



Office: 90 Gap Road Alice Springs NT
Mail: PO Box 2796 Alice Springs 0870 NT
Web: www.alec.org.au
Phone: 08 89522497
Email: policy@alec.org.au

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SREBA Cost Recovery Framework

The Arid Lands Environment Centre (ALEC) is Central Australia's peak community environmental organisation that has been advocating for the protection of nature and sustainable land management of the arid lands since 1980. ALEC actively contributes to the development of energy and resources policy through regulatory reform, written submissions, community education and advocacy within the community. In addition, ALEC has had close engagement with the Pepper Inquiry and its subsequent implementation, been on the Community Business Reference Group for the SREBA, and been consulted on the design of the Social, Cultural and Economic baseline study.

ALEC welcomes the opportunity to comment on the SREBA Cost Recovery Framework, however our key concerns are not with the framework for Cost Recovery, but rather the choice of cost recovery as a model at all. ALEC believes that the cost of the SREBA should have been borne upfront and in full by the gas companies involved in exploration in the Beetaloo. By choosing to proceed with a cost recovery model and paying upfront for the costs associated with the SREBA, the NT government is effectively taking on part of the financial risk associated with this new industry.

The framework is explicit that it can't guarantee costs, stating that "costs will only be recovered from companies in the Beetaloo that undertake production" f.¹ If the industry doesn't commercialise in the beetaloo, a scenario which companies such as Origin Energy acknowledge is still possible, the NT government will not recover the 10 million dollars it has invested in the SREBA process, and will bear the cost of a failed industry. The industry may not develop due to the high economic costs of establishing shale gas activities in the remote basin resulting in the failure to find sufficiently marketable gas reserves; changes in the gas market as the world transitions away from fossil fuels; or, the NT government deciding not to hand out production licenses due to an inability for all 135 Pepper Inquiry recommendations to be fulfilled. This risk of sunk costs should be held by the companies who are hoping to generate large profits from this gasfield, not by the Northern Territory.

ALEC believes that the costs of the SREBA should've be paid for upfront by companies with exploration licenses in the Beetaloo region, with costs apportioned based on the size of their licenses within the region, as a condition of their exploration licenses being reinstated when the moratorium was lifted.

¹ Northern Territory Government Draft SREBA Cost Recovery Model Consultation Paper – September 2021, p.3.

Since the Northern Territory Government have already paid upfront for a large portion of the SREBA costs, we believe the best practicable alternative to SREBA costs being paid for upfront by relevant gas companies is to begin charging cost recovery fees to companies in the Beetaloo in instalments now and continue to do so until the SREBA costs are repaid irrespective of whether or not the Beetaloo shale industry commercialises.

ALEC disputes the ten year cost recovery timeline. If it commercialises, the Beetaloo basin is projected to be a \$6 billion (low/shale breeze) to \$95 billion (high/shale gale) scenario. \$10 million is a tiny fraction of this cost and should be recovered immediately.

Kind regards, Hannah Ekin

Central Australian Gas Campaigner