The Hon Justice Pepper
Chair
Scientific Inquiry into Hydraulic Fracturing in the Northern Territory
Via email to: frackinginquiry@nt.gov.au

31 May 2017

To the Hon. Justice Pepper, Chair of the Scientific Inquiry into Hydraulic Fracturing in the Northern Territory,

Re: Concerns and suggestions for improved oversight necessary in relation to ACIL Allen appointment

I am writing on behalf of the Lock the Gate Alliance to highlight our concerns with the NT Fracking Inquiry Panel's decision to award ACIL Allen Consulting Pty Ltd (ACIL Allen) the tender to undertake an economic impact assessment of the potential onshore unconventional shale gas industry in the Northern Territory. In light of these concerns, we urge the Inquiry Panel to take additional steps to ensure that ACIL Allen's assessment and contributions to the Panel's final report are subject to appropriate peer and public scrutiny.

Our concerns about ACIL Allen are based on the firm's previous work and their major client list. For example, ACIL's client list includes gas company Santos, a major shale gas hopeful with a strong vested interest in the outcome of the NT Fracking Inquiry. Assessment of ACIL Allen's recent modelling for Santos' proposed unconventional gas project in NSW reveals they ignored financial and environmental costs to exaggerate the economic value of their client's project.[1]

In 2014, ACIL Allen wrote a report for AGL supporting increased coal seam gas development across NSW.

Pipeline company Jemena, a company with a huge financial stake in the development of onshore unconventional gas across the Territory, is also a client of ACIL Allen.

ACIL Allen has a history of significant errors in forward projections that have favoured their coal and gas industry clients.

For example, as reported in Renew Economy: "*For the Department of Resources and Energy, ACIL Allen in 2010 was asked to assess various energy technology cost estimates. ACIL Allen*

[1] Modelling available: ACIL Allen, 2016, Narrabri Gas Project Economic Impact Report https://majorprojects.accelo.com/public/486343c7aeff880520e893fc8f392450/Appendix%20U2%20Economic%20assessment%20_macroeconomic%20analysis_.pdf

made this extraordinary prediction for solar – saying its capital cost would be around $4,650 a kW by 2015, possibly falling 30 per cent to $3,255/kW by 2030.

Even in 2010 this prediction was patently absurd. Solar PV prices were falling 30 per cent a year, not every 15 years. By the end of 2013, capital costs for utility-scale PV were already at 1,500/kW – less than half what ACIL Allen predicted would be the cost two decades hence."[2]

In 2015, ACIL Allen estimated Chevron's gas projects would generate tax revenues of $355 billion. Chevron now says it will pay between $60-$140 billion, but will not begin paying tax until somewhere between 2029 and mid 2030s.[3]

In light of the above, we think that ACIL Allen has an actual and perceived conflict of interest in relation to the task it has been appointed to complete.

For this reason, and because of the important contribution that any advice by ACIL Allen will make to the Inquiry Panel's final assessment report, we think that it is critical that the utmost scrutiny and public oversight be applied to the appointment of consultants engaged to give advice the Inquiry Panel and the assessment process undertaken.

We welcome the following statements that have already been made by your Honour in relation to some of our concerns:

- "In accordance with the tender document, the inquiry must approve the assumptions made by ACIL before they commence any economic modelling.
- "The inquiry will also have an ongoing oversight role of ACIL's work. This oversight ensures ACIL are accountable to the independent inquiry throughout its process, from the development of assumptions, to delivery of the final economic assessment report.
- "The ACIL economic assessment report will be published in full upon its completion."[4]

However, we wish to bring to your Honour's attention the following ongoing concerns:

- The Inquiry Panel would benefit from advice obtained from independent economists who have the expertise necessary to critically assess the economic model assumptions made by ACIL Allen.
- Only the final ACIL Allen economic assessment report will be published and available for public scrutiny.

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[2] Renew Economy, 2014, http://reneweconomy.com.au/farcical-start-to-tony-abbotts-renewable-energy-review-14978/

[3] Australian Financial Review, 2017, http://www.afr.com/business/energy/chevron-predicts-140b-prrt-bill-20170428-gvukob

[4] Alice Springs Online, 2017, http://www.alicespringsnews.com.au/2017/05/26/fracking-probe-head-rejects-suggestion-advisors-may-be-compromised/

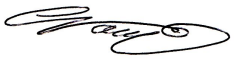
- The public would benefit from the Inquiry Panel's oversight of ACIL Allen's work being made public.

We urge the Inquiry Panel to consider applying some or all of the following steps:

- The Inquiry Panel would benefit from an independent advisory committee being established that consists of economists and NT community stakeholders to cross check model assumptions. This will be critical for local Aboriginal Owners, pastoralists, tourism operators and other key stakeholders to ensure their interests, both purely economic and often un-costed 'externalities' such as water availability and cultural use, are factored in fairly to the model assumptions.
- The ACIL Allen draft report to the Inquiry Panel is made public in order for feedback before the report is finalised.
- Correspondence between the Inquiry Panel and ACIL Allen is made public, either in real time or at the time their draft report is publicly released.

I look forward to your feedback and consideration of these suggestions in due course.

Kind regards,



Naomi Hogan

On behalf of the Lock the Gate Alliance

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