

Environment Plan Levies and Cost Recovery

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1. Purpose

The purpose of this policy is to set out the policy statements for how NOPSEMA will administer requirements for levies payable by the titleholders for submissions made under the Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2009 (Environment Regulations). The Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Regulations 2004 (Regulatory Levies Regulations) are intended to provide an equitable means of cost recovery for regulation across the industry.

2. Scope

This policy applies to cost recovery by NOPSEMA for assessment and compliance of environment plans (EP), assessment of offshore project proposals (OPP) and financial assurance arrangements for petroleum and greenhouse gas activities in Commonwealth waters. This includes environment plan levies under the Regulatory Levies Regulations and fees that may be charged under the Environment Regulations.

3. Environment Plan Levy Policy Statements

3.1. Activities that must be levied

A levy is payable by the titleholder(s) for all environment plan submissions for activities made under the Environment Regulations, in accordance with section 10F of the *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Act 2003* (Regulatory Levies Act). This includes environment plans for petroleum activities and greenhouse gas activities.

While the Regulatory Levies Regulations describe environment plan levies specifically for petroleum activities, NOPSEMA regulates greenhouse gas activities on behalf of the relevant Minister under delegation, and recovers costs for this by applying the scheme provided by the Regulatory Levies Regulations.

An environment plan levy is the sum of the 'activity amount' and the 'compliance amount' for each individual activity provided for in the plan. An individual activity is a petroleum activity, or number of petroleum activities (described in the table under sub-regulation 59C(7) of the Regulatory Levies Regulations) that are authorised by a single Commonwealth title (regulation 59B of the Regulatory Levies Regulations). Where an environment plan includes petroleum activities on multiple titles, the full levy is a sum of the levies applicable to each title (i.e. each individual activity).

Exceptions apply to environment plans for seismic surveys or other surveys, where the environment plan levy is a sum of the activity amount and the compliance amount, but these are only added once, no matter how many titles the survey will cover (regulation 59C(5) of the Regulatory Levies Regulations).

3.2. Petroleum activity ratings

The activity amount and compliance amount payable for an environment plan levy is determined by applying the specified ratings from the Regulatory Levies Regulations for the petroleum activity (or activities) that form the individual activity (or activities) described in the environment plan. These defined petroleum activities are outlined in Table 1, along with NOPSEMA's more detailed interpretation of these activity types.

Typically, the activities described in the environment plan clearly fit into one or more of the defined petroleum activities in regulation 59C(7) of the Regulatory Levies Regulations. However, offshore activities can vary widely in scope, methods and complexity, and in some cases categorisation is not straightforward. NOPSEMA determines levies on a case-by-case basis, with consideration of the anticipated level of environmental management regulatory effort associated with the activity.

Table 1: *NOPSEMA's application of the defined petroleum activities in regulation 59C(7) of the Regulatory Levies Regulations*

Item	Petroleum activity
1	Operation of a facility that is used for the recovery or processing of petroleum
<p>Examples:</p> <ul style="list-style-type: none"> • operation of a conventional production platform • operation of a floating production storage and offloading facility (FPSO), floating liquefied natural gas facility (FLNG), compressed natural gas facilities and gas to liquid facilities. • operation of an unmanned surface wellhead platform <p>Inclusions (the following related works are considered to be part of this petroleum activity):</p> <ul style="list-style-type: none"> • operation of the flowlines, connected wells, wellheads, manifolds, buoys and other subsea equipment connected directly to a facility within the same title area • ceased or suspended production wells, well heads, manifolds and other subsea infrastructure in the same title area as the facility that were used for the recovery or processing of petroleum as part of the facility. • other related tasks for operation of a facility such as inspection and maintenance, but not well intervention and well workovers. <p>Note:</p> <p>Also consider items 3 and 14 which may also be relevant to petroleum recovery/operations activities.</p>	
2	Operation of a facility that is used for the storage of petroleum but not for the recovery or processing of petroleum
<p>Examples:</p> <ul style="list-style-type: none"> • operation of a floating storage & offloading facility (FSO) • operation of any other hydrocarbon storage facility that is not part of a facility that is used for the recovery or processing of petroleum (item 1) • operation of the flowlines, buoys and other subsea equipment connected directly to that facility within the same title area 	

- Inclusions (the following related works are considered to be part of this petroleum activity):
- ceased or suspended flowlines, buoys and other subsea equipment in the same title area as the facility that were used for the storage of petroleum as part of the facility.
- related tasks like inspection and maintenance

- 3 Recovery of petroleum using a subsea installation that:**
- (a) is not by itself a facility mentioned in item 1; and**
 - (b) is not connected to a facility mentioned in item 1 or 2 that is located in the same production licence area; and**
 - (c) is not connected to a licensed pipeline that is located in the same production licence area**

Examples:

- operation of production wells, well heads, manifolds and other subsea infrastructure used for recovery of petroleum, which are located in a different title area to an offshore operating facility (i.e. vessel or structure) and are connected to the operating facility via flowlines.
- operation of production wells, well heads, manifolds, flowlines and other subsea infrastructure used for recovery of petroleum which are connected to a licenced pipeline. The subsea installation is located in a different title area which is not intersected by the licensed petroleum pipeline.

Inclusions (the following related works are considered to be part of this petroleum activity):

- ceased or suspended production wells, well heads, manifolds and other subsea infrastructure associated with the recovery of petroleum at the facility on the title.
- related tasks like inspection and maintenance, but not well intervention and well workovers.

4 Operation of a licensed petroleum pipeline

Example:

- operation of licensed petroleum pipelines

Inclusions (the following related works are considered to be part of this petroleum activity):

- inspection and maintenance of pipelines, such as pigging, span rectification, anode replacement and ROV surveys
- operation of manifolds, umbilicals, flowlines and other subsea infrastructure within the pipeline title

Non-licensed pipelines do not fall into this category (see item 1, 2 or 3).

5 Construction or installation of a facility mentioned in item 1 or 2

Examples:

- construction or installation of a platform, FPSO, FSO, FLNG or other facility mentioned in item 1 or 2 and the associated flowlines, wells, wellheads, manifolds, buoys and/or other subsea equipment connected to that facility within the same title area.

Inclusions (the following related works are considered to be part of this petroleum activity):

- related tasks like hydrotesting, integrity testing and ROV surveys

Note:

Geotechnical and geophysical surveys prior to construction or installation do not fall into this category (see item 13).

Construction and installation of subsea installations (item 3) that are not in the same title area as the facility (vessel or structure) do not fall into this category (see item 14).

Construction and installation of flowlines, wells, wellheads, manifolds, buoys and/or other subsea equipment which is not undertaken in conjunction with the construction or installation of a facility in item 1 or 2 within the same title area do not fall into this category (see item 9).

6 Construction or installation of a licensed petroleum pipeline

Examples:

- construction or installation of a licensed petroleum pipeline

Inclusions (the following related works are considered to be part of this petroleum activity):

- related tasks like hydrotesting, integrity testing and ROV surveys
- construction or installation of manifolds and/or other subsea equipment connected to that licensed pipeline within the pipeline title area.

Note:

Geotechnical and geophysical surveys prior to construction or installation do not fall into this category (see item 13).

Construction and installation of non-licensed lines, such as in-field flowlines, do not fall into this category (see item 14).

7 Decommissioning, dismantling or removing a facility mentioned in item 1 or 2

Decommissioning means to remove or otherwise satisfactorily deal with, in a safe and environmentally responsible manner, infrastructure previously used to support operations.¹

Examples:

- decommissioning, dismantling, removing or arrangement other than complete removal of a platform, FPSO, FLNG, FSO or other facility mentioned in item 1 or 2 and the associated flowlines, production trees, wellheads, manifolds, buoys and other subsea equipment connected directly to that facility in the same title area.
- the permanent departure of a mobile facility mentioned in item 1 or 2 where the titleholder has no intent of reconnection during the life of the EP

Inclusions (the following related works are considered to be part of this petroleum activity):

- related tasks like inspections and ROV surveys.

Note:

Decommissioning, dismantling and removing subsea installations that are not in the same title area as a facility mentioned in item 1 or 2 do not fall into this category (see item 14).

¹ Offshore Petroleum Decommissioning Guideline, Department of Industry, Innovation and Science, January 2018

8	Decommissioning, dismantling or removing a licensed petroleum pipeline
<p>Example:</p> <ul style="list-style-type: none"> decommissioning, dismantling, removing or arrangement other than complete removal of a licensed petroleum pipeline <p>Inclusions (the following related works are considered to be part of this petroleum activity):</p> <ul style="list-style-type: none"> related tasks like inspections and ROV surveys 	
9	Significant modification of a facility mentioned in item 1 or 2
<p>Examples:</p> <ul style="list-style-type: none"> significant modification of a platform, FPSO, FSO or other facility mentioned in item 1 or 2 conducted in isolation or in conjunction with flowlines, production trees, wellheads, manifolds, buoys and/or other subsea equipment connected to that facility within the same title area. significant modification of the flowlines, wells, wellheads, manifolds, buoys and/or other subsea equipment connected to that facility within the same title area which also results in modification to the facility. <p>Inclusions (the following related works are considered to be part of this petroleum activity):</p> <ul style="list-style-type: none"> related tasks like hydrotesting, integrity testing and ROV surveys <p>Note:</p> <p>Significant modification could include construction or installation of new structures, or dismantling or removal of existing structures. These modifications could be to the subsea or topside portions of the facility. This activity type applies to work conducted on an existing operating facility that recovers, processes and/or stores petroleum, both before and after the modifications, and therefore differs from items 5 and 7.</p>	
10	Significant modification of a licensed petroleum pipeline
<p>Example:</p> <ul style="list-style-type: none"> significant modification of licensed petroleum pipelines <p>Inclusions (the following related works are considered to be part of this petroleum activity):</p> <ul style="list-style-type: none"> related tasks like hydrotesting, integrity testing and ROV surveys <p>Note:</p> <p>Significant modification of a pipeline could include construction or installation of new structures, or dismantling, removal or replacement of existing structures. This activity type applies to work conducted on an existing pipeline that transports petroleum both before and after the modifications, and therefore differs from items 6 and 8.</p>	
11	Drilling
<p>Examples:</p> <ul style="list-style-type: none"> drilling for petroleum exploration, field appraisal or recovering hydrocarbons well intervention and well workovers that are undertaken from a MODU, drill ship or vessel such as re-perforating into the hydrocarbon zones or new perforations into new zones/formations, drilling deeper, side-tracking to a different bottom-hole location, recompleting the well, removing the 	

Christmas tree, plugging and abandoning of wells, removing casings, re-cementing, removing other downhole equipment (e.g. pumps), fracturing, acidizing or installing new equipment

Inclusions (the following related works are considered to be part of this petroleum activity):

- related tasks during drilling of the well like well completions, well-head installation and vertical seismic profiling

12 Seismic survey

Examples:

- marine seismic surveys for the purpose of petroleum or greenhouse gas exploration or appraisal, such as:
 - two-dimensional surveys (single streamer)
 - three-dimensional surveys (multiple streamers)
 - four-dimensional surveys (time-lapse)
 - ocean bottom node or ocean bottom cable seismic surveys

13 Other survey

Examples:

- geophysical or geotechnical surveys authorised by a petroleum or greenhouse gas title including controlled source electromagnetic surveys (CSEM)

Note:

Biological or metocean surveys are not included in this item, as they do not require authorisation by a petroleum or greenhouse gas title.

14 Any other petroleum-related operations or works carried out under an instrument, authority or consent granted or issued under the OPGGSA

Examples:

- care and maintenance activities for operating facilities or pipelines, where petroleum products have been removed.
- Wet parking or temporary placement of infrastructure associated with a facility mentioned in item 1, 2, 3 or 4 and includes infrastructure that does not (or no longer) contains petroleum products and has permanently ceased production.
- decommissioning, dismantling, removing or arrangement other than complete removal of well heads, manifolds, flowlines and other subsea infrastructure, where the infrastructure does not (or no longer) contains petroleum products and is not on the same title as an operating facility mentioned in item 1, 2 or an operating licenced pipeline.
- Exploration and appraisal wellheads and trees that have not been plugged and abandoned or an arrangement other than complete removal.
- Construction and installation of flowlines, wells, wellheads, manifolds, buoys and/or other subsea equipment which is not on the same title as a facility mentioned in item 1 and 2.
- Removing flowlines, wells, wellheads, manifolds, buoys and other subsea equipment which is not undertaken in conjunction with decommissioning, dismantling and removing of facility mentioned in item 1 or 2 on the same title area.

- operation of production wells, well heads, manifolds, flowlines and other subsea infrastructure on a production title, which are connected to a licensed pipeline that intersects the production title area.
- Well intervention or workovers that occur from a well workover unit on a facility mentioned in item 1.

15	Any other activity relating to petroleum exploration or development which may have an impact on the environment
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This item is not likely to be used by NOPSEMA. Environment plan submissions are only required for petroleum and greenhouse gas activities, which are authorised by a title and therefore would be classified into items 1–14 above.

3.3. Calculation of the compliance amount

In accordance with sub-regulation 59C(4) of the Regulatory Levies Regulations, NOPSEMA bases calculations of compliance amounts on the compliance rating (as described above) and the duration of each individual activity as described in the timetable of an environment plan. Where an environment plan describes multiple individual activities with different durations, each individual activity will have the relevant duration applied.

For the purpose of levy calculations, the duration of an individual activity is to be expressed in whole calendar years (part years are rounded up to the next whole year).

References in the Regulatory Levies Regulations to 'year' are defined as calendar years, being a 12-month period beginning on 1 January (refer to definitions in section 3 of the Regulatory Levies Act). Where a timetable in the EP states that an activity will occur for 1 month, but that activity could occur across two calendar years, the duration of the activity will be two years.

For longer activities, the duration of the activity may be much greater than the maximum period of an environment plan (i.e., five years; see Section 1.4 below). For example a production activity with a predicted field life of 20 years. In this case, for the purposes of calculating the compliance amount, the duration of the activity is taken to be 5 years, as per regulation 59C(4)(c) of the Regulatory Levies Regulations. The titleholder must submit a proposed revision of the environment plan at the end of each five years.

Where flexibility is sought by allowing for an activity to take place at any time (with or without seasonal restrictions) over a number of separate calendar years, the timetable presented in the environment plan is considered to be the full possible duration of the activity for calculation of the compliance amount (i.e. the design envelope).

For example, if an EP is submitted in year one and the duration of an activity is defined as three months but the activity is described as only occurring in year two, the duration for the purpose of calculation of the compliance amount will be considered to be one year. Alternatively, if an environment plan is submitted in year one and the duration of an activity is defined as three months but flexibility is sought, in that the activity may occur at some time in year one, year two or year three, the duration for the purposes of the compliance amount calculation will be three years.

3.3.1. Compliance amounts for revisions

Where a revision of an environment plan is submitted, NOPSEMA will calculate the compliance amount owed for the revision taking into account the compliance amount that has already been paid (if any) on the original environment plan in that calendar year, such that only one compliance amount is payable per activity type per year.

For example, where the original environment plan includes item 1 and the revised environment plan is for the same activity (item 1), the compliance amount for item 1 is charged only once. Where the original environment plan includes item 1 and the revised environment plan changes the activity to also include item 14, the compliance amount will include item 1 (levied for the original environment plan) and item 14 (levied from the revised environment plan).

3.4. Levy payments

The environment plan levy is payable when the environment plan or proposed revision is submitted. The activity amount is payable on submission and is due 30 days after submission (regulation 59D of the Regulatory Levies Regulations). There is no difference in the applicable activity amount based on the type of revision or the type of assessment conducted by NOPSEMA (see Section 4.7 of the Environment Plan Assessment Policy (N-04750-PL1347)).

The compliance amount is due in equal annual instalments during the period of the environment plan. The first instalment of the compliance amount is payable on submission of an environment plan and is due 30 days after submission (regulation 59D of the Regulatory Levies Regulations). Subsequent instalments of the compliance amount (if any) are due at the beginning of each calendar year after the submission of the environment plan or the proposed revision. The time at which the activity actually commences has no bearing on when the compliance amount is due and payable.

The period of the environment plan is the window of time commencing when the environment plan is submitted and continuing until the latest time indicated in the environment plan when activities will cease. If this time is greater than five years, then (for the purposes of levy payments) the period is taken to be five years.

If, during the course of an assessment, the description of an activity changes to an extent where the activity rating and/or expected duration used to calculate the environment plan levies are affected, NOPSEMA will consider revising the amount of the environment plan levy on a case-by-case basis, giving consideration to precedent, the assessment effort spent to date and the anticipated level of environmental management regulatory effort associated with the activity.

Resubmissions of an EP in response to a request to modify and resubmit the EP or a request for further written information do not attract an additional EP levy.

Section 688C of OPGGS Act allows NOPSEMA to charge a late payment penalty calculated at a rate of 0.33% per day.

3.4.1. Minor revisions

For the purposes of sub-regulation 59C(8) of the Regulatory Levies Regulations, NOPSEMA does not consider that a proposed revision of an environment plan submitted under regulation 17, 18 or 19 of the Environment Regulations is a minor revision.

Minor revisions are limited to those circumstances where there is a change to the environment plan that is inconsequential to the management of environmental impacts and risks, such as an administrative change. Under these circumstances, a proposed revision is not required to be submitted to NOPSEMA.

Where NOPSEMA determines that a proposed revision is a minor revision, no environment plan levy is payable on that submission (sub-regulation 59C(12) of the Regulatory Levies Regulations).

3.5. Levy refund or remittance

There is no legislative basis for refunding or remitting the activity amount. However, NOPSEMA will consider remitting the activity amount if the titleholder withdraws the environment plan under regulation 9(9) of the Environment Regulations prior to any material assessment effort having been spent by NOPSEMA. Under this circumstance the environment plan is taken not to have been submitted for the purposes of regulation 59D(2) of the Regulatory Levies Regulations. NOPSEMA takes this practical position for those rare circumstances where an EP has been erroneously submitted.

There are only three circumstances in which the environment plan levy compliance amount can be refunded or remitted:

- if NOPSEMA refuses to accept an environment plan or a proposed revision, then NOPSEMA must refund the compliance amount that has been paid and remit the instalments (if any) of the compliance amount that have not yet been paid (sub-regulation 59E(1) of the Regulatory Levies Regulations);
- if NOPSEMA accepts a proposed revision and one or more instalments of the compliance amount for the original environment plan are not yet due, then NOPSEMA must remit the unpaid compliance amount relating to the original environment plan (sub-regulation 59E(2) of the Regulatory Levies Regulations); and
- if the titleholder withdraws an environment plan before NOPSEMA has made a decision to accept or refuse the plan, NOPSEMA must refund the compliance amount that has been paid and remit the instalments of the compliance amount (if any) that have not yet been paid (sub-regulation 59E(3) of the Regulatory Levies Regulations).

If the activity finishes earlier than proposed in the environment plan, or the activity is undertaken in part or not undertaken at all, there is no provision for refund or remittance of the paid or unpaid compliance amounts.

Where an environment plan is partially accepted, the compliance amount will be refunded or remitted for those activities in the plan that are not part of the acceptance (that is, those activities that are refused acceptance).

The Regulatory Levies Regulations do not provide for compliance amounts to be refunded or remitted in circumstances where an environment plan is submitted in one calendar year, and the activity commences in the following calendar year. This situation may arise where the titleholder chooses to submit the environment plan well ahead of activity commencement, or where the environment plan assessment process takes longer than expected.

4. Cost recovery fee policy statements

A fee is payable by the titleholder(s) for all offshore project proposals (OPP) and financial assurance arrangements submitted in accordance with division 4.2 of the Environment Regulations.

4.1. Cost recovery for assessment of offshore project proposals

NOPSEMA will charge a fee for the assessment of an OPP on a full cost recovery basis. This cost recovery process will commence on the submission of an OPP for assessment. OPP assessment fees will be calculated in accordance with NOPSEMA's Schedule of Fees and will be based on the full expense of the OPP assessment, consistent with these provisions:

- a fee for service is payable to NOPSEMA on behalf of the Commonwealth for consideration of an OPP in accordance with part 1A of the Environment Regulations
- the fee will be the total amount of expenses incurred by NOPSEMA in administering and assessing the OPP
- on submission of an OPP NOPSEMA will advise the proponent of the NOPSEMA 'fee-for-service' rates
- the NOPSEMA fee-for-service rates are reviewed annually and NOPSEMA shall advise the proponent in writing of any changes to the NOPSEMA fee-for-service rates that occur during the assessment of the OPP
- the fee-for-service will be charged via a quarterly invoice and will specify the number of hours NOPSEMA has incurred during assessment of the OPP. The invoice will also include the fees associated with each NOPSEMA staff member that was involved in the administration and assessment of the OPP during the invoice period and all costs incurred as part of the assessment process
- pre-submission engagement costs will not be charged

NOPSEMA may remit the whole or a part of an amount of the fee if NOPSEMA considers that there is good reason to do so.

4.2. Cost recovery for assessment of financial assurance arrangements

Expenses incurred by NOPSEMA for the assessment for financial assurance arrangements may be recovered under regulation 33 of the Environment Regulations.

The Australian Petroleum Production and Exploration Association (APPEA) has developed the 'Method to assist titleholders in estimating appropriate levels of financial assurance for pollution incidents arising from petroleum activities' (the APPEA method). This provides a standard approach to quantifying the appropriate level of financial assurance to cover the potential costs, expenses and liabilities referred to in s571 of the OPGGS Act. NOPSEMA has assessed and endorsed the APPEA method and thus for activities that appropriately use this method to calculate financial assurance requirements, no fee will be charged.

Examination of the cost calculation method may be required if the APPEA method is not used or if financial assurance arrangements are complex (i.e., outside the limitations of the APPEA method). In such

circumstances a fee may be payable under regulation 33 to allow NOPSEMA to engage relevant experts to thoroughly assess financial assurance arrangements proposed by the titleholder.

For further information regarding financial assurance and this fee for service, refer to section 5 of NOPSEMA's 'Financial assurance for petroleum titles' guideline' (N-04730-GL1381) available on the NOPSEMA website.

5. Policy review

NOPSEMA will review and update this policy regularly. Reviews may be prompted by changes to legislation or by lessons learnt from assessments.

6. Monitoring

Compliance with the guideline is to be assessed by the CFO on an as needed basis.

7. Related documents

N-04750-PL1347 – Environment Assessment Policy

N-04790-PL1650 – Offshore Project Proposal Assessment Policy

N-04730-GL1381– Financial Assurance for Petroleum Titles Guideline