

Cost Recovery

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1. Purpose

The National Offshore petroleum Safety and Environmental Management Authority (NOPSEMA), established by the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGA Act), is Australia's national regulator for health and safety, well integrity and environmental management for offshore oil and gas operations.

The OPGGS Act confers functions and powers on NOPSEMA in relation to the three areas of health and safety, well integrity and environmental management and provides for a system of fees and levies that are imposed upon duty holders.

The Department of Finance administers the Australian Government Charging Framework, NOPSEMA's cost recovery policy approach is consistent with this framework. The characteristics of a government activity determine the type of cost recovery charges, either cost recovery fees or cost recovery levies.

The purpose of this policy is to provide a documented, systematic and consistent approach to the application of regulatory fees and levies.

2. Scope

This policy applies to the safety case, environment plan and wells levies as provided for in the *Commonwealth Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Act 2003* and detailed in the *Commonwealth Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Regulations 2004*.

3. Relevant Legislation

- *Commonwealth Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGSA)
- *Commonwealth Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Act 2003* (Regulatory Levies Act)
- *Commonwealth Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Regulations 2004* (Regulatory Levies Regulations)
- *Commonwealth Offshore Petroleum and Greenhouse Gas Storage (Safety) Regulations 2009* (Safety Regulations)
- *Commonwealth Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2009* (Environment Regulations)
- Part 5 of the *Commonwealth Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011* (Resource Management and Administration Regulations)

It should be noted that dependant on the location of a facility, State or Northern Territory legislation may apply which may or may not mirror the Commonwealth legislation. For simplicity this policy only makes explicit reference to the Commonwealth legislation; however the policy will be applied to each jurisdiction, where powers have been conferred on NOPSEMA.

4. Australian Government Charging Framework

Application of the framework to NOPSEMA

- Regulatory levies recover the costs expended by NOPSEMA in regulating safety, well integrity and environment-related matters in the offshore petroleum industry, and are provided for in the Regulatory Levies Act and Regulatory Levies Regulations. NOPSEMA's role is to administer this legislation effectively and efficiently.

Calculation of levies

- Levies are applied to petroleum facilities and activities according to the descriptions made by duty holders in submissions to NOPSEMA. This information is matched as closely as possible to the levy rating categories provided for in the Regulatory Levies Regulations. Where there is ambiguity, NOPSEMA will seek clarification from the duty holder before determining the appropriate levy.
- In cases where categorization is difficult, NOPSEMA determines levy ratings on a case-by-case basis, with consideration of precedent and the anticipated level of regulatory effort associated with the facility or activity.
- Levy notifications are classified as exempt from the Goods & Services Tax (GST) under A New Tax System (Goods and Services Tax) (Exempt Taxes, Fees and Charges) Determination 2011 (No.1).

Notification of levies to duty holders

NOPSEMA will advise duty holders of their levy obligations by way of a levy notification, payment terms on these notifications are 30 days.

5. Alignment of regulatory levies to cost recovery

NOPSEMA is a statutory authority created under the OPGGSA. Within this Act, NOPSEMA's multiple functions are identified together with any limits to those functions. Based upon these functions, NOPSEMA has created an organisational chart which identifies the staffing requirements necessary to meet the regulatory work requirements. This staff requirement is fully costed, including administrative overheads to determine a total cost for the period.

NOPSEMA is a 100% cost recovered entity, which requires comparing the total revenue with the total cost to determine if there will be a surplus or deficit for the year. These are reviewed with the retained earnings to determine if any changes to the levies are required. This process is contained within the Cost Recovery implementation Statement.

Within the OPGGS Regulatory Levies Act, there is a list of levies imposed upon duty holders in relation to the various offshore activities undertaken. Based upon estimated activity levels, NOPSEMA calculates the total revenue receivable for the period.

6. Maintenance of the Cost Recovery Impact Statement

In accordance with Australian Government cost recovery guidelines, NOPSEMA must maintain an up-to-date Cost Recovery Implementation Statement (CRIS) to ensure the level and methods of cost recovery are appropriate and equitable.

Should legislative amendments be required to adjust the unit value and/or levy ratings for facilities or activities, any instalments that remain unpaid on the date from which the legislative amendments commence will be modified accordingly.

7. Monitoring

Compliance with the guideline is to be assessed by the Chief Financial Officer on an as needed basis.

8. Related documents

N-11000-PL1789 – Policy – Safety Case Levies

N-11000-PL1790 – Policy – Well and Well Activity Levies

N-11000-PL1791 – Environment Plan Levies