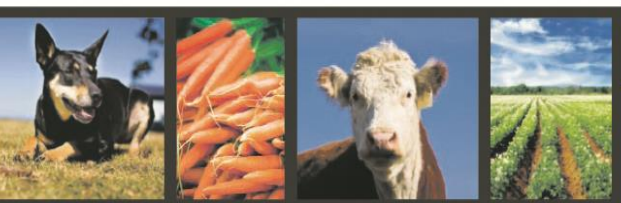




Tasmanian Farmers and Graziers Association

Submission to:
Review of Hydraulic Fracturing

December, 2014



AGRICULTURE IN TASMANIA

The total Tasmania gross state product (GSP) was \$23.9 billion for the 2012 year. The GVP of agriculture, forestry and fishing collectively amounted to almost 9% of this total – before input supply services and value-adding, which is well above that for the nation as a whole.

In 2010/11, the farm gate value of production (GVP) of agriculture, forestry and fishing was \$1.98 billion. This comprised:

- agriculture - \$1.150 billion;
- forestry - \$235million; and
- fishing - \$597 million.

This is before considering input supply services and value-adding. Taking into account basic multiplier factors, this means the farm-dependent economy contributes more than \$5.0 billion to the gross state economy - in spite of adverse pressures on the forestry industry.

Over the past 25 years, the average annual rate of increase in farm gate GVP has been close to 4%. Average growth in the farm GVP over the recent past has been slightly slower than average, as a result of reduced export returns due to the high value of the \$A and increasing cost pressures along the value chain.

Milk and milk products followed by livestock and livestock products were the main sector contributors to farm production value. However, this was partly offset by reduced vegetables output associated with severe wet weather at harvest in the first quarter of 2011.

Some 10,500 people were employed directly in agriculture forestry and fishing. A further 8,500 people were employed in services to agriculture and food and fibre value-adding. This is close to 9% of the working population in Tasmania.

The preliminary Tasmanian government Scorecard data for 2010-11 (prepared by DPIPW) indicates the wholesale value of food and beverage production has remained steady, roughly in line with the previous year at \$2.7billion.

This demonstrates the important role that the processing sector plays in adding value to farm gate returns and the fortunes of those who live and work in the farm dependent sector.

Furthermore, the inclusion of forestry as a long cycle crop enterprise in farming businesses in the state means that the overall economic contribution must include these figures too. Our best estimate is that in 2009/10 this added a further \$400 million to farm gate income. Clearly, as a result of the uncertainty currently evident in this sector, that figure has fallen significantly since then. Nonetheless, on a long term outlook, forestry remains an integral part of a diversified farm business.

Compared to the previous year, growth in agriculture GVP has broadly offset the fall in forestry GVP. The vast bulk of our agricultural product is sold interstate and overseas.

Farm exports in 2010/11 easily exceeded \$550m (farm gate equivalent value) when account is taken of pharmaceutical products. The share of exports to Asian destination exceeded 50%. In addition, it is estimated that a further \$1.8 billion of raw and value-added product was shipped to the mainland.

In 2011/2012, total exports from Tasmania were valued at \$3.196 billion. Agricultural products represented some 30% of that total – approximately \$1 billion. Almost 25% of total exports (\$502 million) were destined for ASEAN countries. Agricultural products valued at approximately \$121 million represented 25% of that total. ASEAN countries have become increasingly important destinations too, with overall exports increasing marginally over the past three years; and food exports alone increasing significantly from \$71 million to \$96 million over the period 2009/2010 through 2011/2012. Major products exported to ASEAN countries included dairy (\$42 million); seafood (\$32 million) and wood products (\$20 million estimated from private forestry sector). Key destinations included Japan (35%), China (21%), and Hong Kong (21%).

Farmers are also significant land managers in the state, with almost a third of Tasmania's land area of 68,300 sq. km committed to agriculture.

These figures clearly confirm the importance of the sector as an economic driver for the state's economy – and also demonstrate that agriculture is a more significant contributor to the Tasmanian economy than in any other state. With this in mind, it is clear that Tasmania needs to ensure that the agricultural base of the state remains competitive and profitable.

ABOUT THE TFGA

The TFGA is the leading representative body for Tasmanian primary producers. TFGA members are responsible for generating approximately 80% of the value created by the Tasmanian agricultural sector. We also represent the state's private forest growers.

Operationally, the TFGA is divided into separate councils that deal with each of the major commodity areas. As well, we have a number of standing committees that deal with cross-commodity issues such as climate change, biosecurity, forestry, water and weeds. This structure ensures that we are constantly in contact with farmers and other related service providers across the state. As a result, we are well aware of the outlook, expectations and practical needs of our industry.

With our purpose being to promote the sustainable development of Tasmanian primary industries, the TFGA is committed to ensuring that the agriculture sector in Tasmania is profitable and sustainable. We are also committed to promoting the vital contribution the agricultural sector makes to the environmental, social and economic fabric of the Tasmanian community.

COMMENT

The Tasmanian Farmers and Graziers Association welcomes the opportunity to make comment on the review of hydraulic fracturing in Tasmania. This is a complex issue which has the potential to have a significant impact on many of our members.

The TFGA has a number of concerns surrounding mining more generally on private land and most of these are common to the issue of fracking as a mining methodology. Our experience suggests that there are a number of areas that are in need of reforming and or legislative clarification. The review of hydraulic fracturing in Tasmania provides the opportunity to address these concerns and to seek a system that meets the objectives of the stakeholders.

We believe that the issues paper and the public consultation process is a positive start to reviewing fracking in Tasmania. However, we do not believe that the period provided for by the current moratorium is adequate to enable the detailed analysis required.

This is a complex matter and, from a Tasmania perspective, a relatively unknown one, with many questions requiring answers.

We understand that the coal seam gas mining process is different to the processes which will be undertaken for shale oil gas. However, there are many similarities too, and both involve fracking in some form. It is therefore important to learn from the outcomes in other places.

Experiences evident from recent times on the mainland do not instil the farming sector with confidence. So it is important that we take the time to address the many issues that have been raised in that context.

While various stakeholders will choose to focus on either economic or environmental issues, we believe that it is imperative that a more extensive review should be undertaken. This involves a traditional triple-bottom-line approach which incorporates economic, environmental and social issues.

We note the recent report into coal seam gas from Mary O’Kane, the Chief Scientist and Engineer of NSW, which indicates concern surrounding a number of issues with this mining methodology. More importantly, it points to the need for a truly independent scientific review of shale gas extraction by hydraulic fracturing in Tasmania.

Such a precautionary approach would ensure credibility for the broader community and in doing so alleviate much of the anxiety surrounding this issue. An independent scientific report would ensure that the unique aspects of mining in Tasmania were captured and the safety of hydraulic fracturing in Tasmania assured.

Experience in other areas where fracking activities have been undertaken is that the primary impact is in the landholders – and that these are generally farming families.

The economic and social impact on affected families is immense, and needs to be considered far more carefully than has been the case in other jurisdictions.

Farming families are the backbone of both economic and social life in Tasmania's rural and remote communities. Anything which impacts negatively on these key stakeholders has the capacity to disrupt or even destroy the fragile nature of these communities.

We do not believe that the current notification process for private landowners is adequate and personal notification of the landowner and or occupier is a basic requirement.

We do not accept the argument that it is too difficult or costly for government to notify affected landholders individually; and we note that a number of other states have this requirement. We believe that this is a cost that should form part of the application process for the mining company as a basic cost of doing business. If undertaken appropriately, it will significantly reduce the current complaints and concerns regarding this component of the process. If the government is serious about genuine community engagement and support this is one step that can achieve such an outcome.

We believe that the current landowner consent process is lacking strength and recommend a requirement for landowner consent to both exploration and development, including consent to drill be enshrined in legislation. We have been assured that the current process reflects this, albeit not in a legislative form. Nevertheless, as a matter of comfort and to ensure that future interpretations do not alter, it is preferably to legislate such consent requirements.

Given the assurances regarding the current arrangements, there should be no concerns about formalising the process in legislation. This consent should also be extended to the right to enter land under the *Mineral Resource Development Act 1995* for either an exploration or production licence.

The TFGA also believes that a stricter regime surrounding ongoing well integrity and maintenance is required. Unfortunately, Tasmania has a number of legacy mining sites that continue to cause environmental damage and social concern. We understand that mining company funds are retained for the purposes of ensuring remedial work upon completion of the mining operation. However, our concern is the ongoing maintenance and well integrity, particularly with deep fracturing wells, over not just the next decade but the decades that follow.

We recommend that the establishment of an ongoing fund be considered to provide adequate resources to undertake remedial works into the future. It is not acceptable for landholders to end up bearing the risk and cost into the future for care and maintenance of wells on their properties.

In summary, we believe that hydraulic fracturing in Tasmania raises as many concerns as it does possibilities for the Tasmanian economy. Accordingly, the precautionary principle should be applied to the activities of fracking in Tasmania.

We strongly recommend the commissioning of an independent scientific report into fracking in the Tasmanian context and seek legislative support for landowners' right of entry and consent.

In this context, we are of the view that the precautionary principle must be brought into account and that the current moratorium should be extended by another three years to provide adequate time to thoroughly undertake the required studies.