# Queensland Competition Authority

### **FACT SHEET**

# Coal Seam Gas Regulatory Review

In 2013, the Queensland Government directed the Queensland Competition Authority to conduct a review of coal seam gas industry regulation including options for regulatory reform and for the recovery of the costs of regulating the industry.

The State Government indicated that regulatory reform should not alter environmental standards or the balance of rights between landowners and the industry.

The Queensland Competition Authority (QCA) consulted widely with stakeholders in preparing its draft and final reports.

The final report was provided to the Government on 31 January 2014.

## Regulatory reform

Regulation of the coal seam gas (CSG) industry involves numerous government departments and agencies including:

- Department of Energy and Water Supply
- Department of Environment and Heritage Protection

- Department of Natural Resources and Mines
- Department of State Development, Infrastructure and Planning
- GasFields Commission
- Office of Groundwater Impact Assessment
- Coal Seam Gas Compliance Unit.

The QCA has identified opportunities to reduce regulatory costs for government and industry.

In the final report, we make 39 recommendations which would reduce duplication, eliminate unnecessary prescriptive regulation and simplify overlapping responsibilities of government agencies.

We estimate that these recommendations would lead in time to annual savings to industry and government of around \$56 million and \$3.6 million respectively.

The table below outlines some of these recommendations. A full list of recommendations can be found in the final report, available on our website www.qca.org.au

#### **Examples of regulatory reform recommendations**

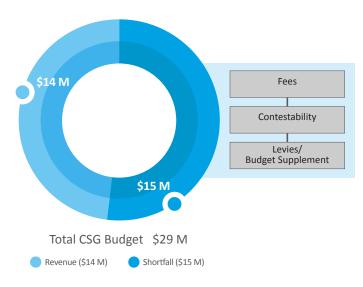
Reform type	Reform example	Indicative cost savings per annum	
		Industry	Government
Reducing regulatory duplication	Reduce overlap in water regulation between the Department of Environment and Heritage Protection and the Department of Energy and Water Supply	\$2.8 to \$3.4 M	\$400,000
Improving the effectiveness of regulation	Develop Standard Conditions (e.g. 'off the shelf' conditions) for CSG production activities that are outcome-focused and updated periodically	\$40 M	\$540,000
Reducing excessive regulatory reporting requirements	Remove excessive reporting requirements through the implementation of electronic waste tracking systems	\$5.8 M	\$100,000
Removing regulatory inconsistencies	Improve clarity between acts governing health and safety requirements	not available	\$100,000 to \$150,000
Adopting outcome-based regulation	Remove prescriptive requirements to allow greater flexibility for industry to deliver regulatory outcomes more cost effectively through Model Conditions	not available	\$100,000 to \$150,000

# Coal Seam Gas Regulatory Review

### Improved cost recovery

Government agency information indicates that the cost of CSG regulatory services in 2013–14 is around \$29 million with cost recovery of \$14 million. This implies \$15 million in unrecovered regulatory costs (see figure below).

#### **Cost recovery of CSG regulatory costs**



The QCA recommends that agencies should set fees and charges to reflect the full efficient cost of service delivery from 2015–16.

We believe that more contestability of government services has the potential to deliver substantial savings to taxpayers.

Some regulatory services which could be market tested include:

- auditing of technical assessments
- compliance activities
- IT maintenance activities
- · water quality monitoring.

The QCA accepts that public good activities (provided by the GasFields Commission and the CSG Compliance Unit) should be funded either by direct budget funding or by means of a levy on industry.

We also recommend that the Department of State Development, Infrastructure and Planning should have a general 'whole of government' role in co-ordinating the development of the CSG industry.

This role would be a natural extension of the department's secretariat support to the Resources Cabinet Committee. The department is best placed for this role as it does not have the regulatory responsibilities of other departments.