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Scheme to rule on coal sites

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Queensland Premier Anna Bligh is set to unveil a new regulatory scheme in an attempt to resolve the escalating dispute between the liquefied natural gas (LNG) and underground coal gasification (UCG) industries.

The dispute surrounds overlapping tenements in the state's Bowen and Surat Basin.

Ms Bligh - who has been lobbied by both industries over the past year including BG chief executive Frank Chapman, who warned the dispute could delay \$15 billion worth of investment in the burgeoning LNG industry in Queensland - said she would not be picking one industry over the other.

"I think it's unlikely we will find a one-size-fits-all policy solution. I think what we are more likely to see is managing on a case-by-case basis," Ms Bligh told The Australian Financial Review.

"Ultimately there is an extraordinary resource there and there are a number of big players who want to be part of realising that."

The AFR understands a new regulatory framework will be put to cabinet, as early as today, in an attempt to clarify the overlapping tenements.

Under the new system, the limited number of UCG companies that have existing mineral development licences to undertake pilot work will be allowed to continue their trials and possibly go into production.

The remaining bulk of the disputed tenements are expected to be granted in favour of coal seam gas companies which are attempting to build a multi-billion-dollar LNG industry around Gladstone in central Queensland.

After existing overlapping tenements are dealt with, the government will then attempt to put a regulatory mechanism in place to deal with future applications for exploration permits in the Bowen and Surat Basin.

The battle between coal seam methane and underground coal gasification has often been pitched as a David and Goliath battle between the more established LNG industry versus the emerging technology of UCG.

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The two industries are unable to use the same tenement because the UCG process involves burning the coal to produce "synthesis gas" which can then be converted to diesel, petrol, jet fuel and ammonium nitrate, rendering it useless for LNG production.

Coal seam gas production removes water from the coal which is needed in the UCG process.

BG lobbied the government for a time limit of five years over tenements to see whether they could convert prospective licences into production licences.

MetroCoal chief executive Mike O'Brien, who is leading one of the UCG start-up companies, said he was confident of a compromise.

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