



**Queensland  
Government**

Department of  
Mines and Energy

Your Ref: 158812/NL01/ECP  
Our Ref: DG591

**04 JUL 2008**

Mr Ken Smith  
Director-General  
Department of the Premier and Cabinet  
PO Box 15185  
CITY EAST QLD 4002

Dear <sup>Ken</sup>Mr Smith

Thank you for your letter of 20 May 2008 in reply to my correspondence concerning the development of a whole-of-government policy on underground coal gasification (UCG).

Exempt Sch.3(1) Cabinet before commencement of RTI

Should you have any further enquiries, please contact Ms Noela Duncan, Manager Special Projects on telephone 3404 8271.

Yours sincerely

**DAN HUNT**  
Director-General

Department of Mines and Energy  
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Queensland 4002 Australia  
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**Queensland  
Government**

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*copy*  
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*Any thoughts*  
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*suggestion?*

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| FOR: PREMIER; PARL SEC<br>COS; DCOS   | <input type="checkbox"/>            | ADVICE/BRIEF  | <input checked="" type="checkbox"/> |
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| FROM: <i>[Signature]</i><br>STEPHEN BECKETT<br>DEPUTY CHIEF OF STAFF        |                                     |               |                                     |

*Stelo*

**URGENT (by.....)**

DATE: *12/6/2008*.....2008...





Hon Geoff Wilson MP  
Member for Ferny Grove



Queensland  
Government

Minister for Mines and Energy

Our ref: ME/08/0963

10 JUN 2008

The Honourable Anna Bligh MP  
Premier of Queensland  
PO Box 15185  
CITY EAST QLD 4002

Dear Premier

We recently discussed issues around the possible establishment of an Underground Coal Gasification (UCG) industry in Queensland and concerns raised by the coal seam methane gas (CSG) industry that its resource is under threat of sterilisation in areas surrounding UCG projects.

In particular, I understand BG Group seeks some comfort that the establishment of Liquefied Natural Gas as an export opportunity for the CSG industry would not be threatened by the emergence of UCG.

You have requested that I provide clarification, as a matter of urgency, of my Department's policy in relation to these industries.

The Department of Mines and Energy (DME) has responsibility for stewardship of Queensland's abundant coal, gas and other resources. When competing or overlapping claims for tenures are lodged, DME is required to make a determination of priority of tenures, based on the best outcome in the public interest.

In relation to novel methods of exploitation such as UCG, or in circumstances where a proposed mining activity threatens to sterilise another resource that has greater potential value to Queensland, it is necessary for my Department to determine whether the public interest is served in granting the tenure at all.

UCG is a technology untried in Australian conditions. It is also clear that UCG is incompatible with future exploitation of co-existent coal seam methane reserves in the same section of a coal seam.

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Release

There is significant risk that UCG activity sterilises surrounding methane resources, even outside the immediate UCG tenure area.

DME leads an Inter Departmental working Group that will oversee small scale tightly conditioned experimental projects by Linc Energy and Carbon Energy.

The demonstration projects have been restricted to small areas to ensure that only minimum quantities of coal are sterilised. They are expected to yield the data agencies need in order to make robust information based policy decisions. This could take around three years and the outcomes from the trials will inform our decisions as to if, and where, production tenures may be allowed.

The Interdepartmental Working Group is overseeing the data analysis and will report to me on a regular quarterly basis with advice and strategies to deal with UCG and, indeed, all competing interests in the coal resource.

I expect the IDWG (including central agencies DPC and Treasury) over the next three to four months to prepare recommendations for the optimal allocation of our existing coal resources, over the different extraction and processing applications, including CSG, UCG and conventional mining. Clearly those recommendations which relate to the coal resources identified for UCG, and environmental management and monitoring etc. will be informed and refined by the outcomes of the pilot studies described above.

It is my view that no further UCG pilot projects should commence, nor should pilots be escalated by granting production tenures, until the current pilots have been completed and analysed in relation to the public interest criteria of viability, royalty outcomes, economic considerations, environmental impact and the impact on other resources.

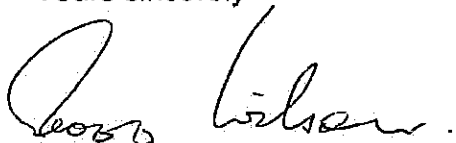
Beyond the three year pilot period, tenures should only be granted where the technology could be proven both viable and environmentally safe in a proposed location and where the project can be shown to have a positive net economic benefit to Queensland, having regard to any potential loss of opportunity to exploit other resources. On that basis, suitable locations would likely be restricted to deep coal seams not suitable for conventional mining technologies, or seams from which methane has already been extracted.

An announcement by the Government along these lines would provide appropriate reassurance to proponents of coal seam methane, and specifically LNG projects. Such announcement would serve to also underline the Government's commitment to development that is both economically viable and environmentally safe.

DME encourages both coal and gas exploration over the same areas in order to maximise returns to the State on development of coal seams. Proponents can enter into coordination arrangements, and where agreement is not possible regulatory solutions are available to me.

I trust this information is of assistance. Should your office have any further enquiries, please contact Cameron Crowther, Senior Policy Advisor of my Office on telephone 3227 8070.

Yours sincerely



**GEOFF WILSON MP**  
**Minister for Mines and Energy**

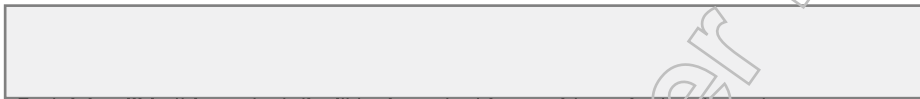
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The Honourable Geoff Wilson MP  
Minister for Mines and Energy  
PO Box 15216  
CITY EAST Q 4002

Thank you for your letter of 10 June 2008 concerning a potential underground coal gasification (UCG) industry in Queensland and concerns raised by the coal seam methane gas (CSG) industry. I also note concerns raised by the Liquid Natural Gas (LNG) industry about the potential impacts of UCG on the CSG industry.

I appreciate the significant potential opportunity for Queensland in pursuing a UCG industry, but at the same time I agree this should only occur following careful consideration of the risks. Accordingly, I agree in principle with your proposed moratorium on production tenures and further pilot projects, so as to enable completion and full evaluation of current pilot projects. I also support your proposal to develop a clear policy in relation to UCG that provides certainty to the State's coal industry.

Exempt Sch.3(1) Cabinet before commencement of RTI



Certainly within this context, it will be important to consider potential downstream uses, including the State's emerging LNG industry.

Released under RTI/DPC

Critically, the State needs to capture maximum value from the development and export of its natural resources, including appropriate fees, charges and royalties; while also ensuring that any impacts on the State's natural environment are properly managed, such as waste mine water from CSG production.

Exempt Sch.3(1) Cabinet before commencement of RTI

Yours sincerely

**ANNA BLIGH MP**  
**PREMIER OF QUEENSLAND**

Released under RTI - DPC

**DEPARTMENT OF THE PREMIER AND CABINET  
Correspondence Management Cover Sheet**

**ACTION SHEET**  
DO NOT REMOVE CORRESPONDENCE OR COVER SHEET FROM THIS CORRESPONDENCE FOLDER

**Acknowledgement Reply required within 2 working days (if required – at Action Officers discretion)  
Substantive Reply required within 15 working days**

**1. Registration details on Concord Records Management System**

| Date    | Mail No. | File No. | Folio ID.      | File location if not in records |
|---------|----------|----------|----------------|---------------------------------|
| 17/4/08 | 158812   |          | 15/4/08.<br>59 | P8432                           |

**2. Correspondence movements**

| Transfer to (officer name/ work area) | LIO: enter Work area Tracking No: | Action Required              | Action Officer: Initial & date action in work area | LIO: initial when work area tracking system updated |
|---------------------------------------|-----------------------------------|------------------------------|--|---|
| DDG<br>K. SMITH<br>ERP                |                                   | DDG<br>POLICY                | 17/4   |   |
|                                       |                                   |                              | 18/4   |   |
| Liner                                 | 13076                             | <del>Records for Aling</del> |  |   |
| Nick                                  |                                   | <del>Records for Aling</del> |  |   |
|                                       |                                   | Records for Aling            |  | 26/5<br>EB  |
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**3. To be completed by Action Officer/LIO to update work area tracking system**

Acknowledgement: Telephone  Written (attach copy)  Site visit  N/A

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For Documents & Records Services enquiries contact extension 44693



For reply please quote: 158812/NL01/ECP  
Your reference: DG/08/01289

**20 MAY 2008**

Mr Dan Hunt  
Director-General  
Department of Mines and Energy  
PO Box 15216  
CITY EAST Q 4002

Dear Mr Hunt

Thank you for your letter of 15 April 2008 concerning the emerging underground coal gasification (UCG) industry in Queensland.

I support in principle your proposed strategic approach for developing a UCG policy for this state, including the need to fully research relevant technical and policy issues and consider the broader context of Queensland's current and future energy needs.

I also recognise it may be necessary to implement an interim policy for UCG, such as the proposed moratorium on the issue of production tenures, while a more comprehensive and long term policy is being developed.

Exempt Sch.3(1) Cabinet before commencement of RTI

Yours sincerely

ORIGINAL SIGNED BY  
DIRECTOR-GENERAL

Ken Smith  
Director-General