



NOPSEMA

Australia's offshore
energy regulator

Cost Effectiveness Performance Report & Cost Recovery Implementation Statement

July 2022

nopsema.gov.au



NOPSEMA is required to operate on a fully cost-recovered basis, funded by industry, through levies.

Australian Government Charging Framework

The framework is an Australian Government policy allowing government departments and agencies to charge the non-government sector for a specific government activity, such as regulation. The framework applies to NOPSEMA as a selected corporate Commonwealth entity.

Cost recovery legislation relevant to NOPSEMA

OPGGS (Regulatory Levies) Act 2003

OPGGS (Regulatory Levies) Regulations 2004

Cost effectiveness performance report

Regulatory requirement

- Each year, in accordance with the OPGGS (Regulatory Levies) Regulations 2004, NOPSEMA prepares a report assessing the cost-effectiveness of its operations.
- The CER is provided to industry at least one month before NOPSEMA meets with industry representatives to discuss the cost-effectiveness of its operations.
- The report includes the costs and budget projections for NOPSEMA's operations, the operating budget for the following year, and a cost-effectiveness assessment.
- The report for discussion today assess the cost effectiveness of NOPSEMA's operations for the 2020-21 period.

Cost effectiveness performance report continued

Financial result

- Expenditure of \$37.03 million with an operating surplus \$2.43 million
- No increase to levies in recognition of the financial impact of COVID-19 on industry.

Regulatory activities 2020–21

- Regulatory oversight: 1021 offshore assets
- Assessments: 140 key permissioning documents
- Investigations: 554 reported incidents and complaints
- Inspections: 113 facilities and activities
- Compliance and enforcements: 27 actions

Cost effectiveness performance report continued

Activities without direct cost recovery through levies

- Supporting and advising on policy, legislative and regulatory initiatives
- Engagement with a range of community, industry and government stakeholders
- Support and advice on decommissioning with DISR, APPEA, National Energy Resources Australia, Centre of Decommissioning Australia, Society of Petroleum Engineers and other bodies
- 66 assessments for title related compliance advice for NOPTA.

Cost Recovery Implementation Statement (CRIS)

- As an independent statutory authority, NOPSEMA is required to fully cost recover, through industry levies, the activities it delivers to:
 - fulfil its legislated functions
 - respond to changes in industry activity and performance, and
 - meet the rising expectations of government and the community.
- NOPSEMA is required to review the cost-recovery of its operations periodically by preparing a Cost Recovery Implementation Statement (CRIS).
- The CRIS reports financial and non-financial performance information, provides financial forecasts, and proposes changes to cost recovery where appropriate.
- **In this CRIS, NOPSEMA is proposing a levy increase of 10% and to charge levies for GHG activities commensurate with petroleum.**

Key drivers to increasing levies by 10%

Address a forecasted budget deficit of \$3.7m in 2022–23

- Without a levy increase, NOPSEMA will fall below minimum acceptable working capital cash balances by June 2023.
- There have only been three increases to levies in the last 10 years in line with industry activity and inflationary trends.
- This increase aligns with NOPSEMA program scope and expected inflationary pressures.

Activities not subject to direct cost recovery

- Continuing heightened regulatory oversight of decommissioning
- Building the capability required to administer an expanded approach to financial assurance
- Cost recovery for the assessment and compliance monitoring of GHG storage activities

Levy increase of 10% across the board

Levy type	Levy item	Current rate	New rate	Output
Safety case levy	SMS	Mobile \$136.7K p/y	\$150,400	Occupational health and safety
		Non-mobile \$205.7K p/y	\$226,300	
		Pipeline \$67.8 one-off	\$74,600	
Safety case levy	Facility	Mobile \$42.4K p/y	\$46,600	Occupational health and safety
		Non-mobile \$42.4K p/y	\$46,600	
		Pipeline \$17.0K one-off	\$18,600	
Annual well levy	-	Unit value of \$5,000 p/y	\$5,500	Well integrity
Well activity levy	WOMPs	Unit value of \$42.4K per submission	\$46,600	Well integrity
Environment plan levy	Activity	Unit value of \$4,400	\$4,800	Environment management
Environment plan levy	Compliance	Unit value of \$4,400	\$4,800	Environment management

Charging GHG levies

- The legislation provides for GHG levies to be charged, as such NOPSEMA is proposing to charge GHG levies commensurate with petroleum activities.
- The GHG acreage release process is likely to award up to five assessment permits this year, with resourcing implications for NOPSEMA.
- The industry is forecast to grow into the future, noting the Government is already seeking nominations for the next acreage release.
- GHG levies will be reviewed in the future once NOPSEMA has an evidence base.
- Regulatory amendments are required to change the levy unit values to charge for GHG, this is supported by DISR.

Financial position

2021–22

- Budgeted revenue: \$44.6M
- Budgeted expenses: \$42.5M

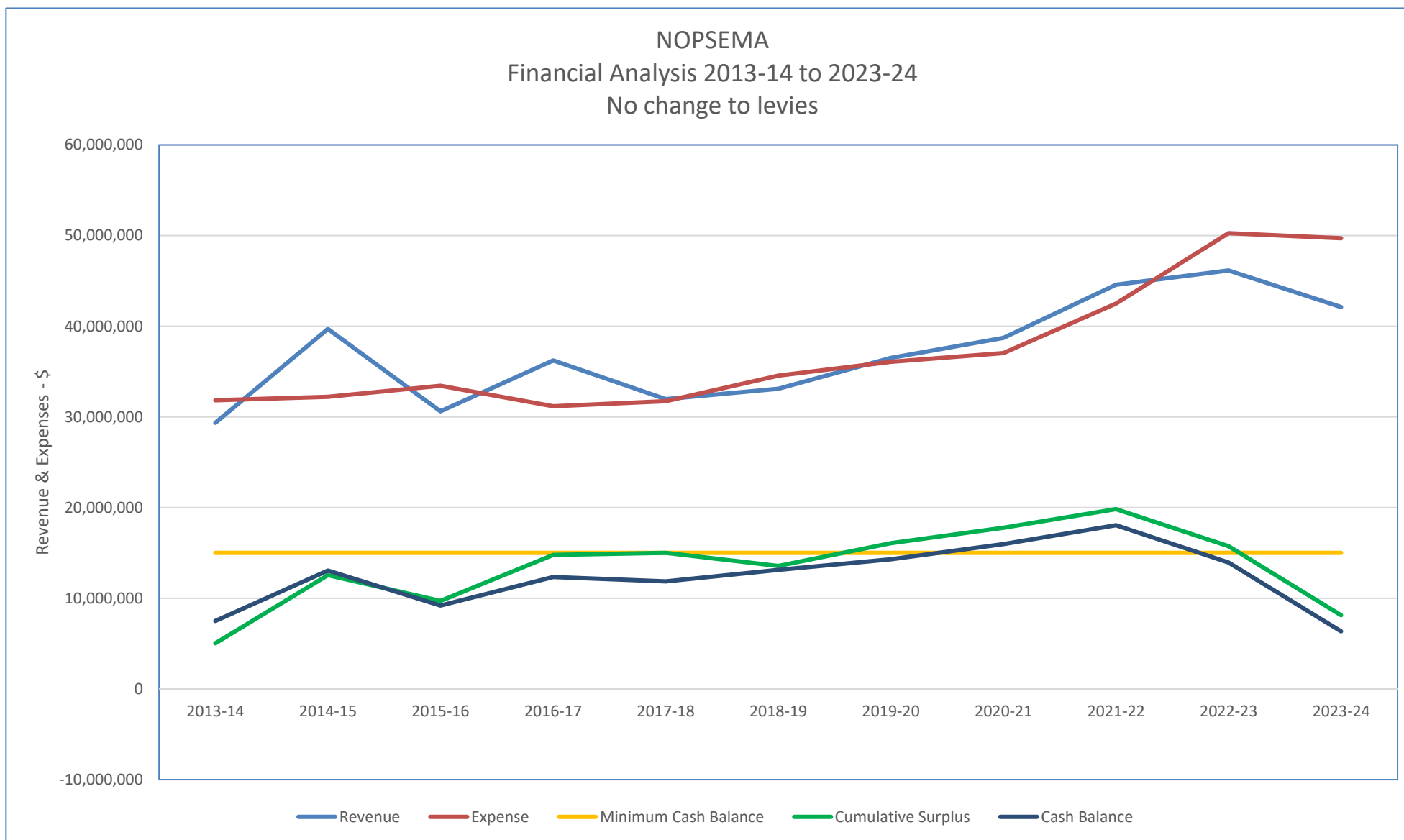
- Surplus of \$2.1M
- Total revenue increase \$5.8M
- Expenditure increase \$5.5M
- Cash on hand at 30 June 2022 was \$18.1M

2022–23

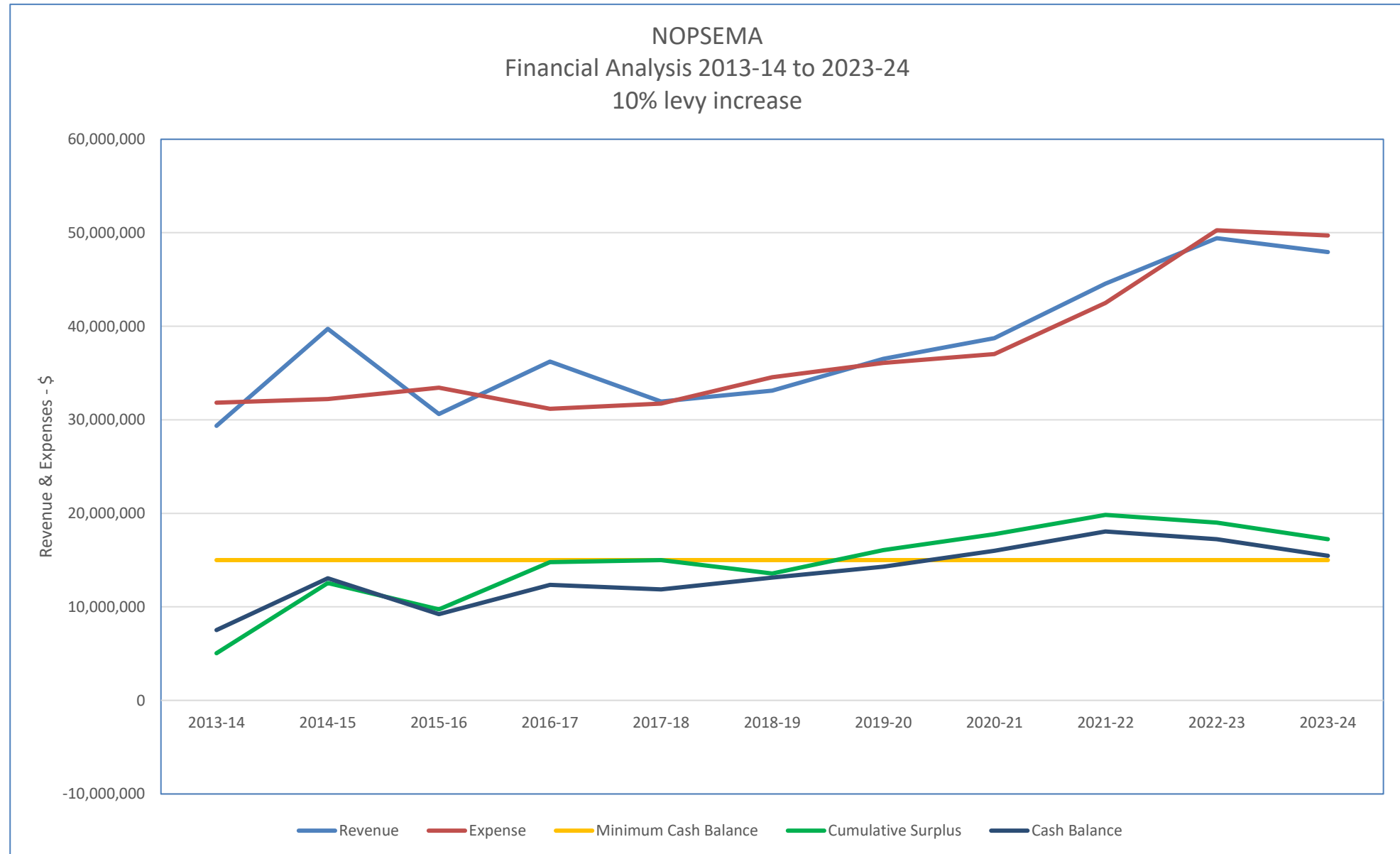
- Budgeted revenue: \$46.5M
- Budgeted expenses: \$50.3M

- Projected deficit of \$(3.7)M
- Total revenue increase \$1.9M
- Expenditure increase \$7.8M
- Year-on-year cash balance reduces to \$14.4M

Financial position – no change



Financial position – change



Next steps

- Industry feedback welcomed up to 2 August 2022. Please email feedback@nopsema.gov.au
- August 2022 – Amending the draft CRIS to incorporate feedback
- August 2022 – Submission of draft CRIS and Charging Risk Assessment to the Department of Finance
- Q3 2022 – Submission of final CRIS for Ministerial approval
- 1 January 2023 – Anticipated start date for the levy increase subject to this CRIS, delay possible

Any questions?



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