

A cloud over coal-seam gas

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The coal-seam gas industry is going to have to get its act together, and fast, or it will not achieve anything like the future the share market expects.

Just about every group that looks at Australia's coal-seam gas industry says that there are too many players and that rationalisation is required. To date those concerns have come from those who saw the impossibility of constructing so much duplicated infrastructure.

But last night on *Four Corners* we saw an even more dangerous aspect to the over rapid development of our coal-seam gas – a farmer and environmentalist revolt at a time when such groups have great power in the federal parliament.

And to see the chairman of Macquarie Bank, David Clarke, telling AGL (and by implication most of the other coal seam majors) that they had lost community trust should be a massive wake up call for the industry. I suspect, with the calibre of management that has been recruited, that coal-seam gas players aim to win a race, not deal with communities or environmentalists. Yet loss of community trust can be a disaster for any industry in today's environment.

It will take a long time before the oil and gas industries restore the loss of global trust that followed the BP Gulf of Mexico disaster, where executives simply did not work out what they had to do and did not understand the risks.

In Australia we have not encountered a BP-style disaster but the management style seems similar – they have not worked out what they have to do and the risks they face.

And attacking rural communities can back-fire in Australia.

The federal government has been planning to attack large farming-based communities in the Murray-Darling Basin to provide long term water for the Murray River. There are already clear indications that the initial buy-back targets are simply not feasible in the current political environment.

Now we have a new ground-up revolt where doomsayers are suggesting the Great Artesian water table will be affected by too rapid a development of coal-seam gas.

I am not in the business of endorsing or denying those fears, but when you have a mad scramble for resources and that scramble is taking place in farming communities, then the miners better understand that they are treading down a dangerous path.

As things stand, the combination of repairing the damage of the floods and building a multitude of gas projects simultaneously probably presents a construction materials and labour drain that will seriously disrupt the nation.

Coal-seam gas is a great Australian resource, but the mad scramble to develop it quickly could actually endanger the industry.