

21 October 2011

Public Comment – Environmental Offsets Policy  
Department of Sustainability, Environment,  
Water, Population and Communities  
[submitted electronically to [EPBC.reform@environment.gov.au](mailto:EPBC.reform@environment.gov.au)]

To whom it may concern,

**RE: Draft Environmental Offsets and Biodiversity Policy**

The Australian Petroleum Production & Exploration Association (APPEA) is the peak national body representing Australia's oil and gas exploration and production industry. APPEA has 90 full member companies exploring for and producing Australia's oil and gas resources. These companies currently account for around 98 per cent of Australia's total oil and gas production and the vast majority of exploration. APPEA also represents over 200 service companies providing a range of goods and services to the industry. Further details about APPEA can be found at our website, at [www.appea.com.au](http://www.appea.com.au).

Australia's oil and gas industry has a long track record of over 50 years of leading environmental management practices – with one of its core operating principles to ensure that all the environmental impacts of our activities are reduced to as low as reasonably practicable. The use of environmental offsets when there are residual impacts that cannot be either mitigated or avoided is a practice that is increasingly being adopted by Australia's oil and gas industry. It needs to be recognised however, that every environmental offset comes at the expense of an economic or social benefit that would otherwise have been generated by the project. Each multi-million dollar environmental offset, while benefitting an environmental value, results in a cost and value leakage that may reduce the project's contribution to other potentially higher-valued social and environmental programs.

Without any form of cost/benefit analysis, an environmental program of potentially low environmental value could be prioritised over matters of higher social or economic value such as hospital beds, teachers or other social services to which the industry would have otherwise supported. APPEA therefore supports the Government's actions to provide further guidance and advice on the use of environmental offsets in minimising the environmental footprint of industry activities, while recognising other economical and social benefits that projects can bring.

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APPEA believes that a successful offsets policy balances detail and quantitative analysis to facilitate improved decision making, with the flexibility of a case-by-case approach that recognises the full range of diverse projects in Australia. Our further specific comments on the offsets policy are in attachment 1.

In addition APPEA supports the development of an Australian Government biodiversity policy that recognises the value of Australia's unique ecosystems. However, the policy follows a high-level "principles based" approach. Additional clarity on how these principles will be achieved is required before we can provide further comments or support. APPEA welcomes the opportunity to work with the Department in the application of these principles.

Thank you for the opportunity to comment on the EPBC offsets and biodiversity policies. If you would like to discuss any of APPEA's comments in more detail, please contact [REDACTED] senior policy adviser environment and greenhouse on [REDACTED]

Yours sincerely



David Byers  
Chief Executive

**ATTACHMENT 1****APPEA Submission on the Draft Environmental Offsets Policy  
21 October 2011****Commonwealth Marine Areas**

The draft offsets policy states that *“some aspects of the approach are also relevant to the marine environment”* (page 1). The policy also goes on to include Commonwealth marine areas in a statement relating to the environmental characteristics of a site (page 16).

The vast majority of Australia’s oil and gas production occurs in Commonwealth waters. APPEA believes that explicit clarification as to how the proposed offset policy may apply to the marine and coastal environment is required. In this regard it should also be noted that offshore projects and the marine ecosystems are extremely different from terrestrial, and cannot be considered in the same setting as an onshore biodiversity offsets policy. The minimal residual impacts that offshore infrastructure may have on the seafloor cannot be offset in the tradition sense as the industry is unable to directly procure or manage the Commonwealth marine commons. Furthermore, research has indicated that many marine ecosystems actually benefit from the artificial reefs created by offshore infrastructure.

**Residual Impacts**

The policy statement defines a residual impact as the counterbalance of the impacts that remain after avoidance and mitigation measures. It should be noted that many companies actively employ progressive rehabilitation, which involves the staged treatment of areas affected by residual impacts that returns the ecosystem to the state in which it was found.

APPEA believes that further clarification is required to ensure that areas that are undergoing progressive rehabilitation during or upon completion of the project are not included in a ‘residual impact’ calculation.

**Governance Arrangements**

Statement 6.1.5 states that proponents, or their contractors, must report on the success of the offsets so that conditions of approval can be varied if the offsets are not delivering the desired outcome. APPEA believes that offsets effectively becoming conditions of project approval creates an ambiguous legal position should the offset “fail”. Further clarification on this would be appreciated.



### **Real and Enduring**

The draft environmental offsets policy refers to providing a real conservation outcome that is protected in an enduring way. While APPEA agrees in principle with this statement, the implications of long-term management and maintenance of conservation habitats is also a concern to APPEA members. APPEA suggests that the policy should provide for the development of a “sunset clause”, determined in conjunction with industry and the Department, to provide the proponent with some certainty about their liability.

### **Direct and Indirect Offsets**

The policy states that a suitable offset is built around direct offsets, but may include indirect offsets. It also states that 75 per cent of offsets must be from direct offsets, such as land acquisition and regeneration. While APPEA agrees that direct offsets should usually be the core of an offset package, in certain circumstances a greater total environmental benefit could be achieved through the increased use of indirect offsets. The mix of offsets should not have to adhere to an arbitrary figure and should be based on the offset package that provides the best outcome for the environmental matter. APPEA also believes that differentiating between the two types of environmental offset may make a cost effective net environmental benefit harder to achieve as direct offsets may not always be feasible.

A flexible approach should be adopted that stipulates a ‘goal of 75 per cent for direct offsets’ would allow greater opportunities to reach a net environmental benefit outcome in the most cost effective manner. In regard to the assessment guide, a weighted average or a sliding scale may be applied to certain categories of offsets to determine the relative importance of direct and indirect offsets.

### **Offset Assessment Guide**

APPEA welcomes the development of a quantitative guide to assist proponents in understanding their offset requirements and ensure that offsets are consistent and transparent. The implementation of this guide will hopefully assist industry in making informed decisions early in the project development phases. APPEA agrees that the guide should be flexible to ensure that offsets can be estimated by industry and assessing officials, without creating strict criteria or expectations that prejudice the decision of the Minister or delegate.

APPEA recommends that the Offset Assessment Guide be formally peer review in order to ensure that the guide is transparent, scientifically based and a system of checks and balances are in place. In addition, an open process for peer review would

significantly increase the credibility of the guide and confidence in the assessment process.

APPEA requests that additional consultation and usability testing is also undertaken with industry once the formulas developed for the assessment guide have been peer reviewed and made public. APPEA and the industry are unable to make further comment on the guide until the details of the guide are made available.

APPEA welcomes the opportunity to work with DSEWPC in coordinating further industry input and testing into this guide.

### **Greenhouse**

While not explicitly mentioned in the policy document, some discussion at stakeholder workshops has indicated the potential consideration of greenhouse factors in the development of offset policies.

APPEA wishes to reiterate that it strongly opposes the inclusion of greenhouse emissions or climate change in any offset discussion. While APPEA members are committed to take all commercially practicable greenhouse emission abatement and sequestration measures, we believe climate change is a global problem requiring a global solution. This global solution is already being approached by the Commonwealth Government through the Department of Climate Change and Energy Efficiency and recently introduced clean energy legislation. In addition, the consideration of climate change on an ecosystem when determining the risk and future success of an offset package would be speculative, subjective and difficult to underpin with robust and accurate science.