

Annual report on the cost effectiveness of the  
operations of NOPSEMA

**Financial year 2020–21**





## Foreword by the CEO

In 2020–21, the Australian offshore petroleum industry continued to respond to the ongoing challenges presented by the COVID-19 pandemic, in addition to low oil prices. During this time, NOPSEMA's primary objective was to support industry whilst ensuring the protection of the offshore workforce and the environment.

The effect of the COVID-19 pandemic on industry is reflected in our regulatory performance data. For example, in 2020–21, the number of offshore petroleum hours worked in waters regulated by NOPSEMA declined by 13 per cent to 8.8 million hours, the lowest level reported since 2016–17. While the decline in offshore hours minimised the risk of COVID-19 transmission on facilities, it raised concerns regarding the impact of travel restrictions on the competency of the workforce and industry's ability to respond to major oil spill events.

The need to ensure NOPSEMA's operations are adequately cost-recovered is clear when looking at the size of the industry we regulate. During reporting period, NOPSEMA was responsible for regulating 1021 offshore assets comprising fixed and mobile facilities, pipelines, wells, and subsea infrastructure. Our regulatory activity included assessing 140 key permissioning documents, investigating 554 reported incidents and complaints, inspecting 113 facilities and activities, and taking 27 compliance and enforcement actions.

NOPSEMA's total expenditure for the 2020–21 financial year was \$37.03 million, with an operating surplus of \$2.43 million. There was no increase to industry levies during 2020–21 in recognition of the pandemic's financial impact on the offshore petroleum industry and despite the Australian Government's expectation that NOPSEMA heighten focus on industry's compliance with decommissioning obligations. Nevertheless, NOPSEMA released guidance on its decommissioning compliance approach and took appropriate and proportionate enforcement action. NOPSEMA was also active during the year ensuring industry was complying with its obligations to protect the health and safety of the workforce, the integrity of wells, and the environment.

In 2020–21, NOPSEMA undertook a cost recovery improvement statement (CRIS) process to outline whether it was adequately resourced. The CRIS was undertaken with a view to increasing industry levies commensurate with regulatory demand and in consideration of industry conditions. NOPSEMA consulted with industry and the workforce on the proposed levy changes and sought independent validation 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 worked hard during the year to demonstrate the value of the objective-based regime and the administration of it by an independent, expert regulator. The recent five-yearly independent operational review of NOPSEMA's regulatory performance, undertaken by Deloitte, found NOPSEMA to be appropriately focused on its functions under the *Offshore Petroleum Greenhouse Gas Storage Act 2006* and compliant with its obligations in administering streamlined arrangements under the *Environment Protection and Biodiversity Conservation Act 1999*.

In reflecting on the reporting period, I want to acknowledge the professional and diligent efforts of NOPSEMA's staff, the support of our ministers and the NOPSEMA Advisory Board, and the considerable efforts of industry, the workforce and the community to ensure sound safety, well integrity and environmental outcomes. I am proud of what we have achieved to date and committed to ensuring NOPSEMA continues to be well placed to respond to future challenges.

## Table of contents

Foreword by the CEO.....	2
1 NOPSEMA 2020–21 operations.....	4
1.1 Year in brief .....	4
1.2 Achievement of budget targets.....	5
1.3 Australian Government cost recovery policy .....	6
1.4 Current cost recovery arrangements .....	6
1.5 Cost recovery implementation statement .....	7
1.6 Safety case levies.....	7
1.8 Environment plan levies and offshore project proposal fees .....	10
1.9 Decommissioning .....	13
2 Cost effectiveness of NOPSEMA operations 2020–21 .....	15
2.1 Activities and costs .....	15
2.2 Asset management.....	15
2.3 Organisational effectiveness in 2020–21 .....	16
2.4 NOPSEMA’s core activities .....	16
2.5 Industry data – hours worked, incidents and complaints .....	16
3 Outlook for 2021–22 .....	17
3.1 The year ahead: 2021–22 .....	17
3.2 Staffing levels (full time equivalents – FTE’s) .....	18
3.3 Stakeholder engagement .....	18

## 1 NOPSEMA 2020–21 operations

### 1.1 Year in brief

This report covers the financial year 2020–21 (FY21) 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 surplus of \$2.43 million which is an increase of \$2 million compared with prior year's surplus of \$0.43 million. The change in operating results is largely attributable to an increase in levy revenue along with a government appropriation received to support the legislative development process and establishment of NOPSEMA's proposed role as the offshore renewable energy regulator.

Levies collected in 2021–21 covered a full twelve-month period and increased by \$2 million on the prior year.

Table 1 NOPSEMA's 2020–21 financial result compared to 2020–21

INCOME STATEMENT				
<i>for the period ended 30 June 2021</i>				
	Actuals 2020–21 \$'000	Actuals 2019–20 \$'000	Variance	
			\$'000	%
<b>INCOME</b>				
<b><i>Revenue - Cost Recovery</i></b>				
Levies	38,264	36,256	2,008	5.5
Interest	66	155	(89)	(57.4)
Other	388	94	294	312.8
	<b>38,718</b>	<b>36,505</b>	<b>2,213</b>	<b>6.1</b>
<b><i>Revenues from Government</i></b>				
Revenues from Government	739	-	739	100.0
	<b>39,457</b>	<b>36,505</b>	<b>2,952</b>	<b>8.1</b>
<b><i>Total revenue</i></b>				
	<b>39,457</b>	<b>36,505</b>	<b>2,952</b>	<b>8.1</b>
<b>EXPENSES</b>				
<b><i>Expenses</i></b>				
Employee benefits	28,317	27,941	376	1.3
Suppliers	4,455	4,506	(51)	(1.1)
Depreciation and amortisation	3,800	3,532	268	7.6
Finance costs	62	97	(35)	(36.1)
Other expenses	391	-	391	100.0
	<b>37,025</b>	<b>36,076</b>	<b>949</b>	<b>2.6</b>
<b><i>Total expenses</i></b>				
	<b>37,025</b>	<b>36,076</b>	<b>949</b>	<b>2.6</b>
<b>Surplus / (deficit)</b>	<b>2,432</b>	<b>429</b>	<b>2,003</b>	<b>466.9</b>

Total expenditure for 2020–21 was \$37.03 million, an increase of \$0.95 million on the prior year. Employee benefits increased by \$0.38 million, and depreciation and amortisation costs increased by \$0.27 million. Non-employee related expenses accounted for 24% of total agency expenditure (23% in 2019–20).

Cash on hand as at 30 June 2021 was \$20.46 million, an increase of \$6.17 million compared to the prior year. Retained earnings for the period 30 June 2021 increased to \$18.51 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 2020–21 NOPSEMA received \$0.07 million in interest from invested monies.

## 1.2 Achievement of budget targets

The financial result for 2020–21 was a surplus of \$2.43 million against the budget (Portfolio Budget Statements 2020–21) based on full cost recovery.

Table 2 NOPSEMA's 2020–21 financial result compared to budget

<b>INCOME STATEMENT</b>				
<i>for the period ended 30 June 2021</i>				
	<b>Actuals</b>	<b>Budget</b>	<b>Variance</b>	
	<b>2020–21</b>	<b>2020–21<sup>1</sup></b>		
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
<b>INCOME</b>				
<b><i>Revenue - Cost Recovery</i></b>				
Levies	38,264	38,830	(566)	(1.5)
Interest	66	110	(44)	(40.0)
Other	388	18	370	2,055.6
	<b>38,718</b>	<b>38,958</b>	<b>(240)</b>	<b>(0.6)</b>
<b><i>Revenues from Government</i></b>				
Revenues from Government	<b>739</b>	<b>-</b>	<b>739</b>	<b>100.0</b>
	<b>39,457</b>	<b>38,958</b>	<b>499</b>	<b>(0.6)</b>
<b>Total revenue</b>				
	<b>39,457</b>	<b>38,958</b>	<b>499</b>	<b>(0.6)</b>
<b>EXPENSES</b>				
<b><i>Expenses</i></b>				
Employee benefits	28,317	29,889	(1,572)	(5.3)
Suppliers	4,455	5,435	(980)	(18.0)
Depreciation and amortisation	3,800	3,554	246	6.9
Finance costs	62	80	(18)	(22.5)
Other expenses	391	-	391	100.0
	<b>37,025</b>	<b>38,958</b>	<b>(1,933)</b>	<b>(5.0)</b>
<b>Total expenses</b>				
	<b>37,025</b>	<b>38,958</b>	<b>(1,933)</b>	<b>(5.0)</b>
<b>Surplus / (deficit)</b>	<b>2,432</b>	<b>-</b>	<b>2,432</b>	<b>100.0</b>

Note: 2020–21 Budget is from the Portfolio Budget Statements 2020–21, Budget Related Paper No. 1.11 Industry, Science, Energy and Resources Portfolio.

Total levy revenue for 2020–21 was \$38.26 million which is \$0.57 million (1.5 %) below budget due to lower than expected submissions.

Total expenditure for 2020–21 was \$37.03 million; \$1.93 million (5.0%) lower than budgeted and comprising:

- Employee benefits were \$1.57 million lower than budget
- Supplier costs were \$0.98 million lower than budget
- Depreciation and amortisation were \$0.25 million above 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](http://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"> <li>• Safety management system (SMS)</li> <li>• Facility</li> <li>• Pipeline</li> </ul>	Well levies <ul style="list-style-type: none"> <li>• Annual levy</li> <li>• Well operations management plan</li> </ul>	Environment plan levies <ul style="list-style-type: none"> <li>• Activity</li> <li>• Compliance</li> </ul>
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 2020–21, 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 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 2021
<b>Safety case levies</b>	
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
<b>Environment plan levies</b>	
Activity value	\$3,960
Compliance value	\$3,960
<b>Well levies</b>	
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 complaints, and 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 2020–21 received 77 safety case assessments (69 in 2019–20), 60 scopes of validation (44 in 2019–20), and issued 78 safety case assessment notifications (73 in 2019–20). 100% of safety case notifications were issued within the legislated timeframe.

**Table 5 Safety case assessment notifications for 2020–21**

Assessment subtype	Number submitted <sup>1</sup>	Number notified <sup>2</sup>	Number notified within specified time	% Notified within specified time
Safety case new	12	13	13	100%
Safety case revised	65	65	65	100%
<b>Total safety cases</b>	<b>77</b>	<b>78</b>	<b>78</b>	<b>100%</b>
Scope of validation	60	57	N/A	N/A
Diving safety management system new	1	1	1	100%
Diving safety management system revised	1	1	1	100%
Diving project plan				
Diving start-up notice	7	7	N/A	N/A
<b>Total additional activities</b>	<b>69</b>	<b>66</b>	<b>1</b>	<b>100%</b>

<sup>1</sup> Based on date of submission

<sup>2</sup> 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	2021
FLNG	0	0	0	1	1	1	1	1
Large Platforms	3	3	3	3	3	3	3	3
Other platforms:								
Drilling or workover in commission	1	0	0	0	1	1	1	1
Drilling or workover not in commission	17	20	20	20	18	18	18	18
FPSO	10	10	10	11	10	9	7	7
FSO	1	1	1	1	2	3	0	0
MODU	15	16	15	13	13	12	15	12
Pipe laying vessel	16	14	14	11	16	17	17	20
Multi-purpose vessel	14	14	19	21	14	8	9	10
Pipeline	7	10	17	50	59	68	70	71
Not Normally Attended	16	16	15	15	11	11	11	11
Vessel or structure not otherwise listed	0	0	0	0	4	4	8	8
<b>Total</b>	<b>100</b>	<b>104</b>	<b>114</b>	<b>146</b>	<b>152</b>	<b>155</b>	<b>160</b>	<b>162</b>

The number of facilities subject to safety case levies during 2021 increased to 162 compared to 160 for the previous year. This increase was due to additional safety case acceptances for pipe laying vessels, multi-purpose vessels and an additional pipeline. However, the number of MODUs reduced by 3 as seen in Table 6.



## Inspections – OHS

For the reporting period, NOPSEMA completed a total of 61 safety inspections across a range of facilities and operators. This is a significant decrease from 144 inspections in the previous period, mainly due to COVID-19 related travel restrictions. Focus areas for inspections in 2020–21 included:

1. COVID-19 health arrangements
2. COVID-19 consequences
3. Deferred maintenance
4. Structural integrity
5. Loss of containment
6. General occupational health hazards
7. Assets and ageing 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
- 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.

## Enforcements – OHS

In 2020–21, NOPSEMA issued 12 OHS-related enforcement actions and 1 non-statutory compliance action.

## Incident notifications – OHS

In 2020–21, there were 492 incidents relating to reportable OHS matters (400 in 2019–20). This figure comprised of 18 accidents (12 in 2019–20) and 474 dangerous occurrences (388 in 2019–20). There were also an additional 9 OHS-related complaints (12 in 2019–20).

## 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 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 2020–21, a total of 35 WOMP submissions were received (28 in 2019-20), where 97% of assessments for 2020–21 were notified within the legislated timeframes.

**Table 7 Well integrity assessment notifications for 2020–21**

Assessment subtype	Number submitted	Number notified	Number notified within specified time	% Notified within specified time
WOMP - new	15	17	17	100%
WOMP - revisions	20	19	18	95%
<b>Total</b>	<b>35</b>	<b>36</b>	<b>35</b>	<b>97%</b>

### Inspections – WI

In 2020–21, 22 inspections of titleholder's regulatory compliance with respect to their management of well operations were completed. Focus areas for inspections included monitoring and auditing of well integrity, well barriers, suspension and abandonment, management systems and manage of change.

### Enforcements – WI

In 2020–21, no well integrity related enforcements were issued (also none in 2019-20).

### Incident Notifications – WI

In 2020–21, 57 incidents relating to well integrity matters were notified to NOPSEMA (69 in 2019-20).

## 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 submissions is broadly 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.

From 28 February 2014, NOPSEMA also cost recovers for 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 Proposal assessment fees are calculated in accordance with NOPSEMA's Schedule of Fees and are based on the total amount of expenses actually incurred by NOPSEMA in considering the proposal.



**Table 8 Environment plan assessment notifications for 2020–21**

Assessment subtype	Number submitted	Number Notified	Number notified within specified time	% Notified within specified time
Environment plan (Exploration) - new	8	7	7	100%
Environment plan (Exploration) - revised	2	2	2	100%
Environment plan (Development) - new	11	13	13	100%
Environment plan (Development) - revised	6	5	5	100%
Offshore Project Proposal - Stage 1	1	1	1	100%
Offshore Project Proposal - Stage 2	1	2	2	100%
<b>Total</b>	<b>29</b>	<b>30</b>	<b>30</b>	<b>100%</b>

In 2020–21 NOPSEMA received 29 EP/OPP submissions (50 in 2019–20).

#### **Inspections – Environmental Management (EM)**

In 2020–21, NOPSEMA conducted 33 environmental management inspections as part of its function to monitor and enforce compliance. 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 and the inspection focus areas identified by NOPSEMA.

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 2020–21, all policy targets for inspections were met, with a number of inspections continuing to be conducted remotely as a result of border and other constraints implemented by State jurisdictions in response to Covid-19.

### **Enforcements – EM**

In 2020–21, there were nine enforcements and five non-statutory compliance actions issued relating to environmental management (EM) and Decommissioning matters (3 and 6 in 2019–20). These comprised: Five EM written advice/warnings, five General Directions and four Directions for the Restoration of the Environment.

### **Incident notifications and investigations – EM**

In 2020–21, there were nine notifications relating to reportable environmental management matters (11 in 2019–20). 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. Online and remote options have been adopted to ensure stakeholder engagement is maintained given reduced opportunities for face-to-face engagement given border and associated travel constraints due to COVID-19.

Extensive efforts were expended in 2020–21 to cooperate with government agencies (resources, environment and fisheries) across Commonwealth and State jurisdictions on environmental management.

Resources have also needed to be directed to contribution and participation in Parliamentary inquiries, reviews and audits. In 2020–21 this included parliamentary inquiries into OPGGS Act amendment Bills, EPBC Act review, Senate Inquiry into the Effects of Seismic on Fishing and the Environment, 5 yearly independent review of NOPSEMA's performance under the EPBC Act Program as well as the Walker Review into the Collapse of the NOGA Group of Companies.

NOPSEMA also continued to maintain liaison and cooperation in a range of other specific formal fora:

- NOPSEMA's Community and Environment Reference Group
- NOPSEMA's Oil Spill Risk Cooperative Forum
- Liaison with DAWE as part of the Administrative Arrangements for the NOPSEMA EPBC Streamlining Program
- Coordination and participation in the Seismic and Fisheries Cooperative Framework project in cooperation with the Department of Industry, Science, Energy and Resources and the Department of Agriculture, Water and Environment.
- Advisory Panel representation in the Blue Economy Cooperative Research Centre
- Participation in the Marine Pest Sectoral Committee
- Cooperation with Parks Australia under Memorandum of Understanding
- Co-sponsor and oversight of two projects under the federal government's Business Research innovation Initiative for improving offshore seismic management
- Australian Marine Park Advisory Committee for the North Network
- Ocean Energy Systems Australia Working Group
- National Marine Science Committee Integrated Ecosystem Assessment Working Group
- National Environment Science Program's Marine and Coastal Hub Steering Committee
- Attendance to present to APPEA Board and relevant committees and working groups



- National Plan for Maritime Environmental Emergencies, although reduced effort has been required in 2020–21 as strategic coordinating committee and working group activities continued to be deferred during COVID-19.

#### International liaison and cooperation

- International Offshore Petroleum Environment Regulators forum (IOPER) and IOPER working groups (Marine Sound and Oil Spill)
- Liaison with industry representative bodies including IOGP and IPIECA on marine sound and oil spill preparedness

## 1.9 Decommissioning

In 2019, the Minister for Resources issued a Statement of Expectation requesting NOPSEMA give heightened focus to oversight of titleholders' compliance with section 572 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*. The Minister requested NOPSEMA through its regulatory processes, ensure titleholders are planning to manage property and update regulatory policies and practices to communicate how it will give effect to its heightened oversight.

#### Promote and advice function

In 2020, NOPSEMA published guidance in the form of a regulatory policy setting out the principles that it will apply in compliance oversight, and where necessary, enforcement of section 572 of the OPGGS Act.

In 2021, the Decommissioning Compliance Strategy 2021 – 2025 was published, setting out the direction for how NOPSEMA will work with its stakeholders to ensure that decommissioning of wells, structures, equipment and property is undertaken in a timely, safe and environmentally responsible manner and is considered across the full life cycle of a project.

Shortly after publishing the Strategy, NOPSEMA published its Decommissioning Compliance Plan to outline the actions it will take to ensure titleholders have appropriate plans for decommissioning and are undertaking activities to complete decommissioning in a timely manner.

A range of other policy and guidance is being developed in relation to section 270 of the OPGGS Act, proactive planning for decommissioning and other material to assist titleholders preparing for and undertaking decommissioning activities.

There has been a substantial increasing amount of effort spent by NOPSEMA in engaging with titleholders and other stakeholders to provide advice on decommissioning related matters. NOPSEMA has been engaging with titleholders who are the subject of compliance and enforcement action on a quarterly or half yearly basis to discuss their progress more generally, and on specific topics as the need arises. NOPSEMA has also been engaging with APPEA, National Energy Resources Australia, Centre of Decommissioning Australia, Society of Petroleum Engineers and other bodies to promote and provide advice on decommissioning related compliance matters.

These regulatory activities are not subject to any direct form of cost recovery and are funded from across NOPSEMA's cost recovery levies for wells, OHS and environmental management.

#### Cooperating with NOPTA and other Commonwealth agencies

The Department of Industry, Science, Energy and Resources is in the process of enhancing Australia's decommissioning framework through a range of legislative and policy reforms. NOPSEMA is supporting these reforms by contributing with the provision of advice to policy, guidance and plans, attending workshops and discussion, and participating in a number of working groups.

NOPSEMA and NOPTA have established an Interagency protocol for decommissioning matters associated with title transactions. This provides the framework to facilitate cooperation during the title transaction processes in support of compliance monitoring and enforcement of titleholder's decommissioning

obligations. The number and complexity of requests for title related compliance advice is increasing. During 2020–21, NOPSEMA completed 66 assessments for title related compliance advice for NOPTA.

There have been a number of (potential and actual) transactions involving the sale of petroleum facilities and activities regulated by NOPSEMA throughout 2020–21. NOPSEMA has been actively engaging with all relevant parties to ensure there is transparency and compliance with obligations of the OPGGS Act.

These regulatory activities are not subject to any direct form of cost recovery and are funded from across NOPSEMA's cost recovery levies for wells, OHS and environmental management.

### **Compliance and enforcement**

NOPSEMA is implementing a Decommissioning Compliance Plan to give effect to its heightened oversight of decommissioning obligations and has taken a range of compliance and enforcement action. This includes issuing:

- 3 General Directions to titleholders of the non-operational Woollybutt, Nganhurra and Bass Strait Gippsland Basin activities to ensure compliance with decommissioning obligations.
- 3 Letters of warning requesting submission of permissioning documents to ensure compliance with decommissioning obligations.

### **Assessment of permissioning documents**

NOPSEMA has set a target in its Decommissioning Compliance Strategy that by the end of 2021 all new and revised permissioning documents address decommissioning obligations.

Decommissioning has been a consideration during assessment of all EPs with greater focus and scrutiny given to operational facilities that are approaching end of field life. A small number of EPs have been submitted seeking a deviation to the full removal of property obligation. The number and complexity of these type of submissions is anticipated to increase substantially into the future.

Assessment and subsequent compliance-related regulatory activities are funded via the relevant cost recovery streams (environmental management, OHS and wells levies) where there is provision.

### **Administrative streamlining of Sea Dumping assessments**

NOPSEMA and the Department of Agriculture, Water and Environment have agreed to conduct a feasibility project for the administrative streamlining of decommissioning assessments under Environment Protection (Sea Dumping) Act 1981 and Offshore Petroleum and Greenhouse Gas (Environment) Regulations 2009.

A range of plans, procedures and discussions have been needed to facilitate reaching this agreement. The project has the potential to identify consideration opportunities for reducing overall effort and costs of government and industry, as well as ensuring that decisions are defensible and appropriate environmental outcomes are achieved.

This initiative is not subject to any form of cost recovery and is funded from NOPSEMA's cost recovery levies for environmental management.



## 2 Cost effectiveness of NOPSEMA operations 2020–21

### 2.1 Activities and costs

During the period, NOPSEMA received 342 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, 145 key permissioning documents were completed. Of the key permissioning documents notified by NOPSEMA, 99% were completed within the legislated timeframes.

Details of NOPSEMA's activity during 2020–21 is summarised in the [NOPSEMA Annual Report 2020–21](#) available at [nopsema.gov.au](http://nopsema.gov.au).

### 2.2 Asset management

As at 30 June 2021, NOPSEMA had two office lease agreements in Perth and Melbourne.

Throughout 2020–21, 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 2020–21 had a fair value (acquisition cost) of \$24.69 million (\$23.50 million in 2019–20) and a carrying value (depreciated value) of \$5.76 million (\$8.37 million in 2019–20).

### 2.3 Organisational effectiveness in 2020–21

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](http://nopsema.gov.au). NOPSEMA met all of its KPIs for 2020–21.

Core activity	Environmental Management	Occupational Health and safety	Well Integrity	Other	2020–21 Total	2019-20 Total for comparison
Assessments	82	146	49	65	342	378
Inspections	33	61	20	-	114	217 <sup>1</sup>
Investigations <sup>2</sup>	10	484	58	38	590	573
Enforcements	14	13	-	-	27	30
Liaison	387	330	39	241	997	1093

### 2.4 NOPSEMA's core activities

NOPSEMA's core activities remain relatively stable, and include inspections, assessments, investigations, enforcements and liaison: the numbers of these undertaken were as follows:

### 2.5 Industry data – hours worked, incidents and complaints

Data for 2020–21 indicates a decrease in total hours worked and most incident categories was reported except for dangerous occurrence incidents.

Activity	2019-20	2020–21	% change
Total hours worked	10.1 million	8.8 million	↓ 13%
Fatalities	nil	nil	-
Injuries	45	36	↓ 20%
Accidents	12	7	↓ 42%
Dangerous occurrences	388	468	↑ 21%
Well integrity incidents	69	58	↓ 16%
Environmental incidents (reportable)	11	9	↓ 18%
Complaints	19	10	↓ 47%

<sup>1</sup> Includes a series of special COVID-19 inspections during the first half of 2020

<sup>2</sup> Includes investigations of incidents and complaints



### 3 Outlook for 2021–22

Table 9 Outlook for 2021–22

INCOME STATEMENT				
	Budget Estimate 2021–22 \$'000	Audited Actuals 2020–21 \$'000	Variance	
			\$'000	%
<b>INCOME</b>				
<i>Revenue - Cost Recovery</i>				
Levies	34,572	38,264	(3,692)	(9.6)
Interest	50	66	(16)	(24.2)
Other	650	388	(262)	(67.5)
	<b>35,272</b>	<b>38,718</b>	<b>(3,446)</b>	<b>(8.9)</b>
<i>Revenues from Government</i>				
Revenues from Government	667	739	(72)	(9.7)
<b>Total revenue</b>	<b>35,939</b>	<b>39,457</b>	<b>(3,518)</b>	<b>(8.9)</b>
<b>EXPENSES</b>				
<i>Expenses</i>				
Employee benefits	30,563	28,317	2,246	7.9
Suppliers	4,954	4,455	499	11.2
Depreciation and amortisation	3,554	3,800	(246)	(6.5)
Finance costs	140	62	78	125.8
Other expenses	-	391	(391)	(100.0)
<b>Total expenses</b>	<b>39,211</b>	<b>37,025</b>	<b>2,186</b>	<b>5.9</b>
<b>Surplus / (deficit)</b>	<b>(3,272)</b>	<b>2,432</b>	<b>(5,704)</b>	<b>(234.5)</b>

#### 3.1 The year ahead: 2021–22

In the year ahead, regulatory focus will continue to be on ensuring industry are meeting all obligations to protect the health and safety of the workforce, the integrity of wells, and the environment,

As offshore infrastructure ages, Australia's decommissioning liability will grow and with it the level of regulatory oversight required. As such, decommissioning will continue to be major focus for NOPSEMA as it establishes greater capacity and grows expertise through a dedicated decommissioning management team.

Community consultation and engagement will 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*, which concluded in 2020–21, highlighted the community's expectation around clear and consistent information and providing it early on in any activity's lifecycle.

To ensure NOPSEMA is adequately resourced to undertake this expanded remit and deliver on government's expectations a CRIS process will be undertaken in the 2021–22 reporting period.

### **3.2 Staffing levels (full time equivalents – FTE's)**

NOPSEMA's staffing level for 2020–21 increased to 123.6 Full Time Equivalents (FTE's) as at 30 June 2021 compared to 120.9 FTE's as at 30 June 2020.

The authority had 135 approved positions as at 30 June 2021. 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 May 2021, NOPSEMA's Head of Division – Corporate & Financial Assurance conducted an industry briefing on the cost effectiveness report for 2019–20. The briefing was conducted in person and via teleconference at NOPSEMA's Perth office.





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

16 March 2022

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 2020-2021 financial year. The procedures performed are detailed in the terms of the engagement of 8 November 2021 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 2020-21 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 2020-21 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 2020-21" column of the Income Statement disclosed in Table 1 to the audited 2020-21 NOPSEMA Financial Statements.	Amount agreed.	None.
2. We have agreed the "Actuals 2019-20" column of the Income Statement disclosed in Table 1 to the audited 2020-21 NOPSEMA Financial Statements.	Amount agreed.	None.
3. We have recalculated the variations (both \$'000's and as a percentage) between the "Actuals 2020-21" and "Actuals 2019-20" in Table 1.	Recalculated without exception.	None.
4. We have agreed the "Actuals 2020-21" column of the Income Statement disclosed in Table 2 to the audited 2020-21 NOPSEMA Financial Statements.	Amount agreed.	None.
5. We have recalculated the variations (both \$'000's and as a percentage) between the "Actuals 2020-21" and "Budget 2020-21" in Table 2.	Amount agreed.	None.
6. We have agreed the "Audited Actuals 2020-21" column of the Income Statement disclosed in Table 9 to the 2020-21 NOPSEMA Financial Statements.	Amount agreed.	None.
7. We have recalculated the variations (both \$'000's and as a percentage) between the "Audited Actuals 2020-21" and "Budget Estimate 2020-21" in Table 9.	Recalculated without exception.	None.

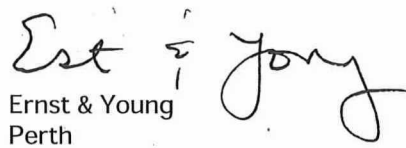


### Restriction on use of report

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 8 November 2021.

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

16 March 2022



**NOPSEMA**

Australia's offshore  
energy regulator

National Offshore Petroleum Safety and  
Environmental Management Authority

ABN: 31 105 642 902

[nopsema.gov.au](http://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](mailto:communications@nopsema.gov.au)