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2 February 2018

The Inquiry Panel  
The Scientific Inquiry into Hydraulic Fracturing Inquiry in the NT (the “Inquiry”)  
GPO Box 4396  
DARWIN NT 0801

Email: [fracking.inquiry@nt.gov.au](mailto:fracking.inquiry@nt.gov.au)

Dear Panel,

## **Submission to the Inquiry in regards to the Draft Final Report**

Hancock Prospecting Pty Ltd (“Hancock”) makes the following submission to the Inquiry in regards to the Draft Final Report issued on 12 December 2017.

Hancock is an independent, privately owned Australian company that has a long and important association with northern Australia.

Hancock has successfully participated in the development of 4 major iron ore projects, including the world class, integrated open pit Roy Hill iron ore mine, rail and port facility that has recently successfully ramped up to its full production capacity of 55 million tonnes per annum of high quality iron ore. This makes the mine the single largest iron ore mine in Australia, and with the fastest construction to date with an outstanding safety record.

Hancock has also established and continues to grow its agricultural interests in the Australian beef and dairy industries.

## ***Comments on the Draft Final Report issued by the Inquiry***

We welcome the finding of the Inquiry that the risks associated with onshore oil and gas development can be effectively managed and acceptance of the benefits to the NT associated with such development. The Draft Final Report, supported by information and data provided by independent experts, supports the submissions of Hancock and multiple other parties to the Inquiry that onshore oil and gas development can be undertaken safely, and that there will be significant economic benefits to the people of the NT.

The extent of these benefits was confirmed by the independent report prepared by ACIL Allen commissioned by the Inquiry, which forecast that oil and gas development over the next 25 years could:

- Create over 13,600 new jobs;
- Generate up to \$3.7 billion in NT government revenue;

- Add \$5.8 billion in net income to the NT economy; and
- Increase the NT's Gross Territory Product by \$17.5 billion.

Importantly, these benefits are not limited to the NT, with an increase of up to \$12.5 billion in net income to the rest of Australia through reduced energy costs and higher commonwealth revenue.

This is further supported by independent findings and experience in the USA. As referred to in our previous submission, a report entitled "Americas Unconventional Energy Opportunity" published by the Harvard Business School and Boston Consulting Group in 2015, noted that unconventional oil and gas development had significantly increased US Gross Domestic Product, reduced energy costs for households and provided greater sovereign energy security. These benefits were witnessed firsthand by Scott MacDonald MLC, the Parliamentary Secretary for Planning, the Central Coast and the Hunter liberal Member of the NSW Legislative Council, when he visited North America. His speech to the NSW parliament in March 2017, a transcript of which is included as Annexure A, demonstrates the benefits of allowing shale oil and gas development.

Hancock has previously advised that its own exploration and development program in the NT is currently estimated at approximately \$200m should drilling confirm a substantial potential shale gas resource (assuming a regulatory regime that is reasonable and not overly burdensome).

#### ***Recommendations included in the Draft Final Report***

The Draft Final Report includes extensive recommendations to be considered by the NT government for the management of oil and gas development in the NT. These recommendations will need to be considered fully and we urge the NT government to ensure a consultative process with industry before policies are enacted.

Any policies implemented by the regulators need to be done so in an efficient manner that allow those wishing to invest in this development to do so with regulatory certainty and minimising the level of bureaucratic and financial burden on projects that will require significant investments over a long period of time with no guarantee of a return. It is well documented that red tape is costly and deters investment. We would urge government to consult on any additional regulations being considered to ensure potential implications, costs and delays are fully understood before being implemented.

#### ***Draft Final Report findings in relation to the Beetaloo Sub-Basin***

We note that a revised definition of the Beetaloo Sub-Basin has been applied by the Inquiry, reflecting the definition released by the Department of Primary Industry and Resources ("DPIR") on 23 November 2017.

We further note and agree with the statement by the DPIR that "the redefined boundary of the Beetaloo Sub-basin is a geological boundary that is not intended to provide a definitive boundary for hydrocarbon potential". This statement is supported by the Draft Final Report, which in Figure 6.2 shows that the occurrence of prospective shale gas source rocks covers a significantly larger boundary than the DPIR's redefinition of the Beetaloo Sub-basin, particularly to the north and to the west. Hancock supports the position that the redefined Beetaloo Sub-basin, which has been determined based on an objective interpretation of geological structures, should not be used as a basis to limit exploration and development in the NT.

The Draft Final Report makes multiple recommendations in regards to further baseline work to be done prior to development of a prospective shale gas basin, commencing with the Beetaloo Sub-basin. Hancock asserts that such recommendations cannot be limited to the redefined Beetaloo Sub-basin, but instead should be applied to the wider region that the DPIR has identified as being highly prospective for hydrocarbons.

### ***References to Hancock in the Draft Final Report***

There are several references to Hancock that have been included in the Draft Final Report that we would like to make the following comments on:

- In regards to Section 7.3.1.1:
  - There is a statement that “Hancock Prospecting has informed the Panel that it will relinquish portions of EP154 to allow a 25 km buffer”. We would like to confirm to the Inquiry that relinquishment of these areas has been made as referenced in the NT Government Gazette, January 3, 2018;
  - There is a statement that “Hancock Prospecting has indicated to the Panel that these buffer distances ‘*were a subjective assessment...of the distance required to provide comfort to the community rather than any reference to any scientific rationale*’”. Hancock’s submission on this matter further stated that “there are multiple references within industry literature and regulations indicating that the distance required is significantly less than the buffer that Hancock has applied on EP154. For example, see Origin Energy<sup>[1]</sup>, Pangaea<sup>[2]</sup>, Durham University<sup>[3]</sup> and Alberta Energy Regulator<sup>[4]</sup>.” The additional wording is an important part of Hancock’s original submission;
  - Hancock notes the statement that “business owners, residents and indigenous communities have rejected this suggested buffer zone as not enough”, without the provision of any evidence or support for this position;
- Section 11.4.3 includes a photograph which personally identifies an individual HPPL shareholder by name and in a negative connotation. Hancock again confirms that it has complied with all of its obligations in regards to its NT tenements, including its obligations to consult with Traditional Owners. All work carried out to date on EP153 and EP154 has been with the agreement of the Traditional Owners of the land. In this context, we believe that the image is misleading and seek its withdrawal from the final report.

### ***Summary***

Hancock welcomes the opportunity to make this submission to the Inquiry on this important matter. Given the Inquiry’s acceptance of the significant and robust scientific evidence submitted to it that demonstrates the ability to effectively manage the risks of oil and gas

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<sup>[1]</sup> Origin Energy’s Submission to the NT Hydraulic Fracturing Inquiry (2017 Submission # 153 Part 2. pp. 46-91).

<sup>[2]</sup> Pangaea’s NT Inquiry Submission (2017 Submission # 220, pp. 9-27).

<sup>[3]</sup> Davies, R.J. and Mathias, S.A. and Moss, J. and Hustoft, S. and Newport, L. (2012) ‘Hydraulic fractures: how far can they go?’, *Marine and petroleum geology.*, 37 (1). pp. 1-6.

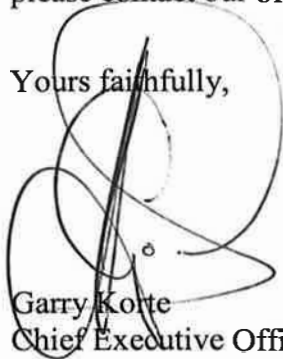
<sup>[4]</sup> Energy Resources Conservation Board, 2013. Directive 083: Hydraulic fracturing – subsurface integrity. (Note: effective June 17, 2013, the Energy Resources Conservation Board has been succeeded by the Alberta Energy Regulator).

development and the significant economic benefits to the NT community, we look forward to the Inquiry concluding its process as quickly as possible and the government lifting the moratorium.

When this is done, Hancock is ready to commit to shale gas exploration activities that are conducted in line with industry leading standards and in accordance with regulatory requirements. Oil & gas developments could make a significant contribution not only to economic growth, but also to the critical and increasingly at risk affordable energy needs of the NT, and Australia more broadly.

Should you have any queries or would like any further information on the above material, please contact our office on (08) 9429 8222.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Garry Korte', written over a circular stamp or seal. The signature is somewhat stylized and overlaps the text below it.

Garry Korte  
Chief Executive Officer

ANNEXURE A

Legislative Council Hansard – 08 March 2017 – Proof



**SHALE OIL AND GAS INDUSTRY**

**Mr SCOT MacDONALD ( 18:39 ):** In mid-December 2016 I undertook a study tour to the United States of America and Canada sponsored by the New South Wales branch of the Commonwealth Parliamentary Association [CPA]. The aim of the visit was to see at first hand the shale oil and gas industry and its impact on regional economies, as well as testing the truth of assertions the industry had turned well sites into "industrial wastelands". I visited Dallas, Houston, Scranton in Pennsylvania, Dimock and surrounds, Washington, Ontario and New York. In Texas I met with representatives of the oil and gas industry and heard their perspective of the evolution of the shale oil and gas industry, particularly over the past decade. Whereas shale has been accessed for a century, it has been the technology developments of targeted fracking and horizontal drilling that fundamentally shifted the economics of available resource extraction.

These techniques led to the United States oil and gas rush that took off in 2008. Since then more than one million wells have been drilled and the energy outlook for North America has changed forever. The fracking and oil and gas companies I spoke to recognised the early rush had created problems in the communities in which they operated. The lack of understanding and transparency of the fracking and drilling process had alarmed many and been exploited by anti-shale industry activists. The sector and regulators had responded with standards for fracking and transparency with drilling inputs. The Center for Responsible Shale Development had been established. This centre brings together regulators, industry, scientists and community representatives to manage the process for shale oil and gas extraction.

Most of my time was spent in the Marcellus shale field. Basing myself in Scranton, Pennsylvania, I toured the shale "hotspots". I spoke to farmers and residents with shale wells on their properties. I had lunch with the Chamber of Commerce in the epicentre of the shale field. I watched a fracking and drilling operation. I visited many shale gas wells, including one on the grounds of an elementary and senior school. I was shown factories and industry in rural Pennsylvania utilising shale to bring jobs to the regions. I made a point of spending time in and around Dimock and visiting the site of the flaming faucet. The house where Josh Fox filmed *Gaslands* has been demolished.

Dimock is not an industrial wasteland. It is a beautiful functioning regional community. It is not experiencing contaminated water systems. There is no human health impact from the shale gas industry that I could discern. Many landholders are benefiting from income from producing wells while going about their daily lives, including the normal business of farming. The school I visited uses the gas from the well on its grounds to heat the buildings and take in a royalty. The gas well on Elk Lake School has been in operation for eight years. I continued on to Washington DC and had briefings from the US Department of Energy, the US Chamber of Commerce and the US National Association of Manufacturers. The common thread was that shale oil and gas had delivered energy security to the United States of America, brought down energy costs and made the country internationally competitive while reducing greenhouse gas emissions. The United States is transitioning from a gas importer to a net exporter and will soon be a global competitor for Australia in a limited number of markets close to its terminals.

As part of the CPA commitment, I visited Canada. I met with members of Parliament in the House of Commons, Ontario, and heard their views on the shale oil and gas industry. Clearly gas is important in that country, with its heavy reliance on gas for heating over its long winter. But it is fair to say the issue had polarised opinion, with regional representatives generally supportive and urban members of Parliament echoing their constituents' reservations. I recognise a relatively short visit to the United States and Canada cannot be comprehensive or make me an expert in shale oil and gas, and there are differences in the profile of the gas industries between countries and between conventional and unconventional gas. However, I can report to this Parliament that end-of-world prophecies by anti-gas activists and Greens here in Australia and overseas should be treated very sceptically. There have been significant benefits. Dimock is not an industrial wasteland. It is incumbent on us to fall back on the science and not social media posturing. The US Environmental Protection Agency [EPA] and Chief Scientist and Engineer have come to very similar conclusions: The industry comes with risks, but they can be managed with sound practices and appropriate regulation.

As a regional member of Parliament this issue matters to me. It must not be hijacked by weak political leadership, as we have seen from both sides of politics in Victoria this week. Gas has an important role in our future energy mix, it is a bedrock of manufacturing in this country, with over 225,000 jobs heavily dependent on gas as a feedstock in the production process. The Australian Energy Regulator [AER] records more than 1.3 million small gas customers in New South Wales alone. As I saw in the United States of America, there is wide scope for regional development and jobs arising from our plentiful gas reserves. I thank the CPA, here and in Canada, for its assistance with my visit and I have lodged a tour report with the association and posted it on my website.