

Reference: A1082607

Dr Peter Boxall AO  
Chairman  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
HAYMARKET POST SHOP NSW 1240

- 9 FEB 2015

Dear Dr ~~Boxall~~ *Peter*

Pursuant to section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992*, I am referring the following matter to the Tribunal for investigation and report: Landholder benchmark compensation rates for gas exploration and production.

Under the NSW Gas Plan, the government has committed to ensuring landholders and communities share in the benefits of gas exploration and development.

To give landholders the support they need to negotiate appropriate compensation, the government will commission the Tribunal to benchmark compensation rates. Further detail is provided in the attached terms of reference to the Tribunal.

The terms of reference ask the Tribunal to develop an analytical framework for setting compensation benchmarks that can be updated annually.

The Tribunal is requested to conduct a public consultation process and provide a final report to the Minister for Resources and Energy by 30 November 2015.

Yours sincerely



**MIKE BAIRD MP**  
Premier

End.

## **LANDHOLDER BENCHMARK COMPENSATION RATES FOR GAS EXPLORATION AND PRODUCTION**

Under the NSW Gas Plan, the NSW Government has committed to landholders receiving independent expert advice on benchmark compensation rates for gas exploration and production from the Independent Pricing and Regulatory Tribunal (IPART).

These benchmarks are to guide landholders in their compensation agreements with industry.

To support landholders negotiating agreements with industry, IPART is to recommend appropriate compensation benchmarks for landholders. The NSW Government intends that landholders receive compensation that is at least as good as that received by other landholders in Australia who host gas development. The benchmark arrangements will influence the competitiveness of NSW as an investment destination for petroleum exploration and production projects. Agreements will be negotiated on a commercial basis.

IPART is requested to develop an analytical framework for setting compensation benchmarks that can be updated annually.

### **Conduct of review**

In conducting this review IPART should have regard to:

- The economic benefits over the lifecycle stages of a project, considering the associated risks and probabilities of a project progressing.
- The structure of compensation arrangements (e.g. fixed, rental or other methodologies) taking into account the different phases of a project, the varying value of production systems in agricultural enterprises and the implications for encouraging exploration.
- Landholder compensation arrangements currently applied by industry in NSW and in other Australian states and territories and internationally, including identifying industry best practice.
- Similar arrangements in other industries (e.g. wind farms) across other Australian and international jurisdictions.
- Relevant legislation on gas/petroleum exploration and production, as well as measures announced as part of the NSW Gas Plan.
- Any other matters it considers relevant.

### **Consultation**

IPART's review will include a public consultation process through which IPART will invite submissions from stakeholders on an issues paper and a draft report. Public hearing(s) will also be held as part of this process.

### **Timing**

IPART is to publish a draft report by September 2015. A final report is to be provided to the Minister for Resources and Energy by 30 November 2015.