

ADDITIONAL ITEM

28 July 2010
To the Ordinary Meeting

General Manager's Report
General Manager's Unit

5.2 Proposed Asset Energy Ltd PEP11 Exploration Drilling Program

TRIM REFERENCE: F2006/00264 - D02306048

AUTHOR: Nicole Dixon, Natural Resources Officer – Environmental Monitoring

SUMMARY

Asset Energy Ltd is proposing to drill a petroleum exploration well in Permit Area PEP11; this area lies off the NSW Coast between Sydney and Newcastle. The drilling of the well is scheduled to commence in September 2010 and will take place at one of four sites within the permit area. Council has been invited by the State Government to make comment on the application. Whilst this proposal is currently only in the exploratory stage there is a possibility that offshore mining may result as a consequence depending on the outcome of the exploration.

RECOMMENDATION

- 1 That Council receive the report on the Proposed Asset Energy Ltd PEP11 Exploration Drilling Program.**
- 2 That Council note the submission dated 22 July 2010 in respect of the Proposed Asset Energy Ltd PEP11 Exploration Drilling Program.**
- 3 That Council approach both Gosford and Lake Macquarie City Councils to develop a joint program opposing off shore mining.**

BACKGROUND

Asset Energy Ltd has submitted an application to explore for hydrocarbon (gas) reservoirs in Permit Area PEP11 under the Commonwealth *Offshore Petroleum & Greenhouse Gas Storage Act 2006* (OPGGSA). PEP11 lies offshore of the NSW coast between Sydney and Newcastle. The offshore area adjacent to NSW is jointly administered by the Commonwealth and NSW (the Minister for Mineral & Forest Resources). An Environmental Plan for the activity must be approved by the NSW Designated Authority prior to commencement.

The proposal is to drill a petroleum exploration well within the PEP11 area to assess the hydrocarbon reservoirs. The drilling of the well is scheduled to commence in September 2010 and will take place at one of four sites (see attachment) within the Permit Area. Of the four possible sites, two are close to the Wyong Local Government area, these being located approximately 20km offshore of the Bateau Bay/Forresters Beach area and also offshore of Catherine Hill Bay. The drilling is estimated to take approximately 30 days to complete depending on weather and drilling conditions.

In October 2009 Council commented on the Geophysical Site Survey for the application, and stated its concerns relating to the proposal and offshore mining in general.

5.2 Proposed Asset Energy Ltd PEP11 Exploration Drilling Program (contd)

In addition, Council would recall passing the resolution reproduced below in November 2008 outlining its concerns regarding the proposed off shore exploration.

Council at its meeting held on 12 November 2008 resolved on the motion of Councillor WYNN and seconded by Councillor SYMINGTON:

- "1 That Council call on both the State and Federal governments to fully assess the environmental impact of both the exploration activity and the potential mining activity associated with this application before any exploration licence application is considered.*
- 2 That Council make a formal submission to both the NSW government and Federal government who are jointly handling the exploration licence application, to reject the application if it is found to be environmentally damaging.*
- 3 That Council call on the NSW and Federal Governments to rule out any further coal exploration off the NSW coast from the Illawarra to Port Stephens.*
- 4 That Council embark on a campaign to inform the public on the process and possible negative impacts of such an offshore mining proposal. "*

FOR: COUNCILLORS BEST, EATON, GRAHAM, McNAMARA, SYMINGTON, WEBSTER AND WYNN.

AGAINST: COUNCILLORS McBRIDE, MATTHEWS AND VINCENT

THE PROPOSAL

The application for the drilling exploration was submitted by Asset Energy under the Commonwealth *Offshore Petroleum & Greenhouse Gas Storage Act 2006* (OPGGSA). It is proposed that Council monitor the progress on the application and submit comments at integral parts of the process stating Councils opposition to the proposal. It is also suggested that Council make its opposition to all offshore mining clear.

OPTIONS

Nil Impact

STRATEGIC LINKS

Nil Impact

Annual Plan

Nil Impact

Contribution of Proposal to the Principal Activity

Nil Impact

Link to Shire Strategic Vision

Priority Objective	<i>How the proposal contributes or links to the Priority Objectives in Shire Strategic Vision and Annual Plan</i>
Communities - Communities will be vibrant, caring and connected with a sense of belonging and pride in their local neighbourhood.	The exploration drilling poses a possible large impact to the community of Wyong Shire Council, particularly if the exploration yields good results as full scale mining is likely to be applied for. Implications of this include social impact from environmental degradation, loss of tourism due to degradation of visual amenity.
Employment - There will be a strong and sustainable business sector and increased local employment built on the Central Coast's business strengths.	The drilling exploration should have little to no impact on employment, however if full scale offshore mining begins there is a likelihood of loss of employment due to loss of tourism, possible effects to fishing. Conversely there may be employment opportunities in the offshore mining process.
Natural Areas - Areas of natural value in public and private ownership will be enhanced and retained to a high level in the context of ongoing development.	The exploration and possible future mining pose risks to the natural areas of the Shire due to possible degradation caused by spills and other mining works, as well as disrupting marine wildlife, eg whale migration, fish communities
Environmental Programs - There will be a sense of community ownership of the natural environment through direct public involvement with environmental programs.	The program is likely to have no direct impact on Environmental programs, however as a result of the exploration and possible future mining the community may feel a loss of public ownership of the environment.

Financial Implications

Whilst the application may not directly have financial implications for Council, there is potential for there to be financial losses throughout the Shire as a result of the drilling exploration and possible future mining.

Principles of Sustainability

The proposed exploration drilling is not in keeping with the principles of sustainability as investment into new carbon-based fuel resources is an unsustainable practice as the use of these fuels contributes to human accelerated climate change. The money invested into these technologies should be invested into renewable energies such as wind and solar power.

CONSULTATION

Nil Impact

GOVERNANCE

Nil Impact

CORPORATE RISKS

Nil Impact

CONCLUSION

The application for accessing petroleum based resources off the Wyong Shire coast is currently in exploration stage with drilling due to begin in September, Council should make submissions to the relevant Government Departments stating concerns related to the proposal and objection to all offshore mining.

ATTACHMENTS

- | | | |
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| 1 | Submission on Proposed Asset Energy Ltd PEP11 Exploration Drilling Program (dated 22/07/2010) | D02304931 |
| 2 | Locality map of possible exploration drilling sites as supplied by Asset Energy Ltd to NSW Government Industry & Investment | D02306031 |
| 3 | Submission to Industry and Investment NSW regarding proposed Asset Energy PEP11 Geophysical Site Survey (dated 20/10/2009) | D02058712 |
| 4 | Letter from Asset Energy Limited 30 June 2010 | D02306177 |

ND/Martin Johnson
F2006/00264
D02304931

22 July 2010

Mr Stephen Barry
Manager Technical Support & Petroleum Operations
Environmental Sustainability Branch
Industry and Investment NSW
PO Box 344
Hunter Region Mail Centre NSW 2310

Dear Mr Barry

Re: Proposed Asset Energy Ltd PEP11 Exploration Drilling Program

Thankyou for this opportunity to comment on the application by Asset Energy Ltd to conduct a proposed exploration drilling program in Commonwealth waters off the NSW coast between the Central Coast and Newcastle. Wyong Shire Council does not support the application for the reasons outlined in this letter and is opposed to any exploration or mining activity off the NSW coast. Council is concerned about the negative environmental, social and economical impacts such exploration and future mining would have on the coastline region and communities.

As raised in Council's previous submission on this proposal, it appears that the Central Coast Region's community of 300,000+ residents across Wyong Shire and Gosford City Councils, has not been adequately considered in the Environmental Plan with the only social references being made to Newcastle and Sydney. Council is concerned that the adverse impacts offshore mining can have on the environment will not only lead to environmental degradation but also to negative social and economical impacts on the Region as the natural beauty of the coastline is integrally linked with tourism and is one of the major factors for residents moving to or already living in the Shire. As noted also by Gosford City Council, Wyong Council is concerned there has been no assessment undertaken on the potential environmental, social and economic impacts of a subsea rupture on the Central Coast Region.

Also of concern is the lack of definitive information on the response measures to be employed during potential emergency situations such as a subsea rupture. As demonstrated by recent international events, a rupture of this kind has the potential to cause widespread environmental, social and economic damage and as such response measures should be determined prior to any disruption of the seabed.

The Coastline of Wyong Shire and its offshore marine environment is of high environmental, social and economical value to Wyong Shire Council and its residents. The stretch of coast where the proposed 1,162 km² potential area of operation is located provides important habitat for marine life including one Critically Endangered and three Vulnerable species of Sharks as listed under the Environmental Protection and Biodiversity Conservation Act 1999, migrating humpback whales and other cetaceans. This area of coastline is also a popular tourist draw-card for the Shire, with the numerous beaches providing a resource for swimming, surfing, boating and other water based activities attracting both residents and tourists.

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The close proximity of the potential area of operation to the Wyong Shire coastline is of concern to Council as the visual amenity of the coast may be compromised due to the presence of semi-permanent vessels and associated infrastructure. Furthermore, Council believes that the local community will not receive any direct benefit from the proposed exploration or mining should this application proceed.

Council's main areas of concern include, but are not limited to:

- Lack of information on response to emergency situations, such as a subsea rupture
- Release of hydrocarbons from either the sea bed or pipes into the marine and shoreline environment
- Toxicology from disposal of 408.99m³ of cuttings into the marine environment
- Water, air, noise and beach pollution
- Impacts on rare and threatened species listed under Federal and State legislation, and/or identified locally
- Acoustic affects of seismic testing
- Disruption of whale migration due to seismic testing, drilling and presence of semi-permanent vessels and associated infrastructure
- Changes in pelagic fish ecology and congregation due to the presence of semi-permanent vessels and associated infrastructure
- Physical damage to the sea floor and important habitats
- Visual impacts of surface infrastructure and activities
- Exclusion of recreational vessels from exploration zones
- Facilitation of noxious or invasive species invasion due to the presence of semi-permanent vessels and associated infrastructure

Council would like you to fully assess and consider the environmental, social and economical impact of both the exploration activity and the potential mining activity associated with this application prior to the determination being made. Council strongly feels that the application should be rejected, especially if it is found to be environmentally damaging and requests any further exploration for offshore mining resources to be prohibited.

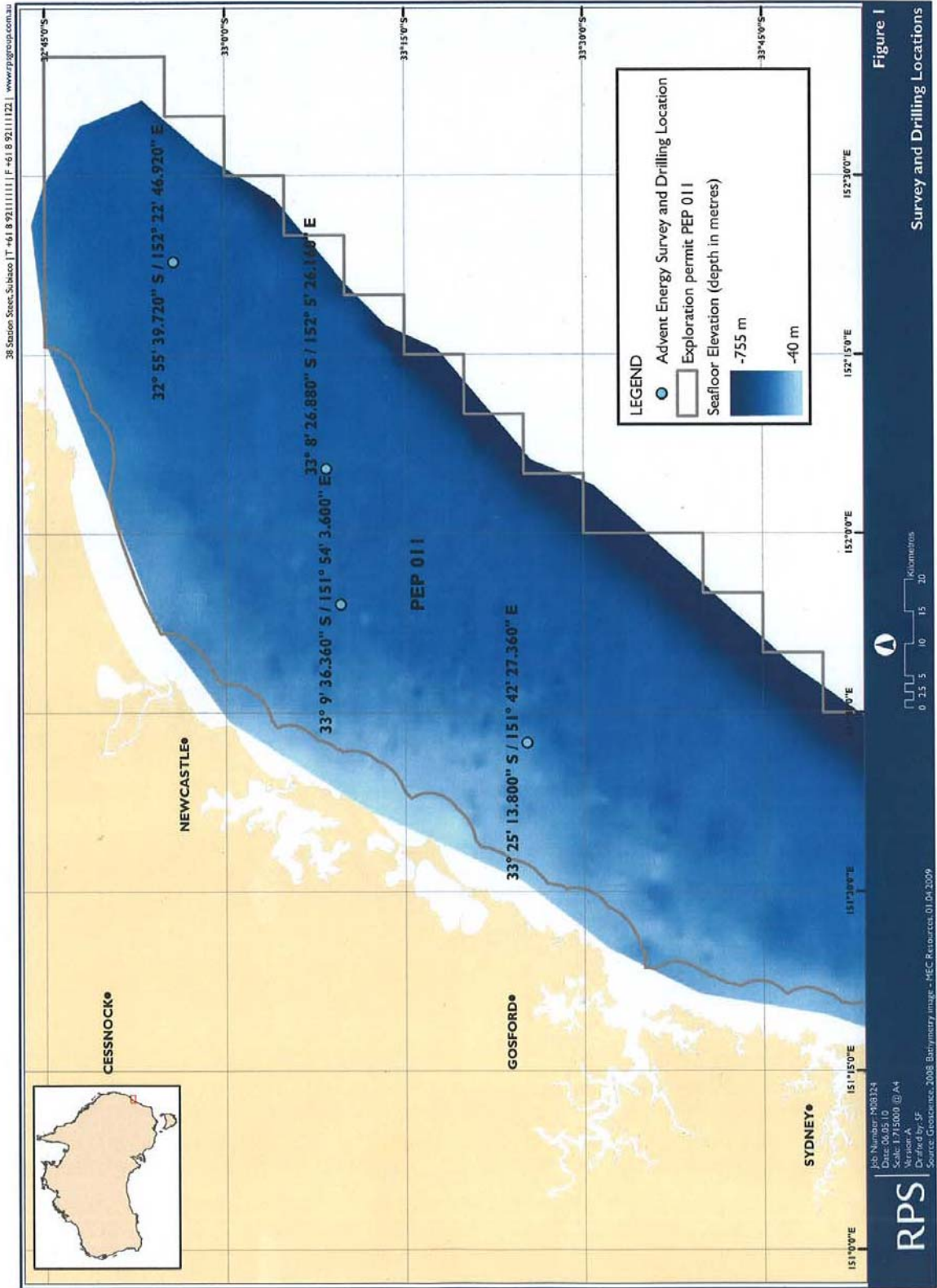
To further support this objection Council resolved at it's meeting on 12th November 2008 to *"embark on a campaign to inform the public on the process and possible negative impacts of such an offshore mining proposal"*.

Council requests to be informed of any proceedings concerning this application, and would like to take this opportunity to voice its concern that the previous comments submitted on this proposal were not effectively addressed in the updated Environmental Plan. This is a critical issue for the Central Coast Region, and to not include the impacts on this community is of great concern.

I trust that the above comments are of assistance. If you require any further information, please contact me on (02) 4350 5207.

Yours sincerely,

Gina Vereker
Director
SHIRE PLANNING





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ND/Martin Johnson
F2006/00264
D02056483

20/10/2008

Mr Stephen Barry
Manager Technical Support & Petroleum Operations
Environmental Sustainability Branch
Industry and Investment NSW
PO Box 344
Hunter Region Mail Centre NSW 2310

Dear Mr Barry

Re: Proposed Asset Energy Ltd PEP11 Geophysical Site Survey

Thankyou for this opportunity to comment on the application by Asset Energy Ltd to conduct a geophysical site survey in Commonwealth waters off the NSW coast between the Central Coast and Newcastle. Wyong Shire Council does not support the application for the reasons outlined in this letter and is opposed to any exploration or mining activity off the NSW coast. Council is concerned about the negative environmental, social and economical impacts such exploration and future mining would have on the coastline region and communities.

The Coastline of Wyong Shire and its offshore marine environment is of high environmental, social and economical value to Wyong Shire Council and its residents. The stretch of coast where the proposed 1,162 km² potential area of operation is located provides important habitat for marine life including one Critically Endangered and three Vulnerable species of Sharks as listed under the Environmental Protection and Biodiversity Conservation Act 1999, migrating humpback whales and other cetaceans. This area of coastline is also a popular tourist draw-card for the Shire, with the numerous beaches providing a resource for swimming, surfing, boating and other water based activities attracting both residents and tourists.

It appears that the Central Coast community of 300,000+ residents across Wyong Shire and Gosford City Councils, have not been adequately considered in the Environmental Plan with the only social references being made to Newcastle and Sydney. Council is concerned that the adverse impacts offshore mining can have on the environment will not only lead to environmental degradation but also to negative social and economical impacts as the natural beauty of the coastline is integrally linked with tourism and is one of the major factors for residents moving to or already living in the Shire.

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Council's main areas of concern include, but are not limited to:

- Air, noise, water and beach pollution
- Impacts on rare and threatened species listed under Federal and State legislation, and/or identified locally
- Acoustic affects of seismic testing
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Council would like you to fully assess and consider the environmental, social and economical impact of both the exploration activity and the potential mining activity associated with this application prior to the determination being made. Council strongly feels that the application should be rejected if it is found to be environmentally damaging and would like any further exploration for offshore mining resources to be prohibited.

To further support this Council resolved at it's meeting on 12th November 2008 to *"embark on a campaign to inform the public on the process and possible negative impacts of such an offshore mining proposal"*.

Council requests to be informed of any proceedings concerning this application.

I trust that the above comments are of assistance. If you require any further information, please contact me on (02) 4350 5555.

Yours sincerely,



Martin Johnson
Manager – Natural Resources



ASSET ENERGY PTY LTD

Our Ref: M08324

Date: 30 June 2010

Stephen Barry
Manager Technical Support & Petroleum Operations
Environmental Sustainability Branch
Mineral Resources Division
Department of Primary Industries
PO Box 344
Hunter Region Mail Centre
NSW 2310

Dear Steve,

**ENVIRONMENT PLAN – ASSET ENERGY SITE SURVEY AND EXPLORATION
DRILLING PROGRAM, PEP-11**

On behalf of Asset Energy Ltd, please find enclosed the updated (Rev 3) Environment Plan (EP) for the proposed site survey and exploration drilling program in Commonwealth waters within Permit Area PEP-11, located approximately 22 km east of Newcastle, New South Wales.

The EP is submitted in accordance with the requirements of the Offshore Petroleum and Greenhouse Gas Storage (Management of Environment) Regulations 2009. As previously discussed, the EP is submitted to be assessed under a staged approval process, whereby the drilling component of the EP is required to be assessed, with the survey component already approved (7 May 2010).

Please do not hesitate to contact me should you have any queries regarding the EP or proposed activities.

Yours sincerely,

Tobias Foster
Corporate Development Manager

on behalf of

David Breeze
Executive Director

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