



Strategic Release Framework for Coal and Petroleum Exploration



Overview

Contents

1.0 INTRODUCTION	3
2.0 OVERVIEW OF THE FRAMEWORK	3
3.0 ADVISORY BODY	5
4.0 RESOURCE ASSESSMENT	6
5.0 PRELIMINARY REGIONAL ISSUES ASSESSMENT (PRIA)	7
6.0 EVALUATION and RECOMMENDATIONS	7
7.0 ALLOCATION OF EXPLORATION LICENCES - AUCTION PROCESS	8
8.0 PROBITY PLAN	9

1.0 INTRODUCTION

The Strategic Release Framework (the Framework) for coal and petroleum has been developed in response to the:

- Independent Commission Against Corruption's (ICAC) recommendations on the management of coal resources
- Recommendations of the Coal Exploration Group (CESG)
- Recommendations of the NSW Chief Scientist and Engineer's independent review of coal seam gas activities in NSW.

The Framework aims to deliver greater transparency and control over the release of exploration areas and the granting of prospecting titles for coal and petroleum resources. It sets out a process for achieving value for the economy and adequate returns for state owned resources.

The Framework recognises that there are competing uses for land, and seeks to balance these interests. The new approach includes identifying areas for release only after environmental, social and economic factors have been considered and the community has had an opportunity to identify its values and issues.

The *Mining Act 1992* and the *Petroleum (Onshore) Act 1991*, have been harmonised to enable the competitive release of new areas for exploration under the Framework

The NSW Government is committed to an improved, strengthened and transparent regulatory and planning framework to support the strategic management and realisation of NSW's resource potential. This will facilitate a safe sustainable development of resources that balances the needs of the community, the economy and the environment.

2.0 OVERVIEW OF THE FRAMEWORK

The Framework implements a transparent and strengthened selection process for issuing prospecting titles through the up-front consideration of geological, social, environmental and economic factors, and operator suitability and capability. An outline of the Framework is provided in Figure 1

Overseeing and advising on the implementation of the Framework is the Advisory Body for Strategic Release (Advisory Body). The Advisory Body is an interagency group, with an independent Chair. The Advisory Body makes recommendations to the Minister for Resources on the areas to be released for exploration.

To assist the Advisory Body form a view and make recommendations on areas for exploration, a series of studies will be undertaken.

A Resource Assessment will first be undertaken by the Division of Resources and Geoscience (DRG) within in the Department of Planning and Environment (DPE). It will review the potential for discovery of a resource of sufficient quality and size to support a stand-alone operation.

Based on the Resource Assessment findings, the Advisory Body will determine what, if any areas should progress to a Preliminary Regional Issues Assessment (PRIA). The PRIA, conducted by DPE,

will include an economic, environmental and social assessment and will include community engagement and consultation.

The Resource Assessment combined with the PRIA will deliver an understanding of issues that may arise for prospective mining developments. They will generate transparency for the community and the reports will be released publicly. Based on these findings, the Advisory Body will make recommendations to the Minister for Resources as to area/s, if any, to progress to release.

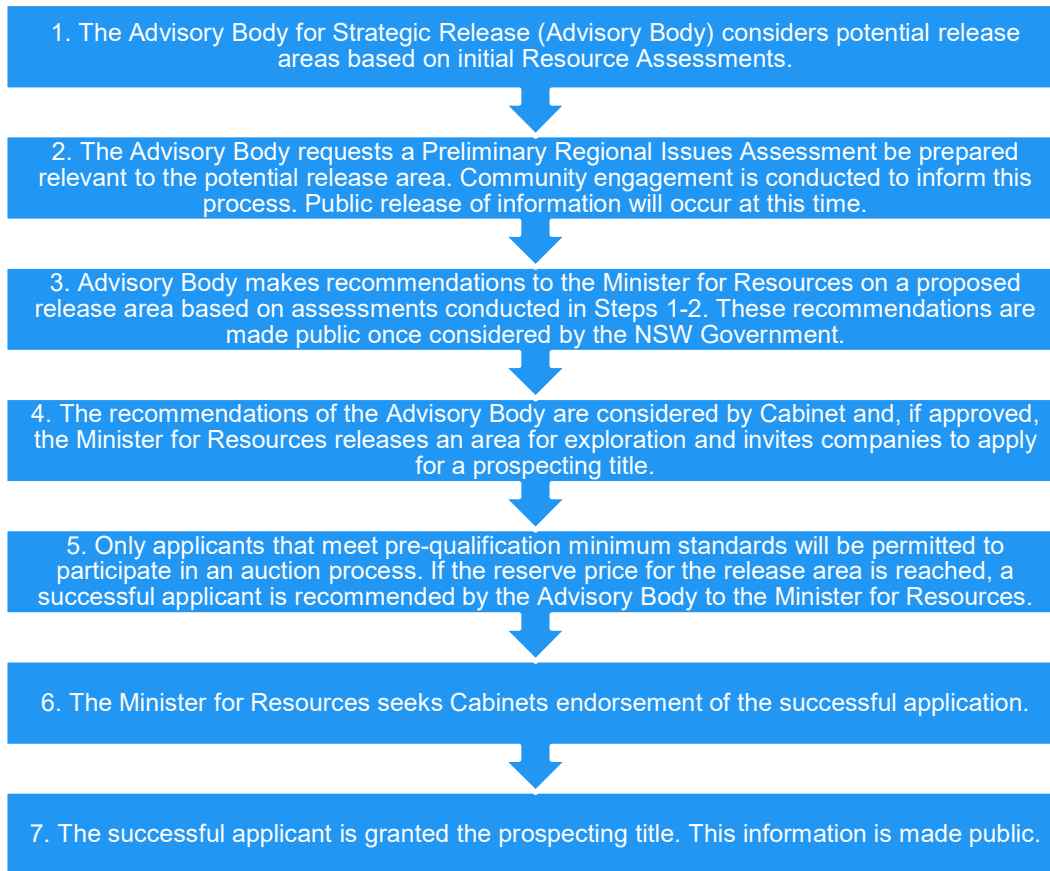
Cabinet endorsement will be sought prior to any Ministerial decision to release an area for exploration. Once a decision has been made to release an area, a notice (the invitation) will be published in the Government Gazette (legislated requirement) and through media channels. Titles will then be awarded through a two-part auction process. In the auction prequalification stage, applicants will be required to demonstrate their financial and technical capability to operate a explore effectively, and that they have a good track record of environmental compliance and effective community engagement. DRG will undertake this assessment.

Applicants that meet the prequalification criteria will progress into the auction and be required to submit a work program and a bid price. A reserve price, based on recovery of the state's costs in assessing and releasing the area, will be set for the auction. The reserve price will not be disclosed at this point.

If the reserve price is met, the applicant with the highest bid will be considered for the granting of the prospecting title. If the reserve price is not met, a second auction will take place where the reserve price will be disclosed to all pre-qualified bidders. Cabinet's endorsement will be sought before the Minister awards the prospecting title.

The expunged petroleum title applications provisions under the *Petroleum (Onshore) Act 1991*, if triggered, still necessitate compliance to this two-part auction process.

Figure 1. Flowchart of the Strategic Release Framework



3.0 ADVISORY BODY

The Advisory Body for Strategic Release (Advisory Body) is the body charged with overseeing the whole of Government assessments, required by the Framework, and making recommendations to the Minister for Resources. Under the Terms of Reference, the Advisory Body constitutes an independent Chair and representatives from the Department of Premier and Cabinet (DPC), Planning Services within Department of Planning and Environment (DPE), Division of Resources and Geoscience (DRG) within DPE, NSW Treasury and Department of Industry (DoI).

The Advisory Body will provide recommendations to the Minister for Resources on:

- a. Areas to be released for exploration. This will be based on a preliminary assessment of potential areas including community engagement.
- b. Community engagement process for each PRIA
- c. Auction price. The Advisory Body will recommend the most appropriate competitive auction price for each release area.
- d. The frequency of operation of the framework, based on a range of matters noting these will differ between coal and petroleum.

The Advisory Body will consider areas for release based on advice from member agencies or at the Minister's request. The Advisory Body will not deal with applications for licences for Operational Allocations.

In making recommendations, the Advisory Body will consider advice from DRG through the Resource Assessment, from DPE, through the Preliminary Regional Issues Assessment, and DRG and Treasury through the auction process. This will ensure that social, environmental, economic and applicant capability issues are appropriately considered. It also ensures that the Government's priorities, policies, legislation and desired outcomes in relation to the allocation and development of New South Wales' coal and petroleum resources are addressed.

The Advisory Body will operate in a transparent manner and recommendations that it provides to the Minister for Resources will be made public after consideration by Cabinet.

The Advisory Body will determine how often the framework operates. Its decision will be informed by a range of matters including, market forecasts, progression of current leases, timeframes to reach production, and other government considerations.

Cabinet may decide to add additional matters to the Advisory Body's scope.

4.0 RESOURCE ASSESSMENT

Resource Assessment is the first step of the analysis process. Its purpose is to develop an understanding of the potential for discovery of a resource of sufficient quality and size to support a stand-alone operation. It will comprise a written report and an assessment of the geological potential of the resource in a form for use by the Advisory Body in its recommendation making process.

The Resource Assessment is primarily a technical geological analysis based on all available relevant data. It will utilise:

- publicly available pre-competitive geoscientific data
- resource body characteristics
- market characteristics
- other geological factors
- known legislation and policy that may prohibit or restrict exploration and production.

By its nature, the resource assessment has limitations. It is a preliminary process that may lead to exploration. Exploration is the process to locate areas where coal and petroleum resources may be present, to establish the quality and quantity of those resources, and to investigate the viability of extracting the resource.

Based on the findings of the Resource Assessment report, the Advisory Body will determine resource prospectivity and potential for a future release area. If potential exists, the Advisory Body will request the undertaking of a Preliminary Regional Issues Assessment (PRIA), including a community engagement process.

5.0 PRELIMINARY REGIONAL ISSUES ASSESSMENT (PRIA)

The Framework recognises there are competing uses for land, and seeks to balance these interests. As a result, integral aspects of the PRIA include community engagement and an upfront assessment of social, environmental and economic matters relating to a potential release area.

A PRIA will only be undertaken at the direction of the Advisory Body following a Resource Assessment. It is an overarching assessment, undertaken by DPE, of a region or sub-region. It will provide a snapshot of potential risks and opportunities relating to coal or petroleum exploration in the area identified. As a strategic-level assessment, the assessment area may not necessarily reflect the shape, location and size of any future exploration licence or lease area that may be issued.

A PRIA will include a:

- a report summarising the key issues at a regional or sub-regional scale, identifying any limitations to the data used for the identification of impacts;
- a map, or series of maps, identifying the proposed exploration release area, with overlays of relevant and key information; and
- a summary of relevant data
- a summary of community engagement outcomes.

It will focus on:

- identifying the high level, environmental, economic and social considerations readily evident at the regional or sub-regional level
- utilising relevant data contained in existing data sets or accessible from other information sources
- examining potential risks associated with exploration and development at the point in time at which the PRIA is conducted (e.g. significant environmental concerns and land use conflicts; potential burdens on existing and future developments and infrastructure, level of community support for development)
- identifying community matters and concerns through a community engagement process.

Early understanding of community values will aid long term land use planning. Processes for engagement of community and stakeholders will reflect the area that is the subject of the PRIA and its associated communities. Notification of the intention to undertake a PRIA will be made in relevant newspapers including time frames for input. The Advisory Body will review and approve the community engagement process.

The PRIA does not negate the requirement for any future prospecting titleholder to fulfil their community consultation and environmental obligations, nor does it in any way predetermine the outcome of future environmental or other assessments that may be required by relevant NSW legislation.

6.0 EVALUATION and RECOMMENDATIONS

Based on the findings of the Resource Assessment report and PRIA, the Advisory Body will evaluate, on merit, whether exploration should be undertaken. This evaluation will be made in

the context of government legislation and policy settings. The Advisory Body will then provide recommendations to the Minister for Resources about what portion, if any, of an area should be released for exploration and if so the reserve price.

In considering the Advisory Body's recommendation, the Minister for Resources will seek Cabinet endorsement. The decision of the Minister will be made public, at the relevant time, noting that the reserve price is to remain undisclosed for purposes of auction.

7.0 ALLOCATION OF EXPLORATION LICENCES - AUCTION PROCESS

The Framework ensures the allocation of exploration licences (ELs) is based on the principles of transparency, maximising the value of the resource for the people of NSW and enabling highly competitive outcomes. It acknowledges that royalties are considered the primary mechanism for a financial return to the State.

The Framework introduces a two part auction process to minimise the scope for corruption whilst ensuring environmental standards. It pre-specifies obligations and rights. It is a simple auction format that invites bids and is settled by the highest bid, providing it meets the undisclosed reserve price and that the bidder has submitted an appropriate exploration work program (see below) for the title area.

A reserve price will be based on a cost recovery model and will be recommended to the Minister by the Advisory Body.

The two part auction process for coal and petroleum exploration licences comprises:

- prequalification for bidders – minimum Standards to be met
- invitation to enter auction process – undisclosed reserve price.

The Minister will invite interested companies to apply. This invitation will be a notice in the Government Gazette (legislated requirement) and a wider communication strategy including, but not limited to, press releases, advertising and notices through other media/communications platforms. Interested parties must first enter the prequalification stage by submitting details with respect to the Minimum Standards.

Prequalification Minimum Standards, are:

- technical capability – demonstrate access to the appropriate and relevant technical experts including the financial capacity to engage any expertise.
- financial capability –ability to secure the required finances to meet the anticipated expenditure for the term of the work program;
- corporate history –identification of all current officers of the applicant;
- environmental track record –compliance and environmental performance history
- community consultation capability – demonstrated ability to undertake effective community consultation over the term of the title.

Those applicants that meet the Minimum Standards, as assessed by DRG, will be invited to participate in an auction for the exploration licence (EL).

The auction will be undertaken on an electronic platform, the reserve price will not be disclosed and the pre-qualified parties will be given 60 working days to place a bid. The bid will comprise the proposed work program and bid price.

A work program is to be prepared in accordance with the Exploration Guidelines: Work Program for Prospecting Titles. The work program is to describe the nature and extent of operations and the estimated expenditure for those operations. Work programs will be used to assess applications and if the title is granted, ensure that the titleholder carries out effective exploration during the term of the title.

If the reserve price is met, the applicant with the highest bid will be considered, subject to an appropriate work program. The Cabinet's endorsement will be sought by the Minister prior to awarding an exploration licence

If the reserve price is not met, the EL will not be allocated. A second auction will take place where the reserve price will be disclosed to all pre-qualified bidders. If the reserve price in the second auction is met, the highest bidder will be allocated the EL subject to an appropriate work program and the Cabinet's endorsement.

The successful applicant will be notified in writing by DRG. If the reserve price is not met in the second auction, the release area will not be offered for auction for a minimum of two years, unless justified on strategic merit.

8.0 PROBITY PLAN

A competitive allocation process for licences will safeguard against the risk of corruption and ensure better outcomes for both industry and the people of NSW. A Probity Plan has been developed to put in place governance arrangements to manage any potential for misconduct.

The probity plan sets in place conflict of interest declarations and confidentiality agreements to be applied to each person involved in the Framework process.

Current NSW Government Departmental governance charters are recognised and reinforced through the Probity Plan. By following the probity plan, potential issues with respect to accountability and transparency; conflicts of interest and confidentiality, will be alleviated.