

Premiers ignored warnings in pushing toxic coal-gas technology

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Linc Energy's underground coal gasification pilot plant at Chinchilla.

Queensland Labor governments ignored repeated warnings from senior mining executives about potentially catastrophic risks of an experimental coal-gas technology that is now blamed for one of the worst pollution incidents in the state's history.

Senior mining executives say they warned Queensland bureaucrats and at least one minister over several years that three "coal-gasification" projects the state government promoted as clean-energy initiatives could have dire environmental effects.

All three plants have since been shut after pollution issues, and one company, Linc Energy, is being prosecuted over soil contamination on the Darling

Downs that the government has described as possibly the biggest pollution case in Queensland history.

The three projects employed a technology called underground coal gasification, in which underground coal seams are ignited to generate gas.

Labor premiers Peter Beattie and Anna Bligh, along with senior Rudd government ministers, embraced it as cutting-edge “clean energy” despite international research showing it could contaminate water and soil with dangerous chemicals.

Mining executives and a former government investigator told *The Weekend Australian* that the Queensland government approved the expansion of the industry and assured the public of its safety even after being alerted to serious safety concerns.

Central Petroleum Limited chief operating officer Mike Herrington said that on three occasions in 2007-08 he warned Bligh government mining minister, Geoff Wilson, that UCG technology was dangerous and that Linc Energy’s facility had a terrible reputation in the industry.

“We took a really adamant stance that this industry was evil and needed to be stopped,” said Mr Herrington, who then worked at the Queensland Gas Company. “It sort of fell on deaf ears.”

He said he was shocked when an adviser to Mr Wilson confided that government inspectors no longer visited Linc’s plant because a water sample from the site had been spilled on a vehicle and stripped the paint.

Commercial-scale UCG operations have never been approved in the US or western Europe, in part because carcinogenic chemicals such as benzene contaminated the groundwater at US test sites. But in 1999 Linc Energy opened Queensland’s first UCG facility on Darling Downs farmlands near Chinchilla and the Beattie government became a joint venturer in the project through state-owned CS Energy.

Mr Beattie enthused about the technology and personally endorsed Linc. But former CS Energy chief executive, Richard Cottee said he pulled out of the joint venture in 2001 because it was unclear where toxic chemicals generated by coal-burning had gone.

Mr Cottee, who later became chief executive of the Queensland Gas Company, said he and other mining executives became concerned that a pollution incident at Linc’s UCG site could inflame opposition to

conventional coal-seam gas exploration, which taps natural gas in seams but does not burn coal.

He said he shared the concern with senior bureaucrats several times from 2004, and could not understand why the government continued to talk up the technology. “It always intrigued me,” Mr Cottee said. “I couldn’t understand it on environmental or economic grounds.”

In 2004, mining entrepreneur Peter Bond bought Linc and announced that he would build a \$500 million facility at the Chinchilla site to convert coal gas into “ultra-clean” diesel.

From 2007-13 Linc conducted four coal-seam trial burns, calling them environmentally safe.

But according to documents tabled during recent criminal proceedings against Linc, the company admitted to the government in March 2008 that its risk-assessment and safety procedures were inadequate during the first burn, and that staff had sought medical help for gas exposure.

The company’s own expert consultants warned Linc in 2009 that a “catastrophic” fracturing of the rock above the coal seam had released toxins into the groundwater.

Mr Herrington said he became aware of problems at the Linc site after talking to former employees of the company. He said he alerted Mr Wilson on three occasions, and it was after one of those meetings that the minister’s adviser explained why inspections at Linc had been abandoned.

“To me it almost defied belief for the regulator to say: ‘It’s too dangerous to go onto the site’,” Mr Herrington said.

A former investigator with the state’s Environmental Protection Agency, who declined to be named, said he and other inspectors were concerned about Linc but their superiors appeared reluctant to respond.

In April 2008, the Bligh government approved a second UCG plant near Chinchilla, operated by Carbon Energy. Conventional coal-seam gas companies were so concerned they organised a high-level briefing for senior state bureaucrats three months later, during which geologist Paul Wright outlined UCG’s dangers.

One executive who was present said the government was given a stark warning that pollution problems were almost inevitable and would be “on their heads”. The following year the government approved a third UCG

plant, at Kingaroy, run by Cougar Energy. But in July 2010 the government was forced to suspend both Cougar Energy and Carbon Energy operations after environmental incidents.

Cougar contaminated groundwater with benzene and the site never reopened; Carbon Energy was fined for releasing wastewater into a local creek and didn't resume operation until 2012.

Negative publicity about the incidents prompted the government to assure the public it was "not aware of any breaches by Linc Energy".

Linc has since been charged with contaminating farmlands near Chinchilla with potentially explosive and toxic gases, and since February last year farmers in a 320sq km area have been told not to dig deeper than two metres without consulting the government. Six properties have been confirmed as contaminated, and an expert report described the damage as "irreversible".

Linc's former chief executive, Mr Bond, said there was no proof Linc caused soil problems on neighbouring farms and said the case was based on selective quotation of internal company documents and unreliable expert testimony. Linc was committed for trial in March but the company is now being liquidated. The state government is considering charges against its former executives.

The Queensland government announced this week it has told 13 people associated with Linc that they will be investigated. And the Environment and Heritage Protection Department has issued Mr Bond with an Environmental Protection Order stipulating that he must decommission and rehabilitate the Linc site. Mr Bond said he would comply.

Mr Beattie acknowledged to *The Weekend Australian* that he knew the Linc Energy project involved some risks when he endorsed it as part of his government's drive to establish a coal-gas industry. But he said he had no recollection of any "alarm bells" ringing within the government or the mining industry about UCG.

Ms Bligh said her government became "wary" of UCG because of concerns about its safety, prompting a decision in early 2009 to allow only three pilot plants. She said she could not recall being told of any specific breaches by Linc.