



NOPSEMA | Australia's offshore
energy regulator

Annual report on the cost effectiveness of the
operations of NOPSEMA

Financial year 2018–19



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Foreword by the CEO



In 2018-19, industry activity regulated by NOPSEMA started the financial year strongly, with a new peak in commissioning and production activity, represented by 16.9 million hours worked offshore in 2018. By the end of the financial year industry activity was tapering off as commissioning activity concluded and major projects shifting into production. This resulted in a 32 percent decrease in hours worked offshore, to 11.6 million hours in 2019. For the 2018-19 reporting period, NOPSEMA had total expenditure of \$34.54 million and an operating deficit of \$1.43 million. This compared to a \$0.22 million surplus reported in 2017-18, with the reduction in surplus primarily due to an increase in operating expenses in 2018-19.

In 2019, an increase in levies took effect, the first in five years, following a review of NOPSEMA's Cost recovery implementation statement (CRIS), including consultation with industry, in 2018. New regulations amended amounts of safety case levies, annual well levies, well activity levies and

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 need to ensure NOPSEMA's regulatory operations continue to be adequately cost-recovered is apparent when examining the size of the industry activity regulated by NOPSEMA, and the level of regulatory assessment undertaken in 2019. Last year NOPSEMA had responsibility for regulating 158 offshore facilities, which comprised platforms, floating production storage and offloading vessels, mobile offshore drilling units, vessels, pipelines, and subsea infrastructure. In addition, NOPSEMA assessed 73 safety cases, 29 well operations management plan, and 41 environment plan, plus conducted 192 inspections.

Throughout the reporting period, NOPSEMA was subject to a range of external scrutiny through inquiries conducted by parliamentary committees, the Australian National Audit Office, the Commonwealth Ombudsman, the Freedom of Information Commissioner and Senate Estimates hearings. A recent example was the independent audit of NOPSEMA's consideration of exploration in the Great Australian Bight by Australia's Chief Scientist. The audit recognised NOPSEMA as a "highly skilled, professional and competent regulator" with "appropriate processes and practices to ensure environment plans are assessed against relevant, sufficient and complete scientific and technical information".

NOPSEMA has long held an international role as Australia's representative to the International Regulators Forum (for offshore oil and gas safety) and the International Offshore Petroleum Environment Regulators forum. Building on this role, in 2019 NOPSEMA represented the Australian Government at the inaugural meeting of the Global Offshore Wind Regulators Forum. While within our immediate region, NOPSEMA signed a memorandum of understanding with our counterpart regulatory in Timor-Leste, the Autoridade Nacional do Petróleo e Minerais (ANPM). With oil and gas fields shared between Australia and Timor-Leste in the Joint Petroleum Development Area, the memorandum of understanding was an important step in continuing to strengthen the relationship between the two regulators, and providing greater regulatory certainty to industry.

No matter NOPSEMA's role within the Australian offshore oil and gas industry or more broadly, the duty to protect the offshore workforce and the environment in which we all work and live is a shared responsibility across all industry participants. The challenge moving forward is to remain vigilant, even for subtle signs that safety and environmental performance is dropping. Continuous improvement, collaborative efforts, and ongoing engagement will be essential for our success to continue.

Stuart Smith
Chief Executive Officer
NOPSEMA

1. NOPSEMA 2018 - 19 operations



1.1 Year in review

This report covers the financial year 2018–19 (FY19) 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 deficit of \$1.43 million which is a decrease of \$1.65 million compared with prior year's surplus of \$0.22 million. The change in operating results is largely attributable to an increase in expenditure.

Levies collected in 2018–19 covered a full twelve month period and have increased by \$0.69 million on the prior year.

Table 1: NOPSEMA's 2018–19 financial result compared to 2017–18

INCOME STATEMENT				
<i>for the period ended 30 June 2019</i>				
	Actuals		Variance	
	2018–19	2017–18		
	\$'000	\$'000	\$'000	%
INCOME				
<i>Cost recovery revenue</i>				
Levies	32,267	31,576	691	2.0
Interest	285	247	38	15.0
Other	557	137	420	306.6
	33,109	31,960	1,149	3.6
<i>Revenues from Government</i>				
	-	-	-	-
Total revenue	33,109	31,960	1,149	3.6
EXPENSES				
Employee costs	26,165	24,500	1,665	6.8
Suppliers	7,465	6,489	976	15.0
Depreciation and amortisation	911	749	162	21.6
Total expenses	34,541	31,738	2,803	8.8
Surplus / (deficit)	(1,432)	222	(1,654)	(745.0)

Total expenditure for 2018–19 was \$34.54 million, an increase of \$2.8 million on the prior year. Employee benefits increased in expenditure by \$1.67 million followed by supplier costs with an increase of \$0.98 million while depreciation and amortisation costs increased by \$0.16 million. The amount expended on non-employee related expenses increased slightly to 24% of total agency expenditure (23% in 2017–18).

Cash on hand as at 30 June 2019 was \$13.12 million, an increase of \$1.26 million compared to the prior year. Retained earnings for the period 30 June 2019 decreased to \$13.57 million.

The *Public Governance, Performance and Accountability Act 2013 (PGPA Act)* came into effect on 1 July 2014 and 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 (OPGGs Act)* and *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Regulations 2004 (OPGGs 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 2018–19 NOPSEMA received \$0.29 million in interest from invested monies.

1.2 Achievement of budget targets

The financial result for 2018–19 was a deficit of \$1.43 million against the budget (Portfolio Budget Statements 2018–19) based on full cost recovery.

Table 2: NOPSEMA's 2018-19 financial result compared to budget

INCOME STATEMENT				
<i>for the period ended 30 June 2019</i>				
	Actuals	Budget	Variance	
	2018–19	2018–19		
	\$'000	\$'000	\$'000	%
INCOME				
<i>Revenue - Cost recovery</i>				
Levies	32,267	34,693	(2,426)	(7.0)
Interest	285	150	135	90.0
Other	557	-	557	100.0
	33,109	34,843	(1,734)	(5.0)
<i>Revenues from Government</i>				
Revenues from Government	-	-	-	-
Interest	-	-	-	-
	-	-	-	-
Total revenue	33,109	34,843	(1,734)	(5.0)
EXPENSES				
Employee benefits	26,165	27,291	(1,126)	(4.1)
Suppliers	7,465	6,532	933	14.3
Depreciation and amortisation	911	1,020	(109)	(10.7)
Total expenses	34,541	34,843	(302)	(0.9)
Surplus / (deficit)	(1,432)	-	(1,432)	-

Note: 2018–19 Budget is from the Portfolio Budget Statements 2018–19, Budget Related Paper 1.13A Industry, Innovation and Science Portfolio.

Total levy revenue for 2018–19 was \$32.27 million which is \$2.42 million (7.0 %) below budget due to lower than expected submissions.

Total expenditure for 2018–19 was \$34.54 million; \$0.30 million (0.9%) lower than budgeted and comprising:

- Employee benefits were \$1.13 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 \$0.93 million above budget.
- Depreciation and amortisation was \$0.11 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 *OPGGs 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 (reference point 7 on Australian Government Cost Recovery Guidelines). NOPSEMA is a selected corporate Commonwealth entity for the purpose of cost recovery.

The cost recovery mechanism that NOPSEMA operates under is governed by the *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Act 2003* and *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Regulations 2004*.

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 <ul style="list-style-type: none">● Safety management system● Facility● Pipeline	Well levies <ul style="list-style-type: none">● Annual levy● Well operations management plan	Environment plan levies <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 2018–19, 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 recover implementation statement

The cost recovery implementation statement (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

Table 4: Levy rates

Levy	at 30 June 2019
Safety case levies	
Facility Amount - unit value	\$38,500
SMS Amount - mobile facility	\$124,300
SMS Amount - not a mobile facility	\$187,000
Unit value for pipeline facility	\$15,400
SMS for pipeline facility	\$61,600
Environment plan levies	
Activity value	\$3,960
Compliance value	\$3,960
Well levies	
Annual well levy	\$4,540
Well operations management plan	\$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 2018–19 received 87 safety case assessments (92 in 2017–18), 46 scopes of validation (45 in 2017–18), and issued 86 safety case assessment notifications (90 in 2017–18). 99% of safety case notifications were completed within the legislated timeframe.

Table 5: Safety case assessment notifications for 2018-19

Assessment subtype	Number submitted ¹	Number notified ²	Number notified within specified time	% Notified within specified time
Safety case new	9	8	8	100%
Safety case revised	78	78	77	99%
Total safety cases	87	86	85	99%
Scope of validation	46	45	N/A	N/A
Diving safety management system new	1	1	1	100%
Diving safety management system revised	8	7	7	100%
Diving project plan	N/A	N/A	N/A	N/A
Diving start-up notice	11	11	N/A	N/A
Total	66	19	8	100%

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	2013	2014	2015	2016	2017	2018	2019
Floating liquefied natural gas	0	0	0	0	1	1	1
Large platforms	3	3	3	3	3	3	3
Other platforms:							
Drilling or workover in commission	1	1	0	0	0	1	1
Drilling or workover not in commission	6	17	20	20	20	18	18
Floating production storage & offloading	11	10	10	10	11	10	9
Floating storage unit	2	1	1	1	1	2	3
Mobile offshore drilling unit	18	15	16	15	13	13	12
Vessel for laying pipes	20	16	14	14	11	16	17
Multi-Purpose Vessel	14	14	14	19	21	14	8
Pipeline	17	7	10	17	50	59	68
Not normally attended	18	16	16	15	15	11	11
Vessel or structure not otherwise listed	0	0	0	0	0	4	4
Total	110	100	104	114	146	152	155

The number of facilities subject to safety case levies during 2019 increased to 155 compared to 152 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 123 safety inspections across a range of facilities and operators, this is an increase of 14 inspections from the previous period. Focus areas for inspections in 2018-19 included:

1. Assets and ageing facilities.
2. Third party equipment and services.
3. Safe Isolation of Plant and Equipment.
4. Investigation / Audit.
5. BOP systems for MODUs new to the regime.
6. Loss of Station Keeping (mooring and DP) for MODUs, FPSOs and vessel facilities.

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; and
- 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; and
- 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 2018–19, NOPSEMA's safety inspection frequency was in line with set targets.

Incident notifications

In 2018–19, there were 387 notifications relating to reportable OHS matters (382 in 2017–18). This figure comprised of 8 accidents (16 in 2017–18) and 379 dangerous occurrences (366 in 2017–18). There were also an additional 6 OHS-related complaints (13 in 2017–18).

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 OPGGS (Resource Management and Administration) Regulations 2011.

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 2018–19 is \$4,540.

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 2018–19, a total of 22 WOMP submissions were received (36 in 2017-18), where 100% of assessments for 2018–19 were notified within the legislated timeframes.

Table 7: Well integrity assessment notifications for 2018-19

Assessment subtype	Number submitted	Number notified	Number notified within specified time	% Notified within specified time
WOMP - new	12	10	10	100%
WOMP - revisions	10	10	10	100%
Total	22	20	20	100%

Inspections

Ten risk-based inspections of titleholder's regulatory compliance with respect to their management of well operations were completed in 2018–19. Focus areas for inspections included well barriers and aging wells.

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 installments 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 2018-19

Assessment subtype	Number submitted	Number notified	Number notified within specified time	% Notified within specified time
Environment plan - new	22	21	21	100%
Environment plan - revised	15	14	14	100%
Offshore project proposal – Stage 1	2	2	2	100%
Offshore project proposal – Stage 2	1	1	1	100%
Total	40	38	38	100%

NOPSEMA in 2018–19 received 40 EP submissions (38 in 2017–18).

Inspections

In 2018–19, NOPSEMA conducted 42 environmental management inspections. Inspections are conducted covering a range of petroleum activities, 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 2018–19, all policy targets for inspections were met.

Enforcements

In 2018–19, there were ten enforcement notifications relating to reportable environmental management (EM) matters (8 in 2017–18). These ten comprised: four EM written advice/warnings, three EM improvement notices and three general directions.

Incident notifications and investigations

In 2018-19, there were 14 notifications relating to reportable environmental management matters (14 in 2017-18). All notifications are investigated to determine if there is a potential breach of the OPGGS Act, its regulations or an accepted permissioning document. After this initial enquiry-level investigation, eight incidents were determined to require no follow-up investigation, five were to be investigated at the next planned inspection and one was investigated as soon as possible.

Advice, liaison and cooperation

A substantial and increasing amount of effort is experienced by NOPSEMA in engaging with titleholders and other stakeholders to provide advice on environmental management as well as cooperation in performance of NOPSEMA's regulatory functions.

2. Cost effectiveness of NOPSEMA operations



2.1 Activities and costs

During the period, NOPSEMA received 316 submissions, mostly 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; and
- offshore project proposals.

Of these submissions, 158 key permissioning documents were completed. Of the key permissioning documents notified to NOPSEMA, 99% were completed within the legislated timeframes.

Details of NOPSEMA's activity during the 2018–19 are summarised in the NOPSEMA Annual Report 2018–19 available at nopsema.gov.au.

2.2 Asset management

As at 30 June 2019, NOPSEMA had two office lease agreements in Perth and Melbourne.

Throughout 2018–19, 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 2018–19 had a fair value (acquisition cost) of \$14.52 million (\$13.71 million in 2017–18) and a carrying value (depreciated value) of \$2.93 million (\$2.62 million in 2017–18).

2.3 Organisational effectiveness in 2018-19

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 2018–23.

NOPSEMA Corporate Plan 2018–23

In 2018–19, 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 2018–23. Key achievements included:

- Continued to progress cooperative risk management solutions in oil spill preparedness and response within industry;
- broadening engagement with the offshore workforce through successful hosting of the inaugural Health and Safety Representatives Forum in collaboration with industry, government and the unions;

- successful implementation of environmental transparency reforms including stakeholder engagement, online systems, processes and procedures to facilitate public comment and publication of environment plans; and
- continued to raise awareness in Australia and internationally on the management of well integrity risks and well barrier failures.

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

- Management of late life assets and appropriate decommissioning of infrastructure.
- Management of 'in-principle' opposition to offshore oil and gas activity and associated challenge of maintaining a social licence to regulate.
- Continuing to adapt to the changing profile of the industry as Australia's energy mix advances.

2.4 Industry data and incidents

Performance data for 2019 indicates:

- Total hours worked was 11.6 million hours, indicating a large decrease from the 16.9 million hours worked for all of 2018.
- No fatalities were reported.
- Two serious injuries reported to NOPSEMA in 2019, which is a decrease from 8 reported in 2018.
- 61 injuries sustained onboard offshore facilities so far in 2019, a decrease on the 59 injuries reported in 2018.
- Nine accidents (2 serious and 7 resulting in incapacitation \geq 3 days LTI) were reported in 2019, which is down from the 15 reported in 2018.
- Dangerous occurrences totalled 413, an increase from the 385 reported in 2018.
- Uncontrolled hydrocarbon releases decreased by 31%, from 35 in 2018 to 24 in 2019.
- Environmental reportable incidents decreased by 19%, from 16 in 2018 to 13 in 2019.

2.5 Key performance indicators relating to NOPSEMA's activities

The NOPSEMA Annual Report 2018–19 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 316, compared to 373 in 2017–18.
- Inspections decreasing to 175 (compared to 178 in 2017–18), with the 2018–19 total comprising 42 environmental management, 123 occupational health and safety and 10 well integrity inspections.
- Investigations increasing to 529 (compared to 482 in 2017–18), with the 2018–19 total comprising 39 environmental management, 419 occupational health and safety and 71 well integrity investigations.
- Enforcement actions increasing to 29 (compared to 19 in 2017–18), with the 2018–19 total comprising 6 environmental management, 22 occupational health and safety and 1 well integrity enforcements.
- Undertaking a total of 899 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 national Work Health and Safety targets for 2018-19.

3. Outlook for 2019–20



Table 9: Outlook for 2019-20

INCOME STATEMENT				
	Budget Estimate	Audited Actuals	Variance	
	2019–20	2018–19		
	\$'000	\$'000	\$'000	%
INCOME				
<i>Revenue - Cost recovery</i>				
Levies	37,062	32,267	4,795	14.9
Interest	150	285	(135)	(47.4)
Other	-	557	(557)	(100.0)
	37,212	33,109	4,103	12.4
<i>Revenues from Government</i>				
Revenues from Government	-	-	-	-
Interest	-	-	-	-
	-	-	-	-
Total revenue	37,212	33,109	4,103	12.4
EXPENSES				
Employee benefits	28,699	26,165	2,534	9.7
Suppliers	7,493	7,465	28	0.4
Depreciation and amortisation	1,020	911	109	12.0
Total expenses	37,212	34,541	2,671	7.7
Surplus / (deficit)	-	(1,432)	1,432	(100.0)

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. Key drivers in 2020 will be ongoing transparency and engagement initiatives, including greater engagement directly with the community over environmental concerns and the workforce on safety management matters. Statutory reviews covering NOPSEMA's operations and the EPBC Program will also be conducted in 2020.

Further, NOPSEMA will undertake a CRIS review in 2020 to identify whether levies need to rise to meet ongoing regulatory demands. As demonstrated over previous years, NOPSEMA is conscious of annualised levy rises not exceeding inflation, and will seek to adopt this approach in future years. Further, through the CRIS we will consider the timing of levy increases to ensure any increase is not imposed at a time that would create unnecessary burden on industry. The CRIS review process will include significant industry consultation, with NOPSEMA seeking feedback on the proposed cost-recovery approach.

In 2019, the government's reforms to increase transparency around environmental assessments commenced. This included the publication of environment plans, providing an opportunity for any interested parties to provide feedback on the plans prior to their assessment by NOPSEMA. There is significant ongoing work associated with these reforms, with NOPSEMA now undertaking extended assessments of environment plans due to the public comment process, and providing extensive feedback and guidance to titleholders throughout the assessment process.

Significant additional regulatory reform is expected in 2020 and beyond, with the legislated remaking of the Environment Regulations due, and changes stemming from the Commonwealth's ongoing Safety Regulatory Review, of which NOPSEMA was an active participant in 2019 and will continue to be. In addition, NOPSEMA will need to undertake significant industry engagement on the implementation of any changes to either the Environment Regulations or Safety Regulations, and work with industry as they are introduced. Also in 2020, NOPSEMA's contributory role on major policy matters of government will grow, including providing greater advice and guidance around title transfers, late life asset management, and decommissioning.

Implementing the transparency reforms in 2019 required significant regulatory, technical, and process changes by NOPSEMA, none of which were funded through government appropriations. The ongoing regulatory reforms in 2020 and beyond around safety and the environment will require NOPSEMA to implement significant regulatory, technical, and process changes. Further, the ongoing work associated with expanded assessments, industry liaison, and community engagement are enduring costs for NOPSEMA, and must be cost recovered over time.

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. This will include government, industry, and the workforce coming together for the International Regulators Forum conference in October, to be held in conjunction with the 2020 Health and Safety Representative Forum.

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 - FTE's)

NOPSEMA's staffing level for 2018-19 increased to 129 Full Time Equivalents (FTE's) as at 30 June 2019 compared to 113 FTE's as at 30 June 2018.

The authority had 135 approved positions as at 30 June 2019 equating to 132 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 2019, NOPSEMA's Chief Financial Officer conducted an industry briefing on the cost effectiveness report for 2017-18. The briefing was conducted in-person at NOPSEMA's Perth office and via teleconference at NOPSEMA's Melbourne office.

25 March 2020

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 2018-2019 financial year. The procedures performed are detailed in the terms of the engagement of 5 December 2019 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 2018-19 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 2018-19 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 2018-19" column of the Income Statement disclosed in Table 1 to the audited 2018-19 NOPSEMA Financial Statements.	Amount agreed.	None.
2. We have agreed the "Actuals 2017-18" column of the Income Statement disclosed in Table 1 to the audited 2018-19 NOPSEMA Financial Statements.	Amount agreed.	None.
3. We have recalculated the variations (both \$'000's and as a percentage) between the "Actuals 2018-19" and "Actuals 2017-18" in Table 1.	Recalculated without exception.	None.
4. We have agreed the "Actuals 2018-19" column of the Income Statement disclosed in Table 2 to the audited 2018-19 NOPSEMA Financial Statements.	Amount agreed.	None.
5. We have recalculated the variations (both \$'000's and as a percentage) between the "Actuals 2018-19" and "Budget 2018-19" in Table 2.	Amount agreed.	None.
6. We have agreed the "Audited Actuals 2018-19" column of the Income Statement disclosed in Table 9 to the 2018-19 NOPSEMA Financial Statements.	Amount agreed.	None.
7. We have recalculated the variations (both \$'000's and as a percentage) between the "Audited Actuals 2018-19" and "Budget Estimate 2018-19" 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 5 December 2019.

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
Perth

25 March 2020



NOPSEMA

Australia's offshore
energy regulator

**National Offshore Petroleum Safety and
Environmental Management Authority**

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