



The Hon Keith Pitt MP

Minister for Resources and Water

MS21-001362

Mr Stuart Smith
Chief Executive Officer
National Offshore Petroleum Safety and Environmental Management Authority
GPO Box 2568
PERTH WA 6000

Dear Mr Smith

I am writing to you to outline my expectations of the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA).

Consideration of the economic and social environment

The Australian Government recognises the importance Australia's resources sector as a key driver of the Australian economy and our long term prosperity. Australia's resource and energy exports hit a record \$310 billion in 2020–21 and are forecast to be close to \$350 billion in 2021–22, an outstanding result in the context of the COVID-19 pandemic. The improved outlook reflects strong economic activity and trade amongst many of Australia's major trading partners.

Australia's oil and gas exports are mostly reliant on production from our offshore waters. Australia's LNG exports earnings are forecast to more than double from \$30 billion in 2020–21 to \$63 billion in 2021–22 as demand remains very strong. Crude oil exports will also significantly increase from \$7 billion in 2020–21 to around \$13 billion in 2021–22.

In a globally competitive industry, NOPSEMA plays an important role in fostering consistent and efficient regulatory practices, providing certainty and encouraging investment and innovation in the offshore oil and gas sector. NOPSEMA provides the necessary safeguards for the safety and protection of the offshore workforce and the marine environment. I expect NOPSEMA to consider the broader social, economic and commercial environment in which it operates.

Strategic direction

NOPSEMA is a corporate Commonwealth entity established under the Commonwealth *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (the Act), with its core functions outlined in section 646 and Part 6.9 conferring functions and powers. Further, NOPSEMA has powers and functions conferred on it under other Commonwealth legislation. I expect NOPSEMA to exercise all of its legislative powers consistent with government policy and to make merit-based decisions based on the material evidence and facts with which it is presented.

I expect NOPSEMA to support me, my department and the Government more broadly to progress and implement my key priorities, which include, but are not limited to:

- Ongoing support for the management and decommissioning of the Laminaria and Corallina oil fields and the associated infrastructure (including the Northern Endeavour). This includes emulating the regulatory framework, as closely as possible, through the Standing Deed of Offer with the department, the secondment of experienced NOPSEMA personnel to the department and working collaboratively with the department and other agencies to resolve issues as they arise.
- Implementing the enhanced offshore oil and gas decommissioning framework consistent with the risk principle of ALARP, which is being led by my department.
- Implementing the outcomes of the safety review.
- Progressing the Government response to the 2020 review of the operation of NOPSEMA.
- Progressing the review of Australia's offshore petroleum oil spill response and preparedness framework.
- Strategic planning of Australia's offshore basins.
- Other government reviews that are either underway or planned to commence that are being led by my department.

Where a government policy is under development, being implemented or being revised, I expect NOPSEMA to work collaboratively with my department to inform policy development and implementation and, to maintain alignment between NOPSEMA's operational policies and processes and the Government's priorities and policies. Where there is any ambiguity, I expect you to raise this with me for clarification.

Further, I expect you to be proactive and keep me and my office informed of significant actions, events, incidents or issues. I recognise the important role that NOPSEMA has in identifying emerging issues. I expect NOPSEMA to be proactive and to formally raise any issues with my department, as the issue is emerging, and to work collaboratively with my department to identify solutions to inform advice to government.

I expect NOPSEMA to maintain the heightened focus it has given to compliance with the Act, in particular the maintenance and removal of property provisions in section 572, in support of the Government's enhanced decommissioning framework. This focus should continue as it builds trust and public confidence in Australia's offshore regulatory settings.

Best practice regulation

As the CEO of NOPSEMA, I expect you to adopt a whole of system perspective in NOPSEMA, continuously improving its efficiency, performance, capability and culture to build trust and confidence in Australia's offshore oil, gas and greenhouse gas storage regulatory settings, while remaining flexible and responsive to changing circumstances.

I expect NOPSEMA to undertake its regulatory functions in line with the Government's regulator best practice and performance framework, which is designed to increase accountability, promote best practice, build the professionalism of regulators and support cultural change within regulators.

I also expect NOPSEMA to undertake its regulatory functions in line with Government policies for emissions reductions consistent with Australia's domestic and international greenhouse gas emissions reporting obligations under the UN Framework Convention on Climate Change, Kyoto Protocol and Paris Agreement. This should include the assessment of scope 1 and 2 emissions only - consistent with the requirements of the National Greenhouse and Energy Reporting Scheme. Scope 3 emissions from our exports are reported and managed by countries which are signatories to the Paris Agreement.

I welcome the engagement NOPSEMA has with its international peers bilaterally and through multilateral bodies such as the International Regulators' Forum and the International Offshore Petroleum Environment Regulators group and I encourage you to continue this to share best practice regulation.

I expect NOPSEMA to continue to be an employer of choice by providing a workplace environment, culture and opportunities that will attract and retain talent. I expect you to maintain a culture of professionalism and embed within the organisation a culture of continuous improvement.

In accordance with legislative requirements to develop a corporate plan, I expect this to be developed in consultation with the NOPSEMA Advisory Board to seek its advice and recommendation, with my department and for you to provide it to me for my consideration and response prior to publishing.

As part of the Government's deregulation agenda, the Government is seeking to lift the performance of regulators, including by supporting regulators to adopt consistent, risk-based approaches to administering regulation. Regulatory impost does not come simply from regulatory design; poorly administered regulation and 'regulatory creep' through standard operating procedures and internal policies can impose unnecessary costs and create uncertainty. The regular review of and ongoing improvement to existing regulations and regulatory practices is key to effective regulation.

NOPSEMA is to contribute to the Government's deregulation process by looking for opportunities to remove duplication, streamline its processes, reduce regulatory burden and associated costs, improve efficiency and lift the productivity of NOPSEMA.

I expect you to conduct regular reviews of NOPSEMA's operational policies, processes, procedures and strategies to identify areas for improvement. This will reduce regulatory and administrative burden on the offshore industry and increase the efficiency of NOPSEMA. As part of the review process, I expect you to seek the views of the NOPSEMA Advisory Board.

At the completion of each review, I expect you to provide a report to me that outlines the findings of the review; the measurable actions NOPSEMA will be adopting as a result and to outline how you intend to demonstrate to me that these actions are improving NOPSEMA's regulatory activities, improving efficiency, lifting productivity and meeting my expectations.

As part of being a cost effective regulator, I expect NOPSEMA to review cost structures and regulatory charges prior to seeking any increase in fees or charges and to report the results of those reviews to myself as the responsible minister.

I further expect NOPSEMA to be transparent, responsive and regulate in a modern and collaborative way to promote a regulatory framework that encourages continuous improvement in safety, structural and well integrity and environmental risk management by the offshore petroleum and greenhouse gas storage industries.

NOPSEMA is to maintain essential safeguards, using data and digital technology to manage risks proportionately to minimise regulatory burden and to support the offshore industry to comply. I expect NOPSEMA to keep informed of technological changes and advancements for the offshore oil, gas and greenhouse gas storage industries and ensure its regulatory processes can appropriately accommodate these changes and advancements.

As the regulator for the offshore petroleum and greenhouse gas storage sectors, I expect NOPSEMA to:

- Promote the regulatory framework to encourage continuous improvement across the offshore petroleum and greenhouse gas storage industries.
- Adopt and maintain an effective risk-based framework to compliance monitoring and enforcement, allowing for proportionate responses to risks suited to their size, nature, and complexity.
- Proactively employ appropriate regulatory tools to ensure compliance and risk mitigation in relation to offshore petroleum and greenhouse gas storage activities.
- Maintain a transparent, systematic and well-documented risk management framework, to assist the identification, evaluation and mitigation of regulatory risks and allocate resources to match identified priorities.
- Have in place a sound information management system that records regulatory decisions, including the rationale and supporting evidence for a decision.

Engagement

NOPSEMA is a corporate Commonwealth entity, under my portfolio of responsibilities that has insights into, and expertise on, offshore petroleum and greenhouse gas storage activities. I expect NOPSEMA to continue to work collaboratively with my department so that government and ministerial briefing, advice and policy canvasses all relevant issues and sensitivities and encompasses a whole of portfolio perspective. NOPSEMA is expected to continue to provide notice to my department, ahead of time, of any significant announcements, events or about NOPSEMA's intentions to participate in government processes, such as parliamentary inquiries, to ensure a consistent whole-of-government approach. I will ensure you are fully informed of the Government's policy direction as specific initiatives and strategies are considered.

NOPTA

I also expect that NOPSEMA will continue to foster a collaborative relationship with NOPTA to maintain a seamless operating environment for the oil and gas industry to reduce cost without compromising regulatory integrity. The Act provides for the sharing of information between the Titles Administrator, NOPSEMA, the Joint Authorities, the Secretary of my department and with me, to support the smooth functioning of the framework. I expect NOPSEMA to share information and in particular, to work with NOPTA to identify and address any operational policy, culture or process barriers that might prohibit this from occurring. I expect you to engage with the NOPSEMA Advisory Board throughout this process.

The NOPSEMA Advisory Board

The expertise of the NOPSEMA Advisory Board is balanced and diverse so that it can effectively support you as the CEO of NOPSEMA and advise me on matters if requested. I expect you to continue to actively seek the board's advice and recommendations on NOPSEMA's operational policies (during the review process or in the development of new operational policies prior to implementation) and strategies. This will support the board in efficiently and effectively exercising its functions under section 654 (1) of the Act, which is to give advice and make recommendation to the CEO about the operational policies and strategies to be followed by NOPSEMA in the performance of its functions.

I also expect NOPSEMA, to seek advice from the NOPSEMA Advisory Board on strategic matters, which enable the industry to take a cost-effective approach to undertaking activities while maintaining safety, integrity and environmental management outcomes.

Partnership with other government agencies

The marine environment is multi-use in nature and enables industries and activities to co-exist. NOPSEMA has a vital role in building collaborative partnerships with other agencies to promote the offshore petroleum and greenhouse gas storage regulatory settings and ensure a seamless operating environment. To that end, I expect NOPSEMA to continue to engage, maintain or build these collaborative relationships with other operational agencies, such as the Australian Maritime Safety Authority. In addition, as a government entity I expect NOPSEMA to engage, where appropriate, across government to support the Government's policies and priorities. This includes maintaining a collaborative partnership with the Commonwealth Environment Portfolio.

Statement of intent

I would appreciate your response to this letter in the form of a statement of intent within two months. The statement of intent is to outline how NOPSEMA will meet the SoE, including timeframes for doing so, where applicable and how you will report to me on NOPSEMA's performance and progress made towards meeting my expectations. The statement of intent should have regard to the Government's deregulation agenda and the whole-of-government approach to the management of its regulators.

To enable greater transparency and accountability, I intend for this statement of expectations and the statement of intent to be made public.

Yours sincerely



Keith Pitt

17/2/2022