (most likely) and 524 (least likely). By contrast, the \$225.8 million in proposed Federal Government subsidies could fund the salaries of around 800 nurses in the NT for the next three years. These benefits would be immediate, while any gas industry jobs are many years in the future.

Importantly, the recommendations of the Pepper Inquiry are not being implemented, at least not in the way they were intended. This is of importance to the Committee, as without these recommendations fully implemented unconventional gas cannot proceed safely in the

NT and subsidising the industry without these recommendations in place would be contrary to the Pepper Inquiry and NT Government policy.

In particular, the recommendation around information provision to Aboriginal communities is being led by a gas industry body rather than independent researchers as required by Judge Pepper. Recommendations on greenhouse emissions and cost recovery are also not being implemented in a timely and comprehensive manner.

This submission makes the following recommendations to the Committee:

- The Committee should confirm with the CSIRO that the Aboriginal Information Program is being led by the gas industry research alliance rather than an independent CSIRO staff member, and ask for an explanation as to how this can meet the Pepper Inquiry's recommendation 11.6.
- The Committee should ask CSIRO whether GISERA won this contract in competitive tender and how perceptions of conflicts of interest by GISERA researchers and managers are being addressed. Ask why production scenarios far greater than those considered of low probability by the Pepper Inquiry are the basis of this study.
- The Committee should request a briefing on progress on cost recovery measures from Northern Territory Department of Treasury and Finance.
- The Committee should recommend against the Industry Research and Development (Beetaloo Cooperative Drilling Program) Instrument 2021 and related spending measures.

Introduction

The Australia Institute welcomes the opportunity to make a submission to the Senate Environment and Communications References Committee's inquiry into *Oil and gas exploration and production in the Beetaloo Basin*. The inquiry is looking in particular at the \$50 million subsidy being offered to fossil gas explorers in the Northern Territory by the Commonwealth Government under the Industry Research and Development (Beetaloo Cooperative Drilling Program) Instrument 2021 (the Instrument).

The Instrument and the wider NT fossil gas industry should be seen in context. Unconventional gas extraction, or fracking, is deeply unpopular in the Territory, with a key reason being the risks the process presents to groundwater resources,¹ along with climate impacts.² Territorians are much more aware of their groundwater than most Australians as most people in the NT, particularly south of Darwin, rely on groundwater for drinking, bathing, fishing and other recreation for at least part of the year.

Industry claims that unconventional gas can be developed safely are weakened by Territorians' experience with other parts of the mining sector. Environmental disasters such as the Rum Jungle uranium mine, the Redbank copper mine and McArthur River are well known and mine abandonments common.³

Against this background the NT Government placed a moratorium on fracking in 2016. This was lifted in 2018 following an inquiry led by former NSW Land and Environment Court judge Rachael Pepper (Pepper Inquiry) that made 135 recommendations, all of which were committed to by the Gunner Government. Despite this commitment, it is clear that key recommendations are not being implemented, discussed further in this submission.

Throughout the last decade, the NT gas industry has benefited from large public subsidies and contributed little in return. Subsidies to onshore gas worth nearly \$100 million were overseen by the NT Government between 2010 and 2020.⁴ While significant in and of themselves, these subsidies pale in comparison to the \$4 billion committed by the NT Government's Power and Water Corporation to the offshore Blacktip project and \$1 billion

¹ Australia Institute (2018) *Majority of Territorians support keeping fracking moratorium*, <https://australiainstitute.org.au/post/majority-of-territorians-support-keeping-fracking-moratorium/>; Bardon (2014) *Indigenous groups band together to stop fracking on their land*, <https://www.abc.net.au/news/2014-12-14/remote-communities-and-industry-gear-up-for-fracking-pr-battle/5966322>

² Ogge (2018) *Options for the implementation of Recommendation 9.8 of NT Fracking Inquiry*, https://australiainstitute.org.au/wp-content/uploads/2020/12/P637-NT-offset-paper-WEB_0.pdf

³ Campbell et al (2017) *Dark side of the boom: What we do and don't know about mines, closures and rehabilitation*, <https://australiainstitute.org.au/report/dark-side-of-the-boom/>

⁴ Campbell (2020) *Fracking and slacking: NT Government subsidies to onshore oil and gas*, <https://australiainstitute.org.au/report/fracking-and-slacking/>

committed to transporting that gas.⁵ Notably, politicians from both major parties have left NT politics to positions in the oil and gas industry. For example, former Labor Chief Minister Paul Henderson became the vice-chair of the NT Petroleum Club, while former Country Liberal Chief Minister Adam Giles worked on Gina Reinhart’s NT interest including unconventional gas.⁶

In addition to the Instrument and Territory government subsidies to the gas industry, the Federal government has proposed over \$220 million in new subsidies as part of its Beetaloo Strategic Basin Plan, summarised in Table 1 below:

Table 1: New Federal subsidies for Beetaloo Basin

Proposed project	Amount
Beetaloo Cooperative Drilling Program (grants)	\$50,000,000
NT Gas Industry Roads Upgrades	\$173,600,000
Northern Land Council land use agreements	\$2,200,000
Total	\$225,800,000

Sources: Budget papers 2021-22

According to the Commonwealth Budget Papers, the \$173.6 million allocated to Northern Territory Gas Industry Roads Upgrades will “support the development of gas resources in and around the Beetaloo Sub-basin”⁷, while \$2.2 million has been committed over the next three years to “build the capacity of the Northern Land Council to facilitate land use agreements and drive economic opportunities in the Beetaloo sub-basin”⁸.

In the following sections, we ask the question of what the public is buying for all these subsidies.

⁵ Ibid. Also see Campbell et al (2021) *Fossil fuel subsidies in Australia: Federal and state government assistance to fossil fuel producers and major users 2020-21*, <https://australiainstitute.org.au/report/fossil-fuel-subsidies-in-australia/>

⁶ Campbell (2017) *Fear and loathing on the fracking trail in Katherine*, <https://www.crikey.com.au/2017/08/10/is-the-nt-labor-government-going-to-allow-fracking/>

⁷ https://www.infrastructure.gov.au/department/statements/2021_2022/ministerial-statement/files/2021-22-rmbs.pdf p192

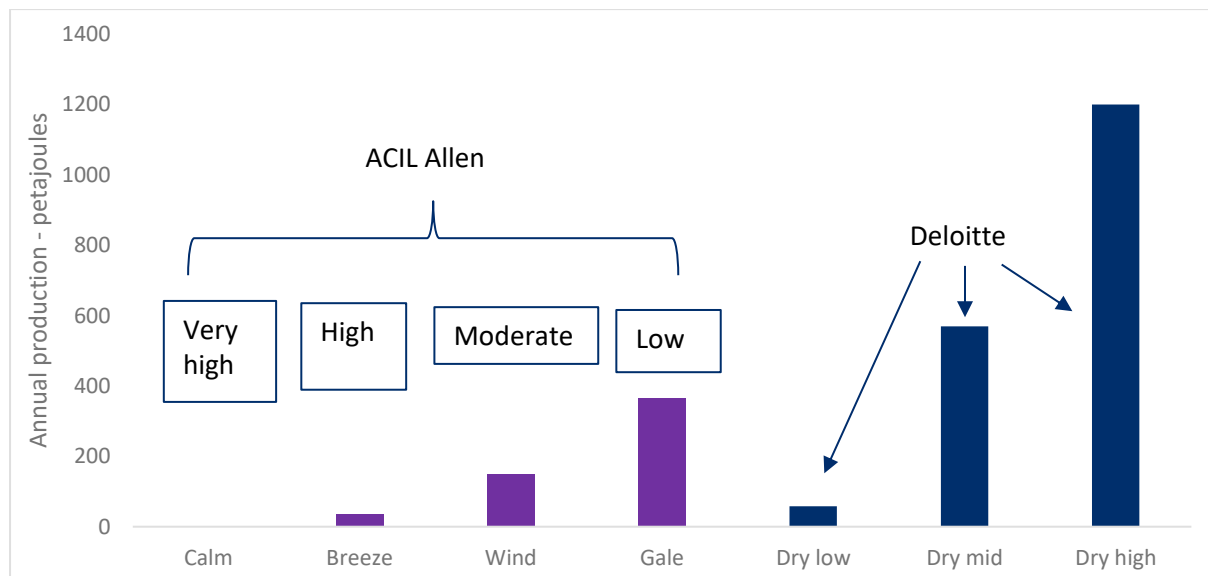
⁸ https://budget.gov.au/2021-22/content/bp2/download/bp2_2021-22.pdf p144

What are we buying?

At present, the gas industry returns little to the NT public other than jobs for former politicians. No royalties are paid by offshore gas projects. Royalties from existing gas extraction in Central Australia make up a small fraction of the 6% of the NT Government revenue from the entire mining sector.⁹ Just 657 Territorians worked in oil and gas extraction at the last census,¹⁰ and while that number may have increased since 2016, it will likely remain the smallest employing industry in the NT.

But what might the future look like for the the NT onshore gas industry that the Instrument is looking to subsidise? Studies estimating the future size of the industry produce widely varying results. Figure 1 below shows the average annual production estimated by two major consultants to the gas industry, ACIL Allen and Deloitte.¹¹ The ACIL study was commissioned by the Pepper Inquiry and the Deloitte study commissioned by the Commonwealth Department of Industry, Science, Energy and Resources.

Figure 1: NT onshore gas production scenarios inc comments on probability



Sources: ACIL Allen (2017), Deloitte (2020)

⁹ NT Government (2021) *Budget Paper 2: Strategy and outlook*, https://budget.nt.gov.au/__data/assets/pdf_file/0011/1000172/2021-22-BP2-book.pdf

¹⁰ ABS (2016) Census accessed via TableBuilder Basic, <https://auth.censusdata.abs.gov.au/webapi/jsf/tableView/tableView.xhtml>

¹¹ ACIL Allen (2017) *The economic impacts of a potential shale gas development in the Northern Territory*, <https://frackinginquiry.nt.gov.au/inquiry-reports?a=494324>; Deloitte (2020) *Report on the Development of the Beetaloo Sub-basin*, https://www.industry.gov.au/sites/default/files/2021-05/beetaloo_sub-basin_gas_development_study.pdf

Figure 1 shows scenarios ranging from zero production (following exploration activity) to 1,200 petajoules (PJ) per year. For comparison, Queensland's major gas industry produces around 1,400 PJ per year.¹² The ACIL scenarios (coloured purple) were assessed by probability, with "very high" probability of the "calm" scenario where the industry fails to commercialise following exploration activity for several years. ACIL considered other production scenarios to be less and less likely, with its 365 PJ "gale" scenario considered of "low" probability.

Despite ACIL's sober assessment of the financial viability of a large unconventional gas industry in the NT, the Deloitte study explores scenarios almost four times larger. Deloitte's study for the Commonwealth makes no reference to ACIL's results. While Deloitte do not describe the probability of these scenarios in the same way, they estimate that:

- If Beetaloo field costs are under AUD\$5/GJ, over 500 PJ per year could be sold.
- If Beetaloo field costs are AUD\$6-7/GJ, the likely market will be less than 250 PJ per year.
- If Beetaloo field costs are above AUD\$7/GJ, "it is unlikely that it will be a competitive source of supply without some form of government subsidy or incentive."

These estimates relate to production of "dry" gas with little oil or other liquids and Deloitte emphasise that oil would improve the economics of the Beetaloo Basin, despite no consultation on oil production having taken place in the NT. Regardless, estimates of costs in the Beetaloo Basin commissioned by the Australian Energy Market Operator (AEMO), conducted by Core Energy,¹³ range between just under \$7/GJ to nearly \$10/GJ, as shown in Figure 2 below:

¹² Department of Environment and Energy (2019) *Australian Energy Update 2019*, https://www.energy.gov.au/sites/default/files/australian_energy_statistics_2019_energy_update_report_september.pdf

¹³ Core Energy (2019) *Gas reserves and resources and cost estimates*, https://aemo.com.au/-/media/files/gas/national_planning_and_forecasting/gsoo/2020/final_reserves_contracts_cost_report.pdf?la=en

Figure 2: AEMO/Core Energy basin cost estimates

Project / Supply Region	OPEX, Well Cost & Existing Plant Cost, Royalty & Tax AUD/GJ	OPEX, Well Cost & New Plant Cost, Royalty & Tax AUD/GJ	Including Appraisal, Acquisition & Exploration Cost AUD/GJ
Bass Basin	6.02		6.84
Casino, Henry and Netherby	3.51-4.63		0.00
Cooper Eromanga Basin	7.12		7.63
GBJV & Turrum & Kipper	6.29		7.43
Longtom & Sole	5.80		6.51
Moranbah	5.24	5.71	6.91
QLD CSG - Arrow Energy (excl. Moranbah)	6.61	7.55	0.00
QLD CSG - BG / QCLNG	6.45	7.39	0.00
QLD CSG - GLNG	8.44	9.44	0.00
QLD CSG - Ironbark / ORG	5.18		
QLD CSG - ORG / APLNG	6.60	7.47	7.93
QLD CSG - Other	0.00	8.87	9.38
Gippsland Basin - Other			
Clarence-Moreton Basin - Other			
Gunnedah Basin - Other			
Galilee Basin - Other			
Adavale Basin - Other			
Otway Basin - Other	6.77-8.30	7.28-9.36	7.28-9.87
Central Petroleum Amadeus			
Falcon Oil & Gas (Georgina Basin)			
Cash Maple			
Beetaloo Basin			
Gloucester Basin			
Coxco Dolomite			

Source: Core Energy (2019)

Figure 2 shows that almost no supply regions in Australia are expected to produce gas at costs that would realise Deloitte’s more optimistic scenarios.

What this means is that development of the Beetaloo Basin is likely to require not just the \$50 million Beetaloo Drilling Program subsidy and the other \$175 million in assistance in the current budget, but ongoing subsidisation. The example of the Blacktip project shows that this could easily run into the billions, if not tens of billions over the lifetimes of these projects.

The employment impact of such an industry would be minimal. ACIL estimated their least likely “gale” scenario would increase employment in the NT by just 524 jobs, while the more likely scenarios ranged between zero and 252. Deloitte estimate their mid scenario (almost double the production level of ACIL’s “gale”) would result in around 3,700 NT jobs.

Regarding job estimates, it is worth noting that the Pepper Inquiry dismissed earlier Deloitte job estimates and considered ACIL’s approach “much more realistic”.

To summarise, for an NT onshore gas industry to develop, not only will Territorians have to risk their water resources and exacerbate climate change, but Australian taxpayers will have to contribute ongoing millions in subsidies. The likely benefits are just tens or a couple of hundred jobs for an uncertain number of years.

The money for the Beetaloo Drilling Program, and other subsidies could of course be put to better use. For example, rather than facilitating the exploration of new gas basins, this money could be directed towards salaries for essential services workers. To put \$50 million

into context, the table below summarises how this significant sum of money could be used to fund medical, education or other essential service workers:

Table 2: Service worker salaries and onshore gas industry assistance

	Junior salary	Junior salaries in \$50m	Median salary	Median salaries in \$50m	Senior salary	Senior salaries in \$50m
Aboriginal health practitioner	\$61,560	812	\$102,404	488	\$147,088	340
Rural medical practitioner	\$78,757	635	\$198,065	252	\$239,920	208
Nurses	\$61,856	808	\$94,438	529	162,359	308
Corrections officer	\$61,372	814	\$81,148	616	\$124,519	402
Firefighter	\$71,333	701	\$91,451	547	\$137,176	364
Teachers	\$51,664	968	\$100,835	496	\$165,646	302
Community service workers¹⁴	\$48,734	1026	\$59,219	844	\$83,579	598

Source: Northern Territory Government (2021) Current rates of pay
<https://ocpe.nt.gov.au/employment-conditions-appeals-grievances/rates-of-pay>

Table 2 shows that the money for the Drilling Program could be used to pay a year’s salary for many hundreds of essential service workers that provide immediate benefit to the NT community. The wider subsidy figure of \$225.8 million could fund the salaries of around 800 nurses in the NT for the next three years. These benefits would be immediate, while any gas industry jobs are many years in the future.

¹⁴ Or other workers within General NTPS – physical stream.

Pepper Inquiry recommendations

The Pepper Inquiry final report made it clear that all of its recommendations needed to be implemented if unconventional gas was to develop in the NT. However, it is clear that important recommendations are not being implemented, in contravention of the Inquiry's directions. Of particular concern is the information program being developed for traditional owners and other Aboriginal stakeholders affected by gas.

This is of importance to the Committee, as without these recommendations fully implemented unconventional gas cannot proceed safely in the NT and subsidising the industry without these recommendations in place would be contrary to the Pepper Inquiry and NT Government policy.

RECOMMENDATION 11.6 - ABORIGINAL INFORMATION PROGRAM

That in collaboration with the Government, Land Councils and AAPA, an independent, third-party designs and implements an information program to ensure that reliable, accessible, trusted and accurate information about any onshore shale gas industry is effectively communicated to all Aboriginal people who will be affected by any onshore shale gas industry. That the program be funded by the gas industry.

Contrary to the Pepper Inquiry's call for an independent third party to implement an information program for Aboriginal people, this role is being filled by the Gas Industry Social and Environmental Research Alliance (GISERA). GISERA's members include Santos, Origin Energy, QGC (owned by Shell, China National Offshore Oil Corporation and Tokyo Gas) and Australia Pacific LNG (owned by Origin, ConocoPhillips and Sinopec). GISERA's research is often been flawed, resulting in headlines favourable to the gas industry.¹⁵

Clearly, GISERA is not an independent third party as required by the Pepper Inquiry. While GISERA also counts the CSIRO as a member, the two organisations are not interchangeable. Documents outlining the progress of the implementation of the Pepper Inquiry recommendations mention only the CSIRO involvement, such as the below excerpt from the May 2020 progress report on the implementation of the Pepper Inquiry recommendations.

¹⁵ See for example Ogge (2020) *CSIR...who? A closer look at recent research on coal seam gas environmental impacts*, <https://australiainstitute.org.au/report/csirwho-a-closer-look-at-recent-research-on-coal-seam-gas-environmental-impacts/>

This oversight process of the recommendations is being managed by former senior NT public servant Dr David Ritchie.¹⁶

Figure 3: Extract from May 2020 progress report

Aboriginal Information Program (R 11.5 and 11.6)

Aboriginal people and communities must have access to consistent, factual, relevant, easy to understand and culturally appropriate information relating to the onshore petroleum industry. The Aboriginal Information Program has been designed to do this.

Stage one of this work, to be carried out by CSIRO (in accordance with R11.6), is to develop information to distribute to communities potentially affected by the gas industry and that may be readily translated into Aboriginal languages. This is scheduled to be completed by May 2020.

Dr Ritchie makes no attempt to explain the difference between GISERA and CSIRO and the gas industry membership of GISERA. The Australia Institute understands that the CSIRO staff member leading this work is Dr Damien Barrett, head of GISERA.

Further contrary to the recommendation, in July 2020 Dr Ritchie reported that a gas industry lobby group is represented on the Aboriginal Information Program working group:

Figure 4: Extract from July 2020 Community Bulletin¹⁷

The Aboriginal Information Program Working Group has been established to guide the implementation of Recommendations 11.5 and 11.6 and includes representatives from Land Councils, Aboriginal Areas Protection Authority (AAPA) and the Australian Petroleum Production and Exploration Association (APPEA).

The Aboriginal Information Program is being designed with CSIRO to ensure Aboriginal people and communities have access to consistent, factual, relevant and easy to understand and culturally appropriate information relating to the onshore petroleum industry.

APPEA is a lobby group, presenting information in the interests of the gas industry rather than the community. It is clearly not an organisation suitable for implementing recommendation 11.6 of the Pepper Inquiry. Curiously, Dr Ritchie's November 2020

¹⁶ Ritchie (2020) *Progress on the implementation of recommendations from the final report of the Hydraulic Fracturing Inquiry-1 November 2019 TO 31 April 2020*, https://hydraulicfracturing.nt.gov.au/__data/assets/pdf_file/0006/888891/ritchie-letter-to-cm-hfi-progress-april2020.pdf

¹⁷ NT Government (2020) *Independent oversight of hydraulic fracturing implementation*, <https://hydraulicfracturing.nt.gov.au/resources/community-bulletins/community-bulletin-32>

Progress Report claims that the Pepper Inquiry had the “intent” that the gas industry be involved in implementing this recommendation:

Figure 5: Extract from November 2020 Progress Report¹⁸

Aboriginal Information Program (R 11.5 and 11.6)

The last report noted that the intent of this recommendation is that the relevant peak bodies representing the gas industry, Aboriginal landowners and government collaborate as a working group to develop factual, relevant, easy to understand and culturally appropriate information relating to the onshore petroleum industry.

This project has been delayed, in common with others relying on face-to-face engagement with stakeholders.

CSIRO is now working directly with land councils to finalise the information package to be ratified by the working group for use in community engagement in Beetaloo Basin communities on economic, cultural and social aspects of the environment.

It is unclear how Dr Ritchie can have interpreted Judge Pepper’s call for an independent organisation to provide information to Aboriginal communities as “intending” to include one of the most powerful industry lobby groups in the country.

Australia Institute Recommendation to Committee: The Committee should confirm with the CSIRO that the Aboriginal Information Program is being led by the gas industry research alliance rather than an independent CSIRO staff member, and ask for an explanation as to how this can meet the Pepper Inquiry’s recommendation 11.6.

RECOMMENDATION 9.8 - LIFE CYCLE GREENHOUSE GAS EMISSIONS

That the NT and Australian governments seek to ensure that there is no net increase in the life cycle GHG emissions emitted in Australia from any onshore shale gas produced in the NT.

The study to inform this recommendation is also being conducted by GISERA. With its gas industry membership there is clear potential for a conflict of interest in how GISERA assesses greenhouse gas emissions reduction. An example is the assumed size and nature of the industry in the scenarios examined. GISERA takes as its baseline scenario ACIL Allen’s least likely “gale” production scenario:

¹⁸ Ritchie (2020) *Progress on the implementation of recommendations from the final report of the Hydraulic Fracturing Inquiry-1 May to 31 October 2020*, https://hydraulicfracturing.nt.gov.au/__data/assets/pdf_file/0006/956049/dr-ritchie-update-oct-2020.pdf

Figure 6: Extract from GISERA project progress report¹⁹

The consensus of industry, government and CSIRO researchers was that the “Gale Scenario” defined in the ACIL Allen submission with ~645 wells and 365PJ/year be chosen as the Baseline (minimum) scenario in this project. We will explore a few scenarios that diverge from that possibly up to 4,000 TJ/day but the main outcome of *those* will likely be the increase in emissions, and subsequently offsets, for LNG production for export. That is, we would be expecting < 200PJ/year domestic consumption in almost every production scenario. Otherwise, the cost of offsetting Australian emissions from consumption of NT gas would be prohibitive.

Australia Institute recommendation to Committee: Ask CSIRO whether GISERA won this contract in competitive tender and how perceptions of conflicts of interest by GISERA researchers and managers are being addressed. Ask why production scenarios far greater than those considered of low probability by the Pepper Inquiry are the basis of this study.

RECOMMENDATION 14.1 - COST RECOVERY OF REGULATORS

That prior to the granting of any further production approvals, the Government designs and implements a full cost-recovery system for the regulation of any onshore shale gas industry.

Since the Pepper Inquiry, the NT public service body that regulates onshore gas has had its budget triple, from \$2 million per year to nearly \$7 million. However, Dr Ritchie reports that progress on recovering these costs from industry, as recommended, has not even reached consultation stage:

Figure 7: Extract from November 2020 progress report²⁰

Cost recovery (R14.1)

Consultation on the proposed cost recovery system is scheduled with industry and key stakeholders in the second half of 2021. A discussion paper for consultation on the proposed cost recovery system is now being prepared by the Department of Treasury and Finance (DTF) for consideration by Cabinet.

¹⁹ GISERA (2021) *Project Order, Variations and Research ProgressP: Offsets for Life Cycle Greenhouse Gas Emissions of Onshore Gas in the Northern Territory*, <https://gisera.csiro.au/wp-content/uploads/2021/06/GHG-07-website-progress-June-2021.pdf>

²⁰ Ritchie (2020) *Progress on the implementation of recommendations from the final report of the Hydraulic Fracturing Inquiry-1 May to 31 October 2020*, https://hydraulicfracturing.nt.gov.au/__data/assets/pdf_file/0006/956049/dr-ritchie-update-oct-2020.pdf

Australia Institute recommendation to Committee: Request a briefing on progress on cost recovery measures from Northern Territory Department of Treasury and Finance.

Conclusion

Unconventional gas in the NT is unlikely to bring benefit to the NT community. It is likely to require ongoing public subsidy, to damage water resources and increase greenhouse gas emissions.

Subsidising this damaging industry is bad economic and environmental policy. The Commonwealth Government's determination to do so marks one of the low points of an already dire eight years for Australian energy, climate and environmental policy. We urge the Committee to recommend against this instrument and related spending measures.