



PRIME MINISTER
PARLIAMENT HOUSE
CANBERRA ACT 2600

The Hon Tony Windsor MP
Member for New England
Parliament House
CANBERRA ACT 2600


Dear Mr Windsor

I write in response to undertakings we have discussed around the Minerals Resource Rent Tax (MRRT).

Assessment of Impacts of Extractive Industry Activities

I note the concerns you and Mr Robert Oakeshott MP have raised about coal seam gas (CSG) and large coal mining developments where they have significant impacts on the quality, structural integrity and hydraulic balance of water ("impacts").

I recognise that there are community concerns about the need for transparent, objective scientific evidence informing the assessment and decision-making processes by state governments for exploration and production licences. Accessible, reliable information is necessary to ensure local communities are fully empowered and have confidence in licence and environmental approval processes by all governments.

To address this, I propose a two-pronged approach to deliver a higher national standard of regulatory and licensing processes in circumstances where, either through accumulation, or significance, a proposed activity has potential for environmentally significant impacts.

- First, the Commonwealth will establish an Independent Expert Scientific Committee.
- Second, the Commonwealth will make the Independent Expert Scientific Committee's capabilities and advice available to state governments and will work with the states to drive best-practice, evidence-based assessments and approvals through a National Partnership Agreement.

Independent Expert Scientific Committee

The Commonwealth will aim to legislate in the 2012 Autumn Sittings a statutory advisory role for an Independent Expert Scientific Committee under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). The Committee, as an independent statutory committee, will be supported by a dedicated, specialist Office within the Department of Sustainability, Environment, Water, Population and Communities with initial funding from the MRRT of \$150 million over five years.

This will build scientific evidence and understanding of the impacts on water resources of extractive industry activities to underpin bioregional assessments and improve the standards of regulation of these industries.

The legislation would ensure that the Independent Expert Scientific Committee's fundamental role will be to:

- commission and fund assessments for priority areas;
- advise on research priorities and commission and coordinate research to inform assessment and management of extractive industry impacts, particularly CSG and major coal mining developments, including through engagement with relevant natural resource management/catchment management authorities; and
- provide scientific advice to federal and state ministers so that regulatory decisions take into account the best available scientific advice and to support development of relevant best-practice national standards.

The Independent Expert Scientific Committee would comprise leading members of a wide range of scientific disciplines including geology, hydro-geology, hydrology and ecology and would include participation from key scientific institutions.

The scientific evidence gathered and generated by the Independent Expert Scientific Committee will be central to the national partnership arrangement. It is expected the Committee will commission expert scientific studies and assessments by respected bodies including Geoscience Australia, CSIRO and university research bodies.

The Government will create an interim board of the Independent Expert Scientific Committee to ensure that assessment priorities are identified as soon as possible.

In addition, funding resources would be made directly available to allow local relevant natural resource management/catchment management authorities to participate fully in bioregional scale studies commissioned by the Committee and to integrate the results of those studies into their bioregional assessments.

Commonwealth-led National Partnership

The Commonwealth will establish a National Partnership Agreement through COAG, centred around the work of the Independent Expert Scientific Committee, to lift the standard of extractive industry regulation across all jurisdictions, on a consistent basis.

The key elements of a National Partnership Agreement would include:

1. agreement that all Commonwealth and relevant state extractive industry assessments must take into account advice from the Independent Expert Scientific Committee (which must be made publicly available) relating to the impacts of extractive industries. The Committee will be able to take into account existing bioregional assessments, which will incorporate expert analysis of the spatial characteristics of a region, its ecology, geology and hydrology and related risks, or commission additional work.
 - a. states to agree to amend state planning or relevant other legislation to give legal effect to this requirement in their jurisdictions;
2. agreement that all Commonwealth and state extractive industry approval decisions that involve significant potential impacts must take into account advice from the Independent Expert Scientific Committee:
 - a. states to agree to amend state planning or relevant other legislation to give legal effect to this requirement in their jurisdictions;
3. agreement to a public review process of the operation of the arrangements set out in the National Partnership Agreement after a specified period.

The National Partnership Agreement will also provide a mechanism for the Independent Expert Scientific Committee to set research priorities and determine priority regions for bioregional assessments.

Once implemented, the final agreement will take immediate effect. In the meantime and in recognition of the strongly held community views on these matters, I will call on all jurisdictions to voluntarily impose these higher standards ahead of legislative arrangements being established.

To strengthen the national partnership, the Commonwealth will provide reward payments of up to \$50 million shared among the states, with larger payments to those states facing the greatest potential impacts on their water resources from extractive industry development upon demonstrated achievement of 1(a) and 2(a) within 12 months of COAG agreement to the National Partnership Agreement. State reward payments will be linked to performance and improving scientific understanding and capability.

The National Partnership Agreement will be agreed by COAG at its first meeting in 2012, with implementing legislation to be passed as soon as possible thereafter. The National Partnership Agreement initiatives will be subject to normal COAG regulatory impact assessment processes and the COAG Reform Council will have oversight of the Agreement.

If agreement is not reached to progress the National Partnership arrangements outlined above at the first meeting of COAG in 2012, the Commonwealth will, introduce into the Parliament legislation under the EPBC Act to create an appropriate trigger for the Commonwealth to assess cumulative impacts of extractive activity on water resources, following a regulatory impact assessment and consultation with relevant stakeholders.

As a result of these processes, the states will be able to draw on significant Commonwealth-led scientific expertise, strengthening assessment processes based on the best-available scientific evidence.

The arrangements will have a number of mutually reinforcing elements:

- all governments will have bound themselves, through legislation, to consult and take direct account of the advice of the Independent Expert Scientific Committee in their assessments of extractive industry proposals where there are significant potential impacts;
- the Independent Expert Scientific Committee will publicly disclose its advice which will make decisions makers more accountable;
- a public review of the operation of the arrangements set out in the National Partnership Agreement after a specified period will also provide greater public accountability;
- states will have a strong incentive to participate as they will benefit from the confidence provided by advice from a well resourced expert scientific committee and they will have further incentives provided through reward payments; and
- the absence of state action will trigger action by the Commonwealth to create an appropriate trigger for Commonwealth assessment, based on overall impacts on water.

National Partnership Agreements have been successful in delivering a range of service improvements in health, education, housing and deregulation.

Governments at all levels need to act to address the needs of local communities, the farm sector, the resources sector and the environment. The Commonwealth's proposed approach provides a means to help meet all these various needs and interests.

State Royalties, in light of the MRRT

The Government believes that state royalties are an inefficient means of taxing our natural resources and a resource rent tax is a more efficient way of accessing the benefits of our nation's resources for the long term.

On this basis, the Government has asked that the GST distribution review look at a mechanism to penalise and discourage those states which undertake any further royalty increases. The letter to the review and additional terms of reference are attached.

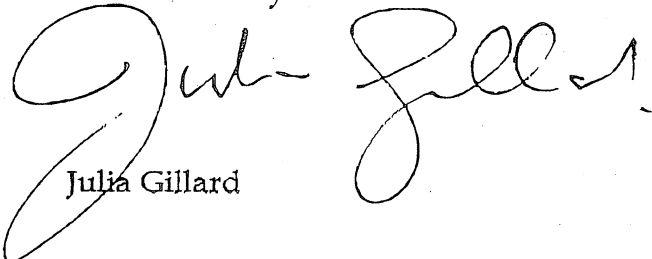
Proposed Working Group on Water, Soil and Food

In response to community concerns about water, soil and food arising from expanding demand for resources, I propose the Regional Australia and Regional Development Committee of Cabinet (RARDC) be tasked to develop, through a *Working Group on Water, Soil and Food*, an integrated forward work program on agricultural productivity, with particular focus on soil, water and food. The Working Group will be chaired by a senior minister and comprise other relevant ministers (to be finalised) as well as Mr Oakeshott and yourself.

The Working Group will report to Cabinet by mid 2012 on the final work program. The program will include recommendations to enhance the effectiveness of current areas of work/ research, for example to remove duplication or address gaps. The Working Group will consult widely, including with Commonwealth departments and agencies, state and local government bodies, universities, research institutions, non-government organisations, industry bodies, indigenous bodies and representatives and other experts, as appropriate.

I have written in similar terms to Mr Oakeshott. I have also copied this letter to the Deputy Prime Minister and Treasurer, the Minister for Regional Australia, Regional Development and Local Government, the Minister for Sustainability, Environment, Water, Population and Communities, the Minister for Finance and Deregulation, the Minister for Agriculture, Fisheries and Forestry and the Minister for Resources and Energy.

Yours sincerely



Julia Gillard