



NOPSEMA | Australia's offshore
energy regulator

Annual report on the cost effectiveness of the
operations of NOPSEMA

Financial year 2019-20



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Foreword by the CEO

In 2019-20, changing circumstances imposed by COVID-19, coupled with historically low oil prices, have forced the sector to respond, adapt and embrace future-focused approaches for navigating our new normal.

The effects of COVID-19 are reflected in regulatory performance data and overall results for the annual reporting period. For example, in 2019-20, the number of offshore petroleum hours worked in waters regulated by NOPSEMA fell by 24 per cent to 10.2 million hours, the lowest level reported since 2016-17. This reduction in hours was shared evenly across both fixed and mobile facilities.



For the 2019-20 reporting period, NOPSEMA had total expenditure of \$36.08 million and an operating surplus of \$0.4 million. This compared to a \$1.43 million deficit reported in 2018-19. Reflecting the financial impact of the COVID-19 pandemic on industry, there were no increases in levies during 2019-20 despite new responsibilities and Ministerial expectations that NOPSEMA take a heightened focus on industry compliance with decommissioning obligations.

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 2019-20. Last year NOPSEMA had responsibility for regulating 152 offshore facilities, which comprised platforms, floating production storage and offloading vessels, mobile offshore drilling units, vessels, pipelines, and subsea infrastructure. In addition, NOPSEMA assessed 69 safety cases, 28 well operations management plans, and 45 environment plans, plus conducted 217 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, and Senate Estimates hearings. A major review undertaken during the reporting period was the Independent review into the circumstances leading to the administration and liquidation of Northern Oil and Gas Australia. The Minister for Resources, Water and Northern Australia appointed Mr Steve Walker to review the circumstances that led to administration of the Northern Oil and Gas Australia group of companies, which owned the Northern Endeavour floating production storage and offtake facility. The review found NOPSEMA acted appropriately and took a strategic approach to managing environmental and safety concerns for the Northern Endeavour.

In addition, several other major reviews and inquiries commenced or progressed throughout the reporting period, which included NOPSEMA participation. These included an inquiry into the Impact of seismic testing on fisheries and the marine environment by the Senate Environment and Communications References Committee, the five yearly independent operational review of NOPSEMA's regulatory performance, and an independent EPBC Act streamlining review of the administrative arrangements of NOPSEMA's endorsement as sole environment regulator for oil and gas activities in Commonwealth waters. Findings from these reviews and inquiries are expected to be published in due course.

Despite pandemic travel restrictions, NOPSEMA continued its role as Australia's official representative to key intergovernmental forums. These forums included the International Regulators Forum for offshore safety, the forum of International Offshore Petroleum Environment Regulators, and the Global Offshore Wind Regulators Forum. Through virtual gatherings of these international forums, NOPSEMA continued its important collaboration with regulators globally on matter of shared interest including workforce safety, environmental management, and well barrier technologies. Insights from these forums were then applied to NOPSEMA's regulatory activities in Australia to support the adoption of leading practice.

In the period when COVID-19 affected every aspect of our work and lives, the duty to protect the offshore workforce and the environment has never been greater. Throughout the pandemic, industry and NOPSEMA have demonstrated that the key elements for ongoing success remain continuous improvement, collaborative efforts, and effective engagement. We must ensure the gains made during these challenging times are not lost if we are to see continued success as we move beyond the pandemic in future reporting periods.

A handwritten signature in black ink, appearing to read 'Stuart Smith', is positioned above the printed name.

Stuart Smith
Chief Executive Officer

NOPSEMA 2019-20 operations



1.1 Year in brief

This report covers the financial year 2019–20 (FY20) in which NOPSEMA fulfilled its responsibilities as the national regulator of offshore petroleum safety, well integrity, environmental management and greenhouse gas storage activities.

NOPSEMA's operating result was a surplus of \$0.43 million which is an increase of \$1.86 million compared with prior year's deficit of \$1.43 million. The change in operating results is largely attributable to an increase in levies.

Levies collected in 2019–20 covered a full twelve-month period and have increased by \$3.99 million on the prior year.

Table 1: NOPSEMA's 2019-20 financial result compared to 2018-19

INCOME STATEMENT				
<i>for the period ended 30 June 2020</i>				
	Actuals		Variance	
	2019–20	2018–19		
	\$'000	\$'000	\$'000	%
INCOME				
<i>Cost recovery revenue</i>				
Levies	36,256	32,267	3,989	12.0
Interest	155	285	(130)	(46.0)
Other	94	557	(463)	(83.1)
	36,505	33,109	3,396	10.3
<i>Revenues from Government</i>	-	-	-	-
<i>Total revenue</i>	36,505	33,109	3,396	10.3
EXPENSES				
Employee costs	27,941	26,165	1,776	6.8
Suppliers	4,506	7,465	(2,959)	(39.6)
Depreciation and amortisation	3,532	911	2,621	287.7
Finance costs	97	-	97	0.0
<i>Total expenses</i>	36,076	34,541	1,535	4.4
Surplus / (deficit)	429	(1,432)	1,861	(130.0)

Total expenditure for 2019–20 was \$36.08 million, an increase of \$1.54 million on the prior year. Employee benefits increased in expenditure by \$1.77 million followed by depreciation and amortisation costs with an increase of \$2.62 million. The increase to depreciation and amortisation costs was mostly due to changes in reporting requirements under AASB 16 Leases. The amount expended on non-employee related expenses decreased slightly to 23% of total agency expenditure (24% in 2018–19).

Cash on hand as at 30 June 2020 was \$14.29 million, an increase of \$1.17 million compared to the prior year. Retained earnings for the period 30 June 2020 increased to \$16.07 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 2019–20 NOPSEMA received \$0.13 million in interest from invested monies.

1.2 Achievement of budget targets

The financial result for 2019–20 was a surplus of \$0.43 million against the budget (Portfolio Budget Statements 2018-19) based on full cost recovery.

Table 2: NOPSEMA's 2019-20 financial result compared to budget

INCOME STATEMENT				
<i>for the period ended 30 June 2020</i>				
	Actuals	Budget	Variance	
	2019–20	2019–20		
	\$'000	\$'000	\$'000	%
INCOME				
<i>Revenue - Cost recovery</i>				
Levies	36,256	37,062	(806)	(2.2)
Interest	155	150	5	3.3
Other	94	-	94	100.0
	36,505	37,212	(707)	(1.9)
<i>Revenues from Government</i>				
Revenues from Government	-	-	-	-
Interest	-	-	-	-
	-	-	-	-
<i>Total revenue</i>	36,505	37,212	(707)	(1.9)
EXPENSES				
Employee benefits	27,941	28,699	(758)	(2.6)
Suppliers	4,506	7,493	(2,987)	(39.9)
Depreciation and amortisation	3,532	1,020	2,512	246.3
Finance costs	97	-	97	-
<i>Total expenses</i>	36,076	37,212	(1,233)	(3.3)
Surplus / (deficit)	429	-	429	-

Note: 2019–20 Budget is from the Portfolio Budget Statements 2019–20, Budget Related Paper 1.11 Industry, Innovation and Science Portfolio.

Total levy revenue for 2019–20 was \$36.26 million which is \$0.81 million (2.2 %) below budget due to lower than expected submissions.

Total expenditure for 2019–20 was \$36.08 million; \$1.23 million (3.3%) lower than budgeted and comprising:

- Employee benefits were \$0.76 million lower than budget following a lift in the recruitment freeze, however NOPSEMA continues to maintain vacancies within the establishment headcount
- Supplier costs decreased by \$2.99 million against budget
- Depreciation and amortisation was \$2.51 million above budget due to changes in reporting requirements under AASB 16.

1.3 Australian Government cost recovery policy

The financial report on cost effectiveness is provided in accordance with regulation 62 of the Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Regulations 2004.

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 (SMS) • 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		Fee for service

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 2019–20, 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.

For the reporting period, NOPSEMA did not cost recover for greenhouse gas storage activities.

1.5 Cost recovery 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 discharge its regulatory functions.

Table 4: Levy rates

Levy	at 30 June 2020
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 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 - OHS

NOPSEMA in 2019–20 received 69 safety case assessments (87 in 2018–19), 44 scopes of validation (46 in 2018–19), and issued 73 safety case assessment notifications (86 in 2018–19). 96% of safety case notifications were issued within the legislated timeframe.

Table 5: Safety case assessment notifications for 2019-20

Assessment subtype	Number submitted ¹	Number notified ²	Number notified within specified time	% Notified within specified time
Safety case new	10	11	11	100%
Safety case revised	59	62	59	95%
Total safety cases	69	73	70	96%
Scope of validation	44	44	N/A	N/A
Diving safety management system new				
Diving safety management system revised	5	4	2	50%
Diving project plan				
Diving start-up notice	3	2	N/A	N/A
Total	52	50	2	50%

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	2014	2015	2016	2017	2018	2019	2020
Floating liquefied natural gas	0	0	0	1	1	1	1
Large platforms	3	3	3	3	3	3	3
Other platforms:							
Drilling or workover in commission	1	0	0	0	1	1	1
Drilling or workover not in commission	17	20	20	20	18	18	18
Floating production storage & offloading	10	10	10	11	10	9	7
Floating storage unit	1	1	1	1	2	3	0
Mobile offshore drilling unit	15	16	15	13	13	12	15
Vessel for laying pipes	16	14	14	11	16	17	17
Multi-Purpose Vessel	14	14	19	21	14	8	9
Pipeline	7	10	17	50	59	68	70
Not normally attended	16	16	15	15	11	11	11
Vessel or structure not otherwise listed	0	0	0	0	4	4	8
Total	100	104	114	146	152	155	160

The number of facilities subject to safety case levies during 2020 increased to 160 compared to 155 for the previous year. This increase was due to a further increase in the number of pipelines and an increase in Mobile offshore drilling units subject to safety case levies, as seen in Table 6.

Inspections OHS

For the reporting period, NOPSEMA completed a total of 144 safety inspections across a range of facilities and operators, this is an increase of 21 inspections from the previous period. Focus areas for inspections in 2019-20 included:

1. Structural failure
2. Loss of containment
3. General occupational health hazards
4. Assets and ageing facilities
5. Inspection maintenance and repair

In March 2020 NOPSEMA temporarily suspended offshore inspections and proceeded to develop and conduct a series of remote COVID-19 Health inspections, followed by a series of COVID-19 Consequence inspections.

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 2019–20, NOPSEMA's safety inspection frequency was in line with set targets.

Enforcements – OHS

In 2019–20, NOPSEMA issued 19 OHS-related enforcement actions and 1 non-statutory compliance action.

Incident notifications - OHS

In 2019–20, there were 400 incidents relating to reportable OHS matters (387 in 2018–19). This figure comprised of 12 accidents (8 in 2018–19) and 388 dangerous occurrences (379 in 2018–19). There were also an additional 12 OHS-related complaints (8 in 2018–19).

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 – Well integrity (WI)

During 2019–20, a total of 28 WOMP submissions were received (22 in 2018–19), where 100% of assessments for 2019–20 was notified within the legislated timeframes.

Table 7: Well integrity assessment notifications for 2019-20

Assessment subtype	Number submitted	Number notified	Number notified within specified time	% Notified within specified time
WOMP - new	15	15	15	100%
WOMP - revisions	13	13	13	100%
Total	28	28	28	100%

Inspections – WI

In 2019-20, 20 inspections of titleholder's regulatory compliance with respect to their management of well operations were completed. Focus areas for inspections included general occupational health hazards and manage of change.

Enforcements – WI

In 2019-20, no well integrity related enforcements were issued in 2019-20 (1 in 2018-19).

Incident Notifications – WI

In 2019-20, 69 incidents relating to well integrity matters were notified to NOPSEMA in 2019-20 (73 in 2018-19).

1.8 Environment plan levies and offshore project proposal fees

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.

On 28 February 2014, regulatory amendments came into effect that provided for NOPSEMA to consider whole-of-project environmental acceptability through the assessment of Offshore Project Proposals. To fund Offshore Project Proposal assessments NOPSEMA charges fees on a full cost recovery basis under Regulation 32 of the Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2009. Offshore Project Proposals assessment fees are calculated in accordance with NOPSEMA's Schedule of Fees and are based on the total amount of expenses incurred by NOPSEMA in considering the proposal.

Table 8: Environment plan assessment notifications for 2019-20

Assessment subtype	Number submitted	Number notified	Number notified within specified time	% Notified within specified time
Environment plan (Exploration) - new	11	11	11	100%
Environment plan (Development) - new	23	20	20	100%
Environment plan (Development) - revised	11	13	13	100%
Offshore project proposal – Stage 1	3	3	3	100%
Offshore project proposal – Stage 2	2	1	1	100%
Total	50	48	48	100%

NOPSEMA in 2019–20 received 50 EP/OPP submissions (40 in 2018–19).

Inspections – Environmental Management (EM)

In 2019–20, NOPSEMA conducted 53 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 2019–20, all policy targets for inspections were met.

Enforcements – EM

In 2019–20, there were three enforcements and six non-statutory compliance actions issued relating to environmental management (EM) matters (6 and 4 in 2018–19). These nine comprised: six EM written advice/warnings, two EM improvement notices and one Request for a Revision to an Environment Plan.

Incident notifications and investigations - EM

In 2019–20, there were 11 notifications relating to reportable environmental management matters (14 in 2018–19). All notifications are investigated to determine if there is a potential breach of the OPGGS Act, its regulations or an accepted permissioning document.

Advice, liaison and cooperation - EM

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.

Cost effectiveness of NOPSEMA operations 2019-20



2.1 Activities and costs

During the period, NOPSEMA received 377 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
- offshore project proposals

Of these submissions, 152 key permissioning documents were completed. Of the key permissioning documents notified to NOPSEMA, 97% were completed within the legislated timeframes.

Details of NOPSEMA's activity during 2019-20 are summarised in the NOPSEMA Annual Report 2019-20 available at nopsema.gov.au.

2.2 Asset management

As at 30 June 2020, NOPSEMA had two office lease agreements in Perth and Melbourne.

Throughout 2019–20, 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 2019–20 had a fair value (acquisition cost) of \$23.50 million (\$14.52 million in 2018–19) and a carrying value (depreciated value) of \$8.37 million (\$2.93 million in 2018–19).

2.3 Organisational effectiveness in 2019-20

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 and the annual performance statements published in the NOPSEMA Annual Report, available at nopsema.gov.au.

2.4 Key performance indicators relating to NOPSEMA's activities

The NOPSEMA Annual Report 2019-20 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) increasing to 377, compared to 316 in 2018-19.
- Inspections increasing to 217 (compared to 175 in 2018-19), with the 2019-20 total comprising 53 environmental management, 144 occupational health and safety (reflecting heightened regulatory oversight during the pandemic) and 20 well integrity inspections.
- Investigations increasing to 569 (compared to 529 in 2018-19), with the 2019-20 total comprising 23 environmental management, 475 occupational health and safety and 71 well integrity investigations.

- Enforcement actions/non-statutory compliance actions decreasing to 30 (compared to 34 in 2018-19), with the 2019-20 total comprising 10 related to environmental management and 20 related to occupational health and safety matters.
- Undertaking a total of 1027 liaison meetings (compared to 899 in 2018-19) 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 Environment and Communications References Committee and the Senate Economics Legislation Standing Committee.
- NOPSEMA met all three national Work Health and Safety targets for 2019-20.

2.5 Industry data and incidents

Performance data for 2019-20 (subject to change) indicates:

- total hours worked for the financial year was 10.2 million hours, indicating a 25% decrease from the 13.4 million hours worked for 2018-19.
- no fatalities were reported.
- 3 serious injuries were reported to NOPSEMA in 2019-20, which is a decrease from 4 reported in 2018-19.
- 45 injuries sustained onboard offshore facilities so far in 2019-20, a 20% decrease on the 56 injuries reported in 2018-19.
- 12 accidents (3 serious and 9 resulting in incapacitation \geq 3 days LTI) were reported in 2019-20, which is an increase from the 8 reported in 2018-19.
- dangerous occurrences totalled 388, up from the 379 reported in 2018-19.
- uncontrolled hydrocarbon releases decreased by 61%, from 38 in 2018-19 to 15 in 2019-20.
- environmental reportable incidents decreased by 21%, from 14 in 2018-19 to 11 in 2019-20.

Outlook for 2020-21



Table 9: Outlook for 2020-21

INCOME STATEMENT				
	Budget Estimate	Audited Actuals	Variance	
	2020–21	2019–20		
	\$'000	\$'000	\$'000	%
INCOME				
<i>Revenue - Cost recovery</i>				
Levies	38,830	36,256	2,574	7.1
Interest	128	155	(27)	(17.4)
Other	-	94	(94)	(100.0)
	38,958	36,505	2,453	6.7
<i>Revenues from Government</i>				
Revenues from Government	-	-	-	-
Interest	-	-	-	-
	-	-	-	-
	38,958	36,505	2,453	6.7
<i>Total revenue</i>				
EXPENSES				
Employee benefits	29,889	27,941	1,948	7.0
Suppliers	5,435	4,506	929	20.6
Depreciation and amortisation	3,554	3,532	22	0.6
Finance costs	80	97	(17)	(17.5)
<i>Total expenses</i>	38,958	36,076	2,882	8.0
Surplus / (deficit)	-	429	(429)	(100.0)

3.1 The year ahead: 2020-21

NOPSEMA's primary objective of assuring the protection of the offshore workforce and the environment has not waived despite the challenges of the COVID-19 pandemic. In the year ahead, regulatory focus will continue to be on pandemic management and building on lessons learned as industry maturity with managing COVID-19 infection risk grows.

Decommissioning is also expected to be a major focus in the 2020-21 reporting period as NOPSEMA operationalises processes to implement the Ministerial Statement of Expectations. Through the statement government has clarified its expectations that NOPSEMA give heightened focus to oversight of titleholders' compliance with OPGGS Act section 572 obligations in relation to maintenance and removal of property and equipment brought onto title. Further, government has advised it expects NOPSEMA to ensure titleholders are planning to manage property and equipment on this basis and only accept alternative arrangements where justification is appropriate. As offshore infrastructure ages, Australia's decommissioning liability grows and with it the level of regulatory oversight required. To meet the growing decommissioning workload and effectively implement government's expectations, NOPSEMA will establish greater capacity and grow expertise through a dedicated decommissioning management team.

Community consultation and engagement will continue to be a critical activity of NOPSEMA, as we work to educate and inform the community on the offshore energy sector. The inquiry into the Impact of seismic testing on fisheries and the marine environment by the Senate Environment and Communications References Committee is due to conclude during the 2020-21 reporting period. This inquiry has highlighted the community's expectation around clear and consistent information and providing it early on in any activity's lifecycle. As exploration for deposits continues this consultation and engagement workload will grow for NOPSEMA. In the next reporting period, NOPSEMA expects to undertake significant engagement across local communities, interest groups, and a broad range of political representatives at all levels of government in response to questions and concerns around proposed activities and those already underway.

Statutory reviews covering NOPSEMA's operations and the EPBC Program are also likely to be formally tabled in the 2020-21 reporting period. These reviews may recommend changes and improvements to structures and processes, both directly within NOPSEMA and more broadly across government, which have an impact on NOPSEMA regulatory activities.

To ensure the regulator is adequately resourced to undertake this expanded remit and deliver on government's expectations a CRIS process will be undertaken in the 2020-21 reporting period, with a view to increasing levies. Any levy increase will be commensurate with the regulatory demands and will consider industry conditions. NOPSEMA will consult with industry on any proposed levy changes and seek independent validation of proposed changes before putting them forward to government for consideration and decision.

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, expertise-based regulator.

3.2 Staffing levels (full time equivalents - FTE's)

NOPSEMA's staffing level for 2019–20 decreased to 120.90 Full Time Equivalents (FTE's) as at 30 June 2020 compared to 129 FTE's as at 30 June 2019.

The authority had 135 approved positions as at 30 June 2020 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 July 2020, NOPSEMA's Chief Financial Officer conducted an industry briefing on the cost effectiveness report for 2018–19. The briefing was conducted via teleconference at NOPSEMA's Perth office.



**Building a better
working world**

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

19 April 2021

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 2019-2020 financial year. The procedures performed are detailed in the terms of the engagement of 17 November 2020 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 2019-20 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 2019-20 financial year. The procedures performed and the factual findings obtained are as follows:

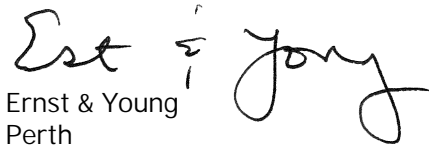
Procedures performed	Factual findings	Errors or exceptions identified
1. We have agreed the "Actuals 2019-20" column of the Income Statement disclosed in Table 1 to the audited 2019-20 NOPSEMA Financial Statements.	Amount agreed.	None.
2. We have agreed the "Actuals 2018-19" column of the Income Statement disclosed in Table 1 to the audited 2019-20 NOPSEMA Financial Statements.	Amount agreed.	None.
3. We have recalculated the variations (both \$'000's and as a percentage) between the "Actuals 2019-20" and "Actuals 2018-19" in Table 1.	Recalculated without exception.	None.
4. We have agreed the "Actuals 2019-20" column of the Income Statement disclosed in Table 2 to the audited 2019-20 NOPSEMA Financial Statements.	Amount agreed.	None.
5. We have recalculated the variations (both \$'000's and as a percentage) between the "Actuals 2019-20" and "Budget 2019-20" in Table 2.	Amount agreed.	None.
6. We have agreed the "Audited Actuals 2019-20" column of the Income Statement disclosed in Table 9 to the 2019-20 NOPSEMA Financial Statements.	Amount agreed.	None.
7. We have recalculated the variations (both \$'000's and as a percentage) between the "Audited Actuals 2019-20" and "Budget Estimate 2019-20" 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 17 November 2020.

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

19 April 2021



NOPSEMA

Australia's offshore
energy regulator

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

ABN: 31 105 642 902

nopsema.gov.au

Level 8, 58 Mounts Bay Road, Perth, WA, 6000
GPO Box 2566, PERTH, WA, 6001

phone: 08 6188 8700
email: communications@nopsema.gov.au