

Western Australia's updated fracking policy

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Western Australia (WA) has some of the world's largest known reserves of gas trapped in underground rock formations. To extract these gas reserves commercially, the technique of hydraulic fracturing (fracking) would need to be used. Fracking is a gas extraction technique whereby underground rock is drilled and then pumped at high pressure with fracking fluid (a mixture of chemicals, sand, and water) which fractures the rock and then holds the fractures open so that the trapped gas can be released for collection.

On 27 November 2018 the Western Australian Government (State) lifted its moratorium on fracking in limited parts of the Kimberley, the Gascoyne, and the mid west regions of WA. Following a 12-month independent scientific inquiry, the State announced that a prohibition on fracking would remain in place, except for areas covered by existing onshore petroleum exploration permits. These permits cover an area of approximately 2 percent of WA's total land area and are located in the Kimberley, the Gascoyne, and the mid west regions of WA.

The inquiry found that the risks associated with fracking impacting communities and the environment in WA were relatively low. The report, containing 91 findings and 44 recommendations, was prepared by the Environmental Protection Authority (EPA) under the supervision of EPA's Chairman, Dr Tom Hatton, and an expert panel. The State has committed to implementing all 44 recommendations from the report prior to the granting of any gas production licences that will utilise fracking extraction methods.

Currently, there are 46 live petroleum exploration permits approved under the Petroleum and Geothermal Energy Resources Act 1967 (WA). These exploration permits are in the Kimberley region neighbouring the Dampier Peninsula, the Canning Basin adjacent to Dongara in the mid west region, and an area north east of Carnarvon in the Gascoyne region.

Regulatory regime immediately prior to the current policy announcement

Live exploration permits were approved before and during the moratorium period. Any fracking related activities associated with the permits within this period were banned.

By way of example, in 2017 a petroleum exploration permit was granted to Bunbury Energy for 11 blocks south of Bunbury within the Perth Basin. A condition of approval by the Department of Mines, Industry Regulation, and Safety (DMIRS) for this permit was that no fracking was to be used to explore or recover petroleum. Bunbury Energy was also required to undertake extensive stakeholder engagement with affected communities and Aboriginal groups, and reach an agreement with landowners regarding land access and compensation arrangements. The

exploration permit (EP 496) is to remain in force for a period of six years with provision to extend the permit if resources are able to be commercially extracted. The State has banned all fracking activities in the South West so the petroleum exploration permit remains valid, however, any extraction can only be undertaken utilising conventional methods only.

Background to the independent scientific panel's final report and the policy announcement

On 5 September 2017 the State announced an independent scientific panel inquiry into fracking stimulation in WA. The Panel was led by EPA's Chairman, Dr Tom Hatton and consisted of appointed experts in accordance with provisions of the Environmental Protection Act 1986 (WA). A moratorium on fracking was implemented while the inquiry was conducted. The Panel sought to identify any potential risks and impacts arising from implementing fracking stimulation on onshore locations outside of Perth, Peel, and the south west regions of WA. The Panel was also asked to recommend a scientific approach to regulating fracking in WA with the scope limited to technical risks of shattering rock to extract gas. After 12 months of consultation, review, and analysis, the Panel handed its Report to the State on 12 September 2018.

The Panel took a "wide-view" approach in reporting on the risks and impacts of fracking on environment and communities. It identified that if fracking was carried out safely, there was a low risk of harm to the environment and communities. The Report recommended approaches to further reduce risk. Key recommendations of the Report include:

- Prohibition of fracking within 2 kilometres of gazetted public drinking water source areas.
- Prohibition of fracking within 2 kilometres of towns, settlement, and residents.
- A requirement for an EPA assessment for all fracking projects including exploration and production wells.
- Enforcement of an industry Code of Practice regarding health, safety, and environmental protection.
- Consent by traditional owners and farmers must be given before fracking production is allowed on their land.
- Banning the use of four fracking fluids collectively known as BTEX which are "persistent and toxic."

The Panel found that subject to resource developers observing strict obedience to international best practice through the design and implementation of fracking stimulation wells, the risks to the environment and communities were low. Further, the Panel recommended that any development proposals for new gas fields should go to the Commonwealth Government for its simultaneous environmental assessment.

Simultaneous with its new fracking policy, the State also announced that new renewable energy projects will be partially funded via the establishment of a new Clean Energy Future Fund. This fund, with seed funding of AU\$9 million, is to be funded in the future from fracking royalties from any unconventional onshore oil and gas projects entering production. Given that the royalty rate for unconventional oil and gas projects will increase by 10 percent above conventional oil and gas projects, this decision has the potential to inject the fund with significant future capital.

What is happening next?

The State is in the process of adopting all of the recommendations set out in the Report. The new regulatory regime represents a limited relaxation of the State's moratorium on fracking through

the allowance of fracking by proponents in existing petroleum exploration permit areas located within the Kimberley, the Gascoyne, and the mid west regions whilst also seeking to protect the environment and communities within the vast majority of WA, as much of WA remains closed to fracking including the populated areas around Perth, Peel, and the South West. The State has said that this policy "is a balanced, responsible, science-based policy, that supports economic opportunities, new jobs, environmental protection, and landowner rights."

Contacts



Michael Brady
Senior Associate, Perth
T +61 8 6208 6555
michael.brady@hoganlovells.com



Matthew Johnson
Partner, Perth
T +61 8 6208 6563
matthew.johnson@hoganlovells.com

www.hoganlovells.com

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