



## Update to APPEA Method for Estimating Financial Assurance

On 20 December 2018 following independent validation, NOPSEMA has endorsed the 2018 APPEA method for Estimating Levels of Financial Assurance.

When used in conjunction with NOPSEMA's process for making financial assurance declarations and confirmations, NOPSEMA considers the 2018 APPEA method to be a suitable form for demonstrating financial assurance as a prior condition to acceptance of an environment plan.

There has been no change to NOPSEMA approach to regulation of Financial Assurance and NOPSEMA does not prescribe any single approach to calculating levels of financial assurance. The APPEA method may not be appropriate in all individual circumstances and it is up to the titleholder's discretion as to its application.

Titleholders remain free to use other cost calculation tools available in the public area or develop their own practical approach for determining what level of financial assurance may be appropriate for their activities.

Where an alternative calculation approach is used, independent validation and endorsement is required. Titleholders should engage NOPSEMA early in such instances to discuss the requirements and ensure there is sufficient lead time to identify the need for validation and endorsement.

For further policy and guidance, please refer to [NOPSEMA](#).

For further detail on the 2018 APPEA method, please refer to [APPEA](#).

### What has changed in the APPEA method?

The boundaries of the 2018 APPEA method extend to encompass oil spill incident scenarios in which the total volume of hydrocarbon released is <1,250,000m<sup>3</sup> and the total volume of oil ashore is <40,000m<sup>3</sup>. Indicative cost bandings have been revised following update in costings for well control and operational response costs **which has the potential to affect the level of financial assurance required to be held.**

APPEA has developed a Management of Change (MoC) process to assist titleholders in reviewing, and where appropriate, updating their level of financial assurance. The MoC process includes a list of all the changes from the 2014 APPEA method.

### What does this mean for environment plans in force or submitted before endorsement?

NOPSEMA considers it acceptable for confirmation forms for environment plans to reference the APPEA method that was in place **at the time of submission of the environment plan.**

Financial Assurance Confirmation forms associated with environment plans submitted prior to 20 December 2018 may reference the 2014 APPEA method.

Titleholders will not be required to submit a new Financial Assurance Declaration form, however will be subject to compliance monitoring requirements (see additional detail below – *What does this mean for ongoing compliance?*)

### What does this mean for environment plans submitted after endorsement?

After 20 December 2018 NOPSEMA will accept financial assurance confirmations made in accordance with the 2018 method as a suitable means for complying with Regulation 5G (demonstration of financial assurance as a prior condition to acceptance of an environment plan).

References made to the 2014 method will no longer be considered an acceptable means of demonstrating financial assurance as a pre-condition to acceptance of an environment plan.

Where an existing Financial Assurance Declaration form has been submitted to NOPSEMA for a title, titleholders will not be required to submit a new Financial Assurance Declaration however will be subject to compliance monitoring requirements (see additional detail below – *What does this mean for ongoing compliance?*).

### What does this mean for ongoing compliance?

Section 571 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGGS Act) sets an obligation on titleholders to maintain sufficient financial assurance to meet costs, expenses and liabilities arising in connection with petroleum activities.

Titleholders should continue to implement internal processes to ensure that they continue to maintain sufficient financial assurance to meet their obligations under s571 of the OPGGS Act and ensure their Financial Assurance Declarations remain valid.

Titleholders should regularly review their cost calculation to ensure it remains relevant and provides sufficient financial assurance in order to meet the financial assurance duty.

NOPSEMA expects that where titleholders have utilised the 2014 APPEA method as a means of estimating financial assurance the update of the method will trigger internal processes to confirm that compliance is being maintained with s571 of the OPGGS Act. This is an internal titleholder process. APPEA's Management of Change process was developed to support titleholders complete this task.

NOPSEMA may request to see records demonstrating the review was undertaken through future inspections. NOPSEMA has provided a three month transition period for this internal review process to be completed by titleholders.

Further information regarding NOPSEMA's approach to compliance monitoring of financial assurance requirements is provided in '[Guideline – Financial Assurance for Petroleum Titles](#)'

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For more information see [nopsema.gov.au](http://nopsema.gov.au).