

Annual report on the cost effectiveness of the operations of NOPSEMA

Financial year 2017–2018



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About NOPSEMA

The National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) is Australia’s independent expert regulator for health and safety, structural and well integrity, and environmental management for offshore petroleum facilities and activities in Commonwealth waters.

By law, offshore petroleum activities cannot commence before NOPSEMA has assessed and accepted detailed risk management plans documenting and demonstrating how an organisation will manage the risks to health and safety to as low as reasonably practicable (ALARP) and the risk to the environment to ALARP and with acceptable environmental impacts.

For more information visit our website at nopsema.gov.au.

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NOPSEMA welcomes feedback from our stakeholders. Please direct all enquires and requests relating to this publication to communications@nopsema.gov.au.

Contact details

Head office—Perth

Level 8, 58 Mounts Bay Road
Western Australia

p: +61 (0) 8 6188 8700

f: +61 (0) 8 6188 8737

GPO Box 2568 Perth WA 6001



Foreword by the CEO

In 2017–18, the number of offshore petroleum hours worked in waters regulated by NOPSEMA more than doubled following two consecutive years of decline. Such a significant increase came from an unprecedented level of commissioning activity that fundamentally changed the risk profile of the industry and as a result the level of NOPSEMA's regulatory oversight. For the reporting period, NOPSEMA had total expenditure of \$31.74 million and an operating surplus of \$0.22 million. This compared to a \$5.06 million surplus reported in 2016–17, with the reduction in surplus primarily due to a decrease in the levies collected in 2017–18.

During 2018, NOPSEMA undertook a review of its Cost recovery implementation statement (CRIS), including consultation with industry. This review resulted in increases to NOPSEMA's levies, which took effect on 1 January 2019. The new regulations amended amounts of safety case levies, annual well levies, well activity levies and environment plan levies set out in the Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Regulations 2004, in line with NOPSEMA's revised CRIS.

The revisions ensure NOPSEMA's regulatory operations continue to be adequately cost-recovered as NOPSEMA has not increased its safety case or environment plan levies since 2014. Further, the changes to the well levies that took effect on 1 January 2016 were designed to be cost neutral as they included removal of the activity levy for individual well activity approvals.

NOPSEMA continues to maintain that safety is the number one priority for every individual working in the offshore industry, from senior executives to front line workers. Preventing major accident events (MAEs) is essential to protecting the safety of people at facilities and the environment. The duty to prevent MAEs is a shared responsibility of operators, titleholders, equipment suppliers, contractors and the workforce.

While NOPSEMA recognises the importance of preventing the potential catastrophic consequences of a MAE, the day-to-day personal safety of the workforce should also be at the forefront of all operations. The offshore workforce operate in a potentially dangerous environment and we owe those workers the safest conditions that can practically be achieved. NOPSEMA plays a key role through its compliance monitoring and the investigation of incidents in identifying situations where inadequate or failed barriers and systems could lead to a MAE or other unsafe operations.

In July 2017, NOPSEMA established the Transparency Initiative to align cross jurisdictional efforts to improve the transparency of offshore petroleum environmental management. The initiative is led by a steering committee comprising NOPSEMA, various federal and state government representatives, the peak offshore petroleum industry body, the Law Council of Australia and Seafood Industry Australia.

The Transparency Initiative also assisted in the establishment of NOPSEMA's Community and Environment Reference Group. Following expressions of interest, eight members were appointed to the group from varying backgrounds including commercial and recreational fishing, conservation and advocacy, small business and tourism, and more. The group provides NOPSEMA with their perspectives on the regulation of offshore petroleum environmental management. Consultation on petroleum activities and management of longer-term, cumulative environmental impacts have already been noted by the group as areas of interest.

No matter our role within the Australian offshore oil and gas industry, the challenge moving forward is to remain vigilant, even for subtle signs that safety and environmental performance is dropping. The sector has done well in continuing to improve safety and environmental outcomes over recent years despite pricing and cost pressures. Continuous improvement, collaborative efforts, and ongoing engagement will be essential for this success to continue.



Stuart Smith
Chief Executive Officer
NOPSEMA



1. NOPSEMA 2017–18 operations

1.1 Year in brief

This report covers the financial year 2017–18 (FY18) in which NOPSEMA fulfilled its responsibilities as the national regulator of offshore petroleum safety, well integrity and environmental management.

NOPSEMA's operating result was a surplus of \$0.22 million which is a decrease of \$4.84 million compared with prior year's surplus of \$5.06 million. The change in operating results is largely attributable to a decrease in levies collected.

Levies collected in 2017–18 covered a full twelve month period and have decreased by \$4.39 million on the prior year.

Table 1 NOPSEMA's 2017–18 financial result compared to 2016–17

INCOME STATEMENT				
<i>for the period ended 30 June 2018</i>				
	Actuals	Actuals	Variance	
	2017–18	2016–17	\$'000	%
	\$'000	\$'000	\$'000	%
INCOME				
Revenue—Cost recovery				
Levies	31,576	35,968	(4,392)	(12.2)
Interest	247	148	99	66.9
Other	137	116	21	18.1
	31,960	36,232	(4,272)	(11.8)
REVENUES FROM GOVERNMENT				
	-	-	-	-
Total revenue	31,960	36,232	(4,272)	(11.8)
EXPENSES				
Employee benefits	24,500	23,491	1,009	4.3
Suppliers	6,489	5,907	582	9.9
Depreciation and amortisation	749	1,771	(1,022)	(57.7)
Total expenses	31,738	31,169	569	1.8
Surplus / (deficit)	222	5,063	(4,841)	(95.6)

Total expenditure for 2017–18 was \$31.74 million, an increase of \$0.57 million on the prior year. Employee benefits increased in expenditure by \$1.01 million followed by supplier costs with an increase of \$0.58 million while depreciation and amortisation costs decreased by \$1.02 million. The amount expended on non-employee related expenses reduced slightly to 23% of total agency expenditure from 25% in 2016–17.

Cash on hand as at 30 June 2018 was \$11.86 million, a decrease of \$0.37 million compared to the prior year. Retained earnings for the period 30 June 2018 increased to \$15 million.

The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) came into effect on 1 July 2014 provides the legal framework for the governance, performance and accountability of, and the use and management of public resources by, the Commonwealth, Commonwealth entities and Commonwealth companies. Under the PGPA Act, NOPSEMA became a Commonwealth corporate entity that is financially separate from the Commonwealth. The entity is fully funded through cost recovery charges imposed under the *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Act 2003* and the Regulatory Levies Regulations.

Since 1 July 2014, NOPSEMA has been responsible for its own banking arrangements. The PGPA Act, section 59, enables NOPSEMA to invest relevant money under its own account. In 2017–18 NOPSEMA received \$0.25 million in interest from invested monies.

1.2 Achievement of budget targets

The financial result for 2017–18 was a surplus of \$0.22 million above the budget (Portfolio Budget Statements 2017–18) based on full cost recovery.

Table 2 NOPSEMA's 2017–18 financial result compared to budget

INCOME STATEMENT				
<i>for the period ended 30 June 2018</i>				
	Actuals	Budget	Variance	
	2017–18	2017–18	\$'000	%
	\$'000	\$'000	\$'000	
INCOME				
Revenue—Cost recovery				
Levies	31,576	32,273	(697)	(2.2)
Interest	247	100	147	147.0
Other	137	0	137	100.0
	31,960	32,373	(413)	(1.3)
REVENUES FROM GOVERNMENT				
Revenues from Government	-	-	-	-
Interest	-	-	-	-
	31,960	32,373	(413)	(1.3)
EXPENSES				
Employee benefits	24,500	25,342	(842)	(3.3)
Suppliers	6,489	6,257	232	3.7
Depreciation and amortisation	749	774	(25)	(3.2)
	31,738	32,373	(635)	(2.0)
Surplus / (deficit)	222	0	222	100.0

Note: 2017–18 Budget is from the Portfolio Budget Statements 2017–18, Budget Related Paper 1.12 Industry, Innovation and Science Portfolio.

Total levy revenue for 2017–18 was \$31.58 million which is \$0.70 million (2.2%) below budget. In 2017–18, despite an upward trend in the international commodity price for petroleum, levy revenue was below budget due to lower than expected submissions.

Total expenditure for 2017–18 was \$31.74 million; \$0.64 million (2%) lower than budgeted and comprising:

- Employee benefits were \$0.84 million lower than budget following a lift in the recruitment freeze, however NOPSEMA continues to maintain vacancies within the establishment headcount
- Supplier costs increased slightly to \$0.23 million above budget
- Depreciation and amortisation was \$0.03 million below budget.

1.3 Australian Government cost recovery policy

The financial report on cost effectiveness is provided in accordance with regulation 62 of the Regulatory Levies Regulations.

In December 2002, the Australian Government adopted a cost recovery policy designed to improve the consistency, transparency and accountability of its cost recovery arrangements and promote the efficient allocation of resources. The underlying principle of the cost recovery policy is that government departments and agencies should set charges to recover all the costs of products and services where it is efficient and effective to do so; where the beneficiaries are a narrow and identifiable group; and where charging is consistent with Australian Government policy objectives.



Cost recovery policy is administered by the Department of Finance and outlined in the Australian Government Cost Recovery Guidelines. The Australian Government Cost Recovery Guidelines, Resource Management Guide No. 304, was revised in July 2014 and is available at finance.gov.au.

The cost recovery guidelines are applied by all non-corporate Commonwealth entities and by selected corporate Commonwealth entities, where the Finance Minister has made a ‘government policy order’ that applies the Australian Government cost recovery policy to them.

1.4 Current cost recovery arrangements

NOPSEMA operates on a cost recovery basis through levies and fees collected from duty holders who are planning and undertaking offshore oil and gas operations. These arrangements ensure that NOPSEMA is sufficiently resourced to independently and effectively regulate safety, well integrity and environmental management (Table 3).

Table 3 NOPSEMA funding

Occupational health and safety	Well integrity	Environmental management
Safety case levies	Well levies	Environment plan levies
<ul style="list-style-type: none"> Safety management system Facility Pipeline 	<ul style="list-style-type: none"> Annual levy Well operations management plan 	<ul style="list-style-type: none"> Activity Compliance
Safety investigation levy	Well investigation levy	Offshore project proposal assessment
Fee for assessing safety cases		

NOPSEMA’s cost recovery arrangements consist of a range of fees and levies which vary depending on the type and scope of regulatory submissions (refer below Table 4 Levy rates).

As stated in the Portfolio Budget Estimates 2017–18, NOPSEMA has a single outcome: to promote and enforce the effective management of risks to the workforce, the environment and the structural integrity of facilities, wells and well-related equipment of the Australian offshore petroleum and greenhouse gas storage industries through regulatory oversight.

This outcome is managed through regulatory oversight of safety cases, well operations management plans and environment plan levies and cost recovery of investigation costs.



1.5 Cost recovery implementation statement (CRIS)

The CRIS provides information on how NOPSEMA implements cost recovery for the regulation of offshore facilities and activities. It also reports financial and non-financial performance information for these activities and contains financial forecasts. NOPSEMA conducts regular reviews of its CRIS to ensure that cost recovery arrangements are adequate and that it can continue to effectively discharge its regulatory functions.

Table 4 Levy rates

Levy	To 31 December 2018	From 1 January 2019
Safety case levies		
Facility Amount—unit value	\$35,000	\$38,500
SMS Amount—mobile facility	\$113,000	\$124,300
SMS Amount—not a mobile facility	\$170,000	\$187,000
Unit value for pipeline facility	\$14,000	\$15,400
SMS for pipeline facility	\$56,000	\$61,600
Environment plan levies		
Activity value	\$3,600	\$3,960
Compliance value	\$3,600	\$3,960
Well levies		
Annual well levy	\$4,125	\$4,540
Well operations management plan	\$35,000	\$38,500

1.6 Safety case levies

Safety case levies were introduced in January 2005. A safety case levy is payable when a safety case for a facility is accepted by NOPSEMA and the facility is located or proposed to be located in NOPSEMA’s jurisdiction. The definition of facility is outlined in Schedule 3, Clause 4 of the OPGGS Act. The definition includes vessels, structures (including any pipe or system of pipes), and licensed pipelines used for offshore petroleum operations or offshore petroleum greenhouse gas storage operations.

For vessels and structures, the safety case levy is an annual levy, imposed on the facility operator for the calendar year, or part thereof, depending on when the safety case comes into force. For licensed pipelines, the safety case levy is imposed on the pipeline licensee if a major revision of the safety case has come into force during the previous year. Safety case levies for a facility (other than a pipeline) are payable quarterly in arrears and remain payable for all years the facility operates in NOPSEMA’s jurisdiction.

NOPSEMA’s authority includes investigations into notifiable and reportable occupational health and safety (OHS) matters. NOPSEMA charges the operator an additional levy (safety investigation levy) to recover the costs associated with the investigation in excess of \$30,000.

Assessments

NOPSEMA in 2017–18 received 92 safety case assessments (90 in 2016–17), 45 scopes of validation (56 in 2016–17), and issued 90 safety case assessment notifications (88 in 2016–17). 98% of safety case notifications were completed within the legislated timeframe.



Table 5 Safety case assessment notifications for 2017–18

Assessment subtype	Number submitted ¹	Number notified ²	Number notified within specified time	% Notified within specified time
Safety case new	15	16	14	88%
Safety case revised	77	74	74	100%
Total safety cases	92	90	88	98%
Scope of validation	45	N/A	N/A	N/A
Diving safety management system new	3	3	3	100%
Diving safety management system revised	4	4	1	25%
Diving project plan	N/A	N/A	N/A	N/A
Diving start-up notice	8	8	8	100%
Total	60	15	12	80%

1 Based on date of submission

2 Assessments where NOPSEMA has formally notified the duty holder in writing. Based on date of first notification.

Table 6 Number of facilities subject to safety case levies during each financial year

Year	2012	2013	2014	2015	2016	2017	2018
Floating liquefied natural gas	0	0	0	0	0	1	1
Large platforms	2	3	3	3	3	3	3
Other platforms:							
Drilling or workover in commission	2	1	1	0	0	0	1
Drilling or workover not in commission	18	6	17	20	20	20	18
Floating production storage & offloading	9	11	10	10	10	11	10
Floating storage unit	2	2	1	1	1	1	2
Mobile offshore drilling unit	13	18	15	16	15	13	13
Vessel for laying pipes	6	20	16	14	14	11	16
Multi-purpose vessel	6	14	14	14	19	21	14
Pipeline	10	17	7	10	17	50	59
Not normally attended	40	18	16	16	15	15	11
Vessel or structure not otherwise listed	0	0	0	0	0	0	4
Total	108	110	100	104	114	146	152

The number of facilities subject to safety case levies during 2017–18 increased to 152 compared to 146 for the previous year. This increase was primarily due to a further increase in the number of pipelines subject to safety case levies, as seen in Table 6.

Inspections

For the reporting period, NOPSEMA completed a total of 96 safety inspections across a range of facilities and operators, this is an increase of 13 inspections from the previous period. Focus areas for inspections included:

Assets and ageing facilities:

- ageing facilities
- maintenance concerns in economic downturn
- facilities approaching end of life.

Third party equipment and services:

- well testing equipment
- diving equipment
- helicopter operations.

Safety assurance:

- audit and broader safety assurance
- SIF assurance – process safety.



NOPSEMA's planned inspections involved a range of activities, including:

- communication with OHS representatives and members of the workforce
- verifying that actions arising from recommendations of previous inspections had been completed
- confirming that hardware and procedural systems described in safety cases or diving safety management systems (DSMS) were implemented, obtaining evidence that such systems were functional and being maintained
- checking the operator's and diving contractor's arrangements for auditing their own systems and procedures
- testing personnel knowledge and understanding of selected aspects of the safety case or DSMS and supporting documents, as relevant.

All inspections were undertaken in an informed, risk-based and consistent manner.

NOPSEMA's targeted frequency for risk-based OHS inspections are:

- twice per year for normally attended production facilities and mobile offshore drilling units (MODU)
- on an opportunistic basis for diving operations, multi-purpose vessels, normally unattended facilities
- biennial (frequency increase or decrease based on a range of operator and pipeline based factors) for pipelines or subsea facilities with a high probability of people being at or near
- quadrennial (frequency increase or decrease based on a range of operator and pipeline based factors) for pipeline or subsea facilities with medium to low probability of people being at or near
- six weeks (where practical) from commencement of a non-drilling mobile facility operating in Australian Commonwealth waters for the first time
- three weeks (where practical) from commencement of a drilling mobile facility operating in Australian Commonwealth waters for the first time.

For mobile facilities that are not present in NOPSEMA's jurisdiction all year, the inspection targets are applied on a pro-rata basis.

In 2017–18, NOPSEMA's safety inspection frequency was in line with set targets.

Incident notifications

In 2017–18, there were 381 notifications relating to reportable OHS matters (260 in 2016–17). This figure comprised of 15 accidents (5 in 2016–17) and 366 dangerous occurrences (255 in 2016–17). There were also an additional 13 OHS-related complaints (2 in 2016–17).

1.7 Well levies

Well levies were introduced on 17 June 2011 comprising an annual levy and an activity levy. NOPSEMA is responsible for the administration of Part 5 – Well operations management plans and well activities under the Offshore Petroleum Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011 (Wells Regulations).

The annual well levy is payable on 1 January each year and is based on the number of non-abandoned wells that existed in a title area in the preceding calendar year. The amount per well, for 2017–18 is \$4,125.

The well activity levy is payable at the time a registered holder of a petroleum title submits an application for acceptance of a WOMP. NOPSEMA is authorised to impose an additional well investigation levy to recover costs reasonably incurred in relation to a well investigation.

Assessments

During 2017–18, a total of 36 WOMP submissions were received (49 in 2016–17), where 94% of assessments for 2017–18 were notified within the legislated timeframes. In 2016, amendments to the Wells Regulations 2011 included the phasing out of the applications for approval to undertake a well activity (AAUWA), with only three AAWUA's submitted in 2017–18, compared to 63 in 2016–17.

Table 7 Well integrity assessment notifications for 2017–18

Assessment subtype	Number submitted	Number notified	Number notified within specified time	% Notified within specified time
WOMP—new	23	24	23	96%
WOMP—revisions	13	12	11	92%
Total	36	36	34	94%

Inspections

Eight risk-based inspections of titleholder’s regulatory compliance with respect to their management of well operations were completed in 2017–18, this is an increase of three from 2016–17. Focus areas for inspections included:

- ageing wells
- well barrier management
- risk management processes
- monitoring and auditing of well integrity management systems
- emergency response – well blow-out contingency planning
- management of change.

1.8 Environment plan levies

On 1 January 2012, NOPSEMA’s regulatory functions and responsibilities were expanded to include environmental management. To fund NOPSEMA’s expanded responsibilities, levies for environment plans (EPs) were introduced, effective from 1 January 2012. The EP levy is comprised of two components: an ‘activity amount’ and a ‘compliance amount.’

The range in complexity that may occur between different petroleum activities and subsequently impact on regulatory effort required to assess the submission is reflected in the levy calculation method in relation to each EP.

The activity component of the levy is payable on submission of an EP or when a proposed revision is submitted and is due 30 days after submission.

The compliance amount is payable in instalments each calendar year for the duration of the petroleum activity, rounded up to the nearest whole year, with the first compliance levy payable on submission and thereafter annually on 1 January.





Table 8 Environment plan assessment notifications for 2017–18

Assessment subtype	Number submitted	Number notified	Number notified within specified time	% Notified within specified time
Environment plan—new	22	22	22	100%
Environment plan—revised	15	14	14	100%
Offshore project proposal – Stage 2	1	1	1	100%
Total	38	37	37	100%

NOPSEMA in 2017–18 received 38 EP submissions (37 in 2016–17).

Inspections

In 2017–18, NOPSEMA conducted 51 environmental management inspections. Inspections are conducted covering a range of petroleum activities, including seismic surveys and drilling and production operations. Due to the fluctuations in petroleum activities occurring, environmental inspection activities scale in relation to the number of submissions received.

All inspections undertaken were done in an informed, risk-based and consistent manner with particular regard to the following environmental risk factors:

- the environment that may be affected by planned activities and/or unplanned events, including matters protected under Part 3 of the *Environment and Biodiversity Conservation Act 1999*
- socio-economic values and sensitivities
- target hydrocarbon type (where applicable)
- industry trends in recordable and reportable environmental incidents.

NOPSEMA has established the following environmental management inspection targets:

- all new titleholders undertaking exploration or development activity—prior to or during the first activity
- production activities
 - at least annually for Group III, IV or V oils
 - opportunistically for Group I and II oils
- drilling activities
 - prior to or during the activity for Group III, IV or V oils
 - opportunistically for Group I and II oils
- seismic activities
 - prior to or during the activity for all surveys overlapping habitat critical to survival, or biologically important areas during an important life cycle stage for EPBC-listed species, or where specific controls are required to manage interactions with a particular socio-economic value or sensitivity
 - opportunistically for other seismic activities

During 2017–18, all policy targets for inspections were met.

Incident notifications

In 2017–18, there were 14 notifications relating to reportable environmental management matters from 10 in 2016–17.



2. Cost effectiveness of NOPSEMA operations 2017–18

2.1 Activities and costs

During the period, NOPSEMA received 373 submissions of the following types:

- safety case
- scope of validation
- diving safety management system
- diving start-up notice
- well operation management plan
- environmental plan
- petroleum safety zone application
- offshore project proposals.

Of these submissions, 323 were notified within specified timeframes.

Details of NOPSEMA's activity during the 2017–18 are summarised in the NOPSEMA Annual Report 2017–18 available at nopsema.gov.au.

2.2 Asset management

As at 30 June 2018, NOPSEMA had two office lease agreements in Perth and Melbourne. A new third office lease commenced in Melbourne on 1 June 2018, with a view to transferring all staff and terminating the old lease in 2018–19.

Throughout 2017–18, NOPSEMA continued to develop its regulatory management system (RMS) software to enhance functionality for occupational health and safety, well integrity and the environment management functions.

NOPSEMA's non-financial assets at the end of 2017–18 had a fair value (acquisition cost) of \$13.71 million (\$13.07 million in 2016–17) and a carrying value (depreciated value) of \$2.62 million (\$2.48 million in 2016–17).

2.3 Organisational effectiveness in 2017–18

Organisational effectiveness is determined by assessing the extent to which the desired outcomes and goals of the organisation have been achieved.

The objectives and performance measurement of NOPSEMA and the industry are addressed in NOPSEMA's corporate plan available at nopsema.gov.au. The section below outlines how NOPSEMA performed its legislated functions as specified in its corporate plan 2017-22.

NOPSEMA Corporate Plan 2017 – 22

In 2017–18, NOPSEMA continued to challenge industry to secure compliance with the legislation and drive improved outcomes.

During the reporting period, NOPSEMA operated in accordance with its corporate plan 2017-22. Key achievements included:

- maintaining efficient and effective regulatory oversight of offshore petroleum operations through rigorous assessment, inspection and investigation activities
- publishing key guidance documents on the NOPSEMA website, including new well integrity and decommissioning information
- improving transparency in relation to environmental management decisions
- improving consultation processes and increased liaison with key stakeholders
- hosting a series of open days to assist stakeholders in better understanding the environmental management approvals process
- driving cooperative risk management solutions in oil spill preparedness and response within industry

- publishing comprehensive data sets showing industry and NOPSEMA performance
- publishing editions of the Regulator magazine to keep stakeholders informed of NOPSEMA's activities and priorities, relevant legislative reform, and emerging industry issues.

NOPSEMA faced a number of internal and external challenges relating to the operational environment, which have and will continue to influence regulatory priorities including:

- industry ageing infrastructure
- oil and gas commodity price volatility
- new technologies
- increasing community expectations
- decommissioning
- reduced exploration effort
- recruitment, retention and development of competent staff
- maintaining organisation values-based culture in the face of continuing macro-environmental changes
- fulfilling digital transformation obligations.

2.4 Industry data and incidents

NOPSEMA is due to publish the Annual Offshore Performance Report in mid-2019, and while analysis continues, preliminary performance data for 2018 (subject to change) indicates:

- total hours worked was 16.9 million hours, an increase of 31% from the 12.9 million hours worked in 2017
- no fatalities were reported
- seven serious injuries were reported to NOPSEMA in 2018, which is an increase from four reported in 2017
- 58 injuries sustained onboard offshore facilities in 2018, a 11.5% increase on the 52 injuries reported in 2017
- six accidents (resulting in incapacitation \geq 3 days LTI) were reported in 2018, which is the same as the number reported in 2017
- dangerous occurrences totaled 387, which is the highest number since 2009
- uncontrolled hydrocarbon releases increased by 36%, from 25 in 2017 to 34 in 2018
- environmental reportable incidents increased by 25%, from 12 in 2017 to 15 in 2018.

2.5 Key performance indicators relating to NOPSEMA's activities

The NOPSEMA Annual Report 2017–18 contains summary information on NOPSEMA's performance throughout the financial year on the core activities of inspections, assessments, investigations and enforcements, including:

- Regulatory submissions (across all types) decreasing to 373, compared to 429 in 2016-2017.
- Inspections increasing to 155 (compared to 132 in 2016–17), with the 2017–18 total comprising 51 environmental management, 96 occupational health and safety and 8 well integrity inspections.
- Investigations increasing to 184 (compared to 132 in 2016–17), with the 2017–18 total comprising 7 environmental management, 164 occupational health and safety and 13 well integrity investigations.
- Enforcement actions decreasing to 19 (compared to 31 in 2016–17), with the 2017–18 total comprising 4 environmental management, 14 occupational health and safety and 1 well integrity enforcements.
- Undertaking a total of 771 liaison meetings with duty holders, government, industry, and other stakeholders on a range of safety, well integrity, and environmental management matters.
- Providing testimony before, or submissions to, various parliamentary hearings and inquiries, including those conducted by the Senate Standing Committees on Environment and Communications, the Senate Standing Committee on Economics Legislation, the Senate Select Committee on Red Tape, and the Legislative Council Standing Committee on Public Administration.
- NOPSEMA met all three targets of the Australian Work Health and Safety Strategy 2012–202



3. Outlook for 2018–19

Table 9 Outlook for 2018–19

INCOME STATEMENT	Budget Estimate	Audited Actuals	Variance	
	2018–19	2017–18	\$'000	%
	\$'000	\$'000	\$'000	%
INCOME				
<i>Revenue—Cost recovery</i>				
Levies	34,693	31,576	3,117	9.9
Interest	150	247	(97)	(39.3)
Other	-	137	(137)	(100.0)
	34,843	31,960	2,883	9.0
REVENUES FROM GOVERNMENT	-	-	-	-
Revenues from Government	-	-	-	-
Interest	-	-	-	-
Total revenue	34,843	31,960	2,883	9.0
EXPENSES				
Employee benefits	27,291	24,500	2,791	11.4
Suppliers	6,532	6,489	43	0.7
Depreciation and amortisation	1,020	749	271	36.2
Total expenses	34,843	31,738	3,105	9.8
Surplus / (deficit)	-	222	(222)	(100.0)

Note: 2018–19 Budget is the budget published in the Portfolio Budget Statements 2018–19 Budget Related Paper No. 1.13A Jobs and Innovation Portfolio (Industry, Innovation and Science).



3.1 The year ahead

The primary objective for NOPSEMA has always been to ensure health, safety, and environmental outcomes are not compromised no matter the challenges faced by industry, and this will remain in the year ahead. However, a key driver of this will be increased transparency and engagement.

In 2019, the government's reforms to increase transparency around environmental assessments will commence. This will include the publication of environment plans, providing an opportunity for any interested parties to provide feedback on the plans prior to their assessment by NOPSEMA. This reform will ensure all views are heard and considered, and ultimately build greater confidence in the regulatory regime.

In the year ahead NOPSEMA will also continue efforts to increase engagement with the workforce, both directly and through their representatives. Collaborative efforts between industry, government and the workforce can play a key role in improve the health and safety outcomes. NOPSEMA welcomes feedback from the workforce and looks forward to new engagement opportunities.

Following the levy review undertaken in 2018, a 10% increases in levies took affect on 1 January 2019 (see table 4 for revised levies). This review was undertaken through a consultation-driven process to develop a revised CRIS for 2018–19.

In 2019, NOPSEMA will commence a comprehensive levy framework review as part of the process for the Department of Industry, Innovations and Science to remake the environment and safety regulations, which are expected to sunset in 2019 and 2020 respectively. The levy framework review will include industry consultation as it progresses.

Australia has one of the world's leading regulatory frameworks for offshore oil and gas, and NOPSEMA will continue to demonstrate to all stakeholders the value of our objective-based regime and the administration of it by an independent, expert-based regulator.

3.2 Staffing levels (full time equivalents)

NOPSEMA's staffing level for 2017–18 increased to 113 full time equivalents (FTE's) as at 30 June 2018 compared to 108 FTE's as at 30 June 2017.

The authority had 131 approved positions as at 30 June 2018 equating to 128 FTEs. Staffing requirements are reviewed on an ongoing basis taking into consideration any requirements for specific expertise to deliver NOPSEMA's legislated functions.

NOPSEMA's staffing levels are continually reviewed as part of its planning processes and to reflect the need for NOPSEMA to fully acquit its regulatory functions at 'best practice'.

3.3 Stakeholder engagement

In April 2018, NOPSEMA's Chief Executive Officer and Chief Financial Officer conducted an industry briefing on the cost effectiveness report for 2016–17. The briefing was conducted in-person at NOPSEMA's Perth office and via teleconference at NOPSEMA's Melbourne office.





Ernst & Young
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
ey.com/au

22 February 2019

Mr Stuart Smith
Chief Executive Officer
NOPSEMA
Level 8, 58 Mounts Bay Road
Perth WA 6000

REPORT OF FACTUAL FINDINGS

To the Chief Executive Officer of the National Offshore Petroleum Safety and Environmental Management Authority ("NOPSEMA").

Report of factual findings

We have performed the procedures agreed with you to report factual findings for the purpose of assisting you in assessing, in combination with other information obtained by you, the accuracy of the Financial Report on Cost Effectiveness for the 2017-2018 financial year. The procedures performed are detailed in the terms of the engagement of 21 November 2018 and described below.

Management's responsibility for the procedures agreed

Management are responsible for the adequacy or otherwise of the procedures agreed to be performed by us. You are responsible for determining whether the factual findings provided by us, in combination with any other information obtained, provide a reasonable basis for any conclusions which you or other intended users wish to draw on the subject matter.

Assurance practitioner's responsibility

Our responsibility is to report factual findings obtained from conducting the procedures agreed. We conducted the engagement in accordance with Standard on Related Services ASRS 4400 Agreed-Upon Procedures Engagements to Report Factual Findings.

Because the agreed-upon procedures do not constitute either a reasonable or limited assurance engagement in accordance with Standards issued by the Auditing and Assurance Standards Board, we do not express any conclusion and provide no assurance on the accuracy of the Financial Report on cost effectiveness for the 2017-18 financial year. Had we performed additional procedures or had we performed an audit or a review of the Financial Report on cost effectiveness in accordance with Standards issued by the Auditing and Assurance Standards Board, other matters might have come to our attention that would have been reported to you.

Independence

We have complied with ethical requirements equivalent to those applicable to Other Assurance Engagements, including independence.

Factual findings

The procedures were performed solely to assist you in evaluating the accuracy of the Financial Report on cost effectiveness for the 2017-18 financial year. The procedures performed and the factual findings obtained are as follows:

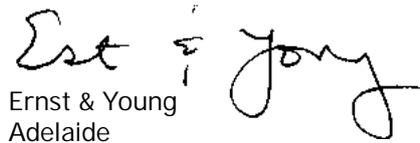
Procedures performed	Factual findings	Errors or exceptions identified
1. We have agreed the "Actuals 2017-18" column of the Income Statement disclosed in Table 1 to the audited 2017-18 NOPSEMA Financial Statements.	Amount agreed.	None.
2. We have agreed the "Actuals 2016-17" column of the Income Statement disclosed in Table 1 to the audited 2016-17 NOPSEMA Financial Statements.	Amount agreed.	None.
3. We have recalculated the variations (both \$'000's and as a percentage) between the "Actuals 2017-18" and "Actuals 2016-17" in Table 1.	Recalculated without exception.	None.
4. We have agreed the "Actuals 2017-18" column of the Income Statement disclosed in Table 2 to the audited 2017-18 NOPSEMA Financial Statements.	Amount agreed.	None.
5. We have recalculated the variations (both \$'000's and as a percentage) between the "Actuals 2017-18" and "Budget 2017-18" in Table 2.	Amount agreed.	None.
6. We have agreed the "Audited Actuals 2017-18" column of the Income Statement disclosed in Table 9 to the 2017-18 NOPSEMA Financial Statements.	Amount agreed.	None.
7. We have recalculated the variations (both \$'000's and as a percentage) between the "Audited Actuals 2017-18" and "Budget Estimate 2017-18" in Table 9.	Recalculated without exception.	None.

Restriction on use of report

This report is intended solely for the use of NOPSEMA for the purpose set out above. As the intended user of our report, it is for you and other intended users to assess both the procedures and our factual findings to determine whether they provide, in combination with any other you have obtained, a reasonable basis for any conclusions which you wish to draw on the subject matter. As required by ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings*, distribution of this report is restricted to those parties that have agreed the procedures to be performed with us (since others, unaware of the reasons for the procedures, may misinterpret the results).

Our report may be relied upon by NOPSEMA for the purpose set out above only pursuant to the terms of our engagement letter dated 21 November 2018.

We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party or the reliance upon our report by the other party.



Ernst & Young
Adelaide

22 February 2019



NOPSEMA

Head Office—Perth

Level 8
58 Mounts Bay Road
Perth WA 6000

GPO Box 2568
PERTH WA 6001

p: +61 08 6188 8700
f: +61 08 6188 8737