

**National Offshore Petroleum
Safety and Environmental Management Authority**

**Draft Consultation Paper on the
Cost Recovery Implementation Statement
(CRIS)**

Regulating the offshore petroleum and greenhouse gas storage
industries to support a protected workforce and environment in
Commonwealth waters.

2024–2026

Certification

NOPSEMA is a Corporate Commonwealth Entity and the Chief Executive Officer of NOPSEMA is the accountable authority under the [Public Governance, Performance and Accountability Act 2013](#).

As the accountable authority, I certify that this Cost Recovery Implementation Statement complies with the Australian Government Charging Framework.



Sue McCarrey
Chief Executive Officer

2 April 2024

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1. INTRODUCTION

Purpose of the CRIS

This Cost Recovery Implementation Statement (CRIS) provides information on how the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) implements full cost recovery for regulating the offshore petroleum and greenhouse gas storage industries in Commonwealth waters under the [Offshore Petroleum and Greenhouse Gas Storage Act 2006](#) (OPGG Act). This CRIS has been updated to report financial and non-financial performance information for 2023–24 and three forward years.

The [explanatory memorandum of the Offshore Petroleum and Greenhouse Gas Storage Amendment \(National Regulator\) Bill 2011](#) outlines the Government’s intent for NOPSEMA was for it to be fully funded by cost recovery levies and fees raised from the offshore petroleum and greenhouse gas storage industries, imposed by the [Offshore Petroleum and Greenhouse Gas Storage \(Regulatory Levies\) Act 2003](#) (Regulatory Levies Act) and managed by means of a Special Account.

Full cost recovery ensures the Australian community does not bear the cost of regulating the activities of the offshore petroleum and greenhouse gas storage industries and supports NOPSEMA in achieving its policy outcome, as outlined in the [Portfolio Budget Statements 2023–24 for the Department of Industry, Science, Energy and Resources](#), 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.

In accordance with the Australian Government Charging Framework and Section 61 of the [Offshore Petroleum and Greenhouse Gas Storage \(Regulatory Levies\) Regulations 2022](#) (Regulatory Levies Regulations), NOPSEMA periodically reviews its cost recovery arrangements by maintaining an up-to-date and publicly available CRIS. In accordance with Section 62 of the Regulatory Levies Regulations, NOPSEMA also annually reviews the cost-effectiveness of its operations by maintaining an up-to-date and publicly available [Cost Effectiveness Report](#) (CER).

This CRIS excludes NOPSEMA’s role as the Offshore Infrastructure Regulator’s (OIR) and the cost recovery arrangements for the OIR’s regulation of the offshore renewables industry in Commonwealth waters. The OIR’s functions and cost recovery arrangements are provided under the [Offshore Electricity Infrastructure Act 2021](#) framework and as a result are subject to a [separate CRIS](#).

Changes proposed in this CRIS

The primary change proposed in this CRIS is a 13% increase to regulatory levies to commence from 1 July 2024. A fee arrangement for the facility design notification scheme currently before Parliament is also proposed.

In this CRIS, NOPSEMA has set out the rationale and details to support its proposed changes. In summary, between 2024–25 and 2025–26, NOPSEMA estimates its total personnel levels (including contractors) will remain stable at 182.2 ASL¹ to maintain its regulatory activities against a forecasted stable level of industry activity while ensuring it can remain responsive to emerging industry and Government priorities.

In the same period, NOPSEMA's annual operating costs are estimated to increase to between \$2–4 million. This is because of inflationary pressures caused by mandatory Australian Public Service wage increases, increases to the Consumer Price Index, and the need for NOPSEMA to have specialist staff to support environment plan assessments focusing on First Nations consultation and culture heritage. A commensurate increase to regulatory levies is therefore required.

Consultation with levy payers, the Department of Finance, and the Department of Industry, Science and Resources has found the proposed changes in this CRIS to be appropriate and proportionate for NOPSEMA to maintain full cost recovery of its operations to ensure the Australian community continues to not bear the cost of regulating the offshore petroleum and greenhouse gas storage industries.

Description of the regulatory charging activity

NOPSEMA is the independent expert regulator of occupational health and safety (OHS); structural integrity of facilities, wells, and well-related equipment; and environmental management for petroleum and greenhouse gas storage operations and activities in Commonwealth waters.

NOPSEMA's legislated functions are set out in Section 646 of the OPGGS Act and are summarized as follows:

- To promote the OHS of persons engaged in offshore petroleum and greenhouse gas storage operations.
- To develop and implement effective monitoring and enforcement strategies to secure compliance by persons with their obligations under the OPGGS Act and regulations, a structural integrity law and environmental management law.
- To investigate accidents, occurrences and circumstances that affect, or have the potential to affect, OHS and involve, or may involve, deficiencies in structural integrity or deficiencies in environmental management.
- To report on investigations, as appropriate, to the responsible Commonwealth Minister, and to State and Northern Territory petroleum ministers.
- To advise persons, either on its own initiative or on request, on matters relating to occupational

¹ Total ASL associated with direct and indirect costs.

health and safety, structural integrity, and environmental management.

- To make reports, including recommendations, to the responsible Commonwealth Minister, and to State and Northern Territory petroleum ministers on issues relating to OHS, structural integrity, and environmental management.
- To provide information, assessments, analysis, reports, advice, and recommendations when requested by the responsible Commonwealth Minister in relation to the Minister performing functions or exercising powers in relation to offshore greenhouse gas storage operations.
- To cooperate with the Titles Administrator in relation to the administration and enforcement of the OPGGS Act and regulations and with other Commonwealth, State and Northern Territory agencies and authorities with functions relating to regulated operations.

NOPSEMA fulfils its legislated functions and meets its policy outcome by delivering regulatory charging activities to the regulated entities of the offshore petroleum and greenhouse gas storage industries (proponents, titleholders, and facility operators). This includes assessments, monitoring compliance, conducting inspections and investigations and, where necessary, taking proportionate enforcement action.

NOPSEMA also engages, advises, and educates regulated entities and industry and other stakeholders to improve understanding of the regulatory framework, advise on compliance with regulatory requirements, and promote better practice and continuous improvement in OHS, structural and well integrity and environmental management outcomes.

2. POLICY AND STATUTORY AUTHORITY TO COST RECOVER

Government policy approval to cost recover the regulatory activity

On 1 January 2005, the Australian Government established the National Offshore Petroleum Safety Authority (NOPSA) under the OPGGS Act to regulate OHS and structural integrity of facilities for the offshore petroleum and greenhouse gas storage industries in Commonwealth waters. At the same time, the safety case levies came into effect to provide full cost recovery of NOPSA regulatory activities.

In 2010, the Australian Government announced the expansion of NOPSA's regulatory functions to establish a single national regulator of OHS; structural integrity of facilities, wells, and well related equipment; and environmental management for the offshore petroleum and greenhouse gas storage industries in Commonwealth waters.

On 29 April 2011, NOPSA commenced regulating the structural integrity and safety of wells and well-related equipment. On 17 June 2011, well levies for petroleum wells came into effect to ensure NOPSA was fully funded to fulfil its augmented responsibilities.

On 1 January 2012, NOPSA became NOPSEMA when it commenced regulating environmental management. At the same time, environment plan levies came into effect to ensure NOPSEMA was funded to enable it to fulfil new environmental management responsibilities.

In 2014, the Government streamlined environmental approvals under the OPGGS Act and *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). The streamlined arrangements expanded

NOPSEMA's regulatory responsibilities to include the assessment of an Offshore Project Proposal (OPP) for any proposed new offshore petroleum development projects in Commonwealth waters. On 28 February 2014, a fee to be paid to NOPSEMA for its consideration of an OPP came into effect to ensure NOPSEMA maintained full cost recovery through industry levies and fees.

In 2019, the OPGGS Act was amended to transfer regulatory oversight for greenhouse gas wells from the responsible Commonwealth Minister to NOPSEMA. On 29 October 2019, well levies for GHG wells came into effect to ensure NOPSEMA could recover its costs in undertaking greenhouse gas well-related regulatory functions to avoid any funding shortfalls.

For more information on policy approvals for levies and fees see the originating bills and explanatory memorandums under the [Regulatory Levies Act](#) and the [Offshore Petroleum and Greenhouse Gas Storage \(Environment\) Regulations 2009](#) (superseded on 1 January 2023).

Statutory authority to charge

The statutory authority for NOPSEMA to maintain full cost recovery of its operational costs through raising levies and fees from the offshore petroleum and greenhouse gas storage industries includes the:

- [Offshore Petroleum and Greenhouse Gas Storage \(Regulatory Levies\) Act 2003](#)
- [Offshore Petroleum Greenhouse Gas Storage \(Regulatory Levies\) Regulations 2022](#)
- [Offshore Petroleum and Greenhouse Gas Storage Act 2006](#)
- [Offshore Petroleum and Greenhouse Gas Storage \(Environment\) Regulations 2023](#)

3. COST RECOVERY MODEL

Outputs and business processes of the regulatory charging activity

NOPSEMA's activity outputs and business processes in relation to its regulatory charging activities are summarized in Table 1 on page 8.

NOPSEMA reviews the cost effectiveness of its operations annually in its [Cost Effectiveness Report](#), including the business processes in relation to its regulatory charging activities. NOPSEMA also undertakes internal audits and process improvement reviews on its quality management system primarily for compliance, but also with a view to identify areas for improvement in areas such as NOPSEMA's business processes continue to be used effectively and efficiently.

Table 1: Summary of outputs and business processes of regulatory charging activities

OHS
<p>Safety case levy</p> <ul style="list-style-type: none"> • Assessment of safety cases, facility scope of validations, diving safety management systems (DSMSs) and diving project plans (DPPs). • Assessment of nominations to register a facility operator, processing facility operator registration and deregistration, maintaining and publishing a facility operator register. • Processing and publishing petroleum safety zone applications and applications to enter the area-to-be-avoided. • Conducting office-based and offshore inspections, meeting Health and Safety Representatives, preparing and issuing briefs and reports. • Conducting routine investigations, gathering information, identifying, and interviewing witnesses, preparing and issuing reports. • Issuing enforcement actions, publishing prohibition and improvement notices, monitoring compliance with the requirements of enforcement actions. • Providing advice to facility operators and diving contractors on complying with regulatory requirements. <p>Safety investigation levy</p> <ul style="list-style-type: none"> • Preparation, application, endorsement, and execution of investigation warrants. • Undertaking investigative actions including identifying witnesses, taking statements, gathering of evidentiary material, and conducting interviews. • Issuing of notices to obtain copies of documents, preparing investigation reports, and preparing prosecution briefs. • Supporting prosecutions including assisting prosecutors and giving evidence.

WELL INTEGRITY

Well activity levy

- Assessment of well operations management plans and well abandonment report.
- Assessment of revised WOMPs and well abandonment reports.

Annual well levy

- Conducting office-based and offshore inspections, meeting Health and Safety Representatives, preparing and issuing briefs and reports.
- Conducting routine investigations, gathering information, identifying, and interviewing witnesses, preparing and issuing reports.
- Issuing enforcement actions, publishing prohibition and improvement notices, monitoring compliance with the requirements of enforcement actions.
- Engaging with titleholders to provide advice and guidance on compliance with the regulatory requirements.

Well investigation levy

- Preparation, application, endorsement, and execution of an investigation warrant.
- Undertaking investigative actions including identifying witnesses, taking statements, gathering of evidentiary material, and conducting interviews.
- Issuing of notices to obtain copies of documents, preparing investigation reports, and preparing prosecution briefs.
- Supporting prosecutions including assisting prosecutors and giving evidence.

ENVIRONMENTAL MANAGEMENT

Environment plan levy

- Check the environment plan has addressed all content requirements before commencing an assessment, providing feedback to the titleholder.
- Assessment of exploration environment plans suitability for public comment.
- Publication of exploration environment plans for public comment, providing all public comment submissions to titleholders.
- Assessment of environment plan against the criteria for acceptance, providing feedback to inform opportunities to modify and resubmit, requesting further written information.
- Publication of environment plan summaries, maps, contact information and accepted environment plan in full.
- Managing, responding, and forwarding third-party correspondence in relation to environment plan assessments and approved activities
- Conducting office-based and offshore inspections, meeting Health and Safety Representatives, preparing and issuing briefs and reports.
- Conducting routine and serious investigations, gathering information, interviewing witnesses, drafting investigation reports, and developing prosecution briefs.
- Issuing enforcement actions, publishing prohibition and improvement notices, monitoring compliance with the requirements of enforcement actions.
- Providing advice and guidance to titleholders on compliance with the regulatory requirements.

Offshore project proposal (OPP) fee

- Receipt of OPP, initial review, notification of fees that will apply to the assessment.
- Assessment of the OPP's suitability for publication for public comment, feedback provided to proponent to meet suitability requirements.
- Publication of the OPP for a period of public comment and providing all public comment submissions to the proponent.
- Receipt of the OPP for assessment, assessment of the OPP, preparing and issuing requests for further written information to meet regulatory requirements.
- Publishing accepted OPPs in full, project summaries, and contact information.

Costs of the regulatory charging activity

NOPSEMA allocates direct and indirect costs based on the estimated level of effort required to deliver the activity outputs. NOPSEMA's direct costs are made up of:

- Employee and associated expenses of the regulatory specialists including the Regulatory Operations and Strategic Regulation and Improvement divisions e.g., salary, superannuation, leave entitlements, learning and development, professional membership, regulatory travel.
- External consultants engaged for regulatory purposes e.g., technical advice on complex assessments and/or investigations.
- Expenses incurred from industry workshops e.g., Better Practice Forum.

All indirect costs are allocated across activity outputs (OHS, Well Integrity and Environment Management) commensurate with the resources and effort required. NOPSEMA commissioned a review by external audit consultants to review this approach who confirmed that it is the most appropriate method for the allocation of indirect costs. Accordingly, NOPSEMA's indirect costs are made up of:

- Employee and associated expenses of the Corporate and Business Transformation Division, Strategic Communications and Engagement Directorate and Legal, Governance and Risk Directorate.
- All shared expenses relating to the Perth and Melbourne offices of which NOPSEMA shares with the National Offshore Petroleum Titles Administrator.

The cost of NOPSEMA's activity outputs for the budget year are provided in Table 2 and for the period of this CRIS (2024–25 to 2025–26) in Table 3.

Table 2: Costs of Activity Outputs in the Budget Year (2023–24)

Budgeted Cost of Activity Outputs 2023-24				
Activity Output	Direct ASL	Direct Costs (\$000's)	Indirect Costs (\$000's)	Total Costs (\$000's)
OHS	59.5	16,613	8,595	25,042
Well Integrity	19.9	6,598	2,866	9,408
Environmental Management	47.3	12,454	6,823	19,499
Total				53,949

Table 3: Costs of Activity Outputs from 2024–25 to 2025–26

Budgeted Costs of Activity Outputs 2024–25				
Activity Output	Direct ASL	Direct Costs (\$000's)	Indirect Costs (\$000's)	Total Costs (\$000's)
OHS	60.7	17,203	8,787	25,990
Well Integrity	20.1	6,834	2,910	9,744
Environmental Management	47.4	12,407	6,865	19,272
Total				55,006

Budgeted Costs of Activity Outputs 2025–26				
Activity Output	Direct ASL	Direct Costs (\$000's)	Indirect Costs (\$000's)	Total Costs (\$000's)
OHS	60.7	17,809	9,002	26,811
Well Integrity	20.1	7,082	2,981	10,063
Environmental Management	47.4	13,354	7,033	20,387
Total				57,262

Cost drivers

Inflationary pressures and cost escalation

Since the approval of the 2022–23 CRIS on 7 September 2022, which took effect on 1 January 2023, NOPSEMA has experienced inflationary pressures on wages payable and other expenses. In this CRIS, NOPSEMA has updated its estimated annual operational costs to reflect a cost escalation of between 3-4% per year in consideration of these inflationary pressures, specifically:

- an average rate of 5.4% inflation in the 12 months since 1 January 2023
- mandatory Australian Public Service wage increases between 3–4% per year from 2024 to 2026.

Accordingly, inflationary and cost escalation impacts on NOPSEMA's cost base are projected to increase annual operating costs between \$2–4M per year that, in absence of any commensurate CRIS change to increase revenue, would result in sustained ineffective cost recovery and deficits in future periods.

Employee expenses

Employee expenses are NOPSEMA's largest cost driver, accounting for 89% of total costs. During the period of this CRIS (2024–25 to 2025–26), personnel levels (including contractors) are estimated to remain stable at 182.2 ASL, this includes NOPSEMA's strengthening its capacity and capability in relation to emerging industry and Government priorities including carbon capture and storage, consultation and cultural heritage, and timely decommissioning.

NOPSEMA maintains staff salaries in-line with relevant Australian Public Service policies, including the current [Public Sector Workplace Relations Policy 2023](#) and has enacted the [Australian Public Service Statement of Common Conditions](#) through common law contracts to align remuneration increases with the Commonwealth by committing to a wage increase of 4% in 2024, 3.8% in 2025 and 3.4% in 2026.

Increased regulatory effort for environment plan assessments, promotion and advice

On 2 December 2022, the Full Federal Court of Australia handed down its appeal decision in [Santos NA Barossa Pty Ltd v Tipakalippa \[2022\] FCAFC 193](#) expanding the requirement to consult with relevant persons in the preparation of an environment plan in scope and complexity.

Since the appeal decision, the regulatory effort required for the assessment of an environment plan has significantly increased. This is a result of the increased volume and complexity of consultation and the associated potential impacts to the cultural heritage now spanning thousands of pages in many environment plans. NOPSEMA's engagement with titleholders and First Nations people and communities has also significantly increased to provide the necessary advice and guidance. NOPSEMA's total costs, and estimated ASL, during the period of this CRIS includes a strengthened capacity to undertake larger and more complex environment plan assessments, engaging widely to provide advice and guidance, as well as increased capability in relation to consultation and cultural heritage.

The financial impact of approval delays, declining submissions, and the uncertainties arising from the expanded scope and complexity of consultation is not factored into the changes proposed in this CRIS, rather it will be assessed and considered in future budget statements and forward estimates.

Increasing interest in carbon capture and storage

NOPSEMA has observed significantly increased interest in carbon capture and storage in response to the changes made to the Safeguard Mechanism in 2023.

While NOPSEMA has no legislated functions under the [Offshore Petroleum and Greenhouse Gas Storage \(Greenhouse Gas Injection and Storage\) Regulations 2023](#), since 1 January 2023, NOPSEMA has provided advice to the National Offshore Petroleum Titles Administrator (NOPTA) in support of NOPTA's assessment and advice to the responsible Commonwealth Resources Minister. This includes two applications for a Declaration of an identified GHG Storage Formation.

From the 1 January 2023, amendments to the Levies Regulations provided NOPSEMA the ability to charge GHG levies for environment plan and WOMPs commensurate with petroleum. Since then, NOPSEMA has approved some environment plans and WOMPs for exploration activities. There is not yet an evidence base of the regulatory effort, complexity and capability required to review the GHG levy amounts. Nor does it provide a cost recovery mechanism for advice to NOPTA. NOPSEMA expects this review will be possible in a future CRIS.

Ensuring close regulatory oversight of timely decommissioning

NOPSEMA plays a key role in implementing the Australian Government's decommissioning framework and has recently published a revised five-year [Decommissioning Compliance Strategy 2024–2029](#). The revised strategy highlights NOPSEMA's intention to continue to heighten compliance monitoring, inspection, investigation and corrective action in relation to titleholders who have failed to meet decommissioning targets, failed to develop their decommissioning planning, or their planning is immature to the point NOPSEMA has lost confidence decommissioning targets will be met. NOPSEMA also anticipates increased engagement with titleholders seeking decommissioning advice on the approval pathways for the reuse of offshore petroleum infrastructure for their carbon capture and storage proposals.

Design of regulatory charges

NOPSEMA's cost recovery arrangements are structured so that the authority's annual operating costs can be fully cost-recovered from the charging of levies and fees. Levies and fees should reflect the efforts required of NOPSEMA to deliver regulatory activities while ensuring NOPSEMA has sufficient cash reserves to meet monthly operational expenses and asset replacements, as well as approximately 10% of next year's budget.

OHS	Well Integrity	Environmental Management
The safety case levy relates to the number of facilities and pipelines in a safety case when it is accepted and for each subsequent year the safety case remains in force.	The well activity levy relates to the number of well operations management plan (WOMP) submissions and the annual well levy relates to the number of eligible wells in an in force WOMP each year.	The environment plan levy relates to the number of activities in an environment plan when it is submitted and for each subsequent year the environment plan remains in force up to five years.
The safety investigation levy is a fee imposed for compliance investigations to recover costs above \$30,000.	The well investigation levy is a fee imposed for compliance investigation to recover costs above \$30,000.	
		Offshore project proposal assessment fees relate to the costs incurred in the assessment of an offshore project

SAFETY CASE LEVY FOR FACILITIES

The safety case levy for facilities recovers the costs of NOPSEMA's acceptance of a facility safety case as well as NOPSEMA's compliance monitoring and enforcement activities in relation to the operations conducted under the accepted safety case.

The levy is imposed on a facility operator on acceptance of a safety case. The amount imposed is the total facility amount plus a safety management system (SMS) amount and is due and payable 30 days from acceptance of the safety case and each subsequent calendar year the safety case is in force in quarterly instalments.

The total facility amount is calculated by multiplying the rating of each facility (a rating reflecting the increasing complexity of facilities) described in the safety case with a unit value. The SMS amount is a fixed amount for mobile facilities and non-mobile facilities. A facility operator is only required to pay one SMS amount per year irrespective of the number of safety cases and facilities they have.

Part of the safety case levy may be remitted for operators of non-mobile facilities who operate intermittently subject to the payment of one quarterly installment in any consecutive four quarters.

As outlined in this CRIS, to address cost escalation from inflationary pressures, a 13% increase to the safety case levy for facilities is required. This change results in a facility unit value of \$52,650, an SMS amount for mobile facilities of \$169,950, and an SMS amount for non-mobile facilities of \$255,700.

SAFETY CASE LEVY FOR PIPELINES

The safety case levy for pipelines recovers the costs of NOPSEMA's acceptance of a pipeline safety case as well as NOPSEMA's compliance monitoring and enforcement activities in relation to the operations conducted under the accepted safety case.

The levy is imposed on a pipeline licensee on acceptance of a safety case. The amount imposed is the total pipeline amount plus a SMS amount which is due and payable 30 days from acceptance of the safety case and then each subsequent calendar year the safety case is in force in quarterly instalments.

The total pipeline amount is calculated by multiplying the rating of each pipeline (a rating reflecting the varying complexity of pipelines) described in the safety case with a unit value. The SMS amount for pipelines is a fixed amount. A pipeline licensee is only required to pay one SMS amount per year irrespective of how many safety cases and pipelines they have.

As outlined in this CRIS, to address cost escalation from inflationary pressures, a 13% increase to the safety case levy for pipelines is required. This change results in a pipeline unit value of \$21,000 and an SMS amount for pipelines of \$84,300.

WELL ACTIVITY LEVY

The well activity levy recovers the costs of NOPSEMA's assessment of a well operations management plan (WOMP). It is a fixed amount imposed on a titleholder on submission of a new WOMP and its five-yearly revision and is due and payable 30-days from submission. As outlined in this CRIS, to address cost escalation from inflationary pressures, a 13% increase to the well activity levy is required. This change results in a fixed amount of \$52,650 for the well activity levy.

ANNUAL WELL LEVY

The annual well levy recovers the costs of NOPSEMA's compliance monitoring and enforcement activities in relation to a titleholder's operations under an accepted WOMP. The levy is imposed on a titleholder annually and the total amount is sum of each eligible well (those not yet permanently abandoned) in a title area multiplied by a unit value. As outlined in this CRIS, to address cost escalation from inflationary pressures, a 13% increase to the annual well levy is required. This change results in an annual well levy unit value of \$6,220.

ENVIRONMENT PLAN LEVY

The environment plan levy is made up of a total activity amount and a total compliance amount. The activity amount recovers the costs of NOPSEMA's assessment of an environment plan, and the compliance amount recovers the costs of its compliance monitoring and enforcement activities in relation to the operations conducted under the accepted environment plan.

The levy is imposed on a titleholder on submission of an environment plan. The total activity amount is due and payable 30 days from submission of the environment plan. The total compliance amount is paid in equal annual installments with the first installment due and payable 30 days from submission of the environment plan with subsequent installments due 30 days after 1 January each calendar year to a maximum of five installments.

The total activity amount is calculated by multiplying the activity rating (a rating reflecting the varying levels of regulatory effort required for an environment plan assessment) for each activity described in the environment plan with the unit value and the sum by the number of Commonwealth titles that authorize the activity.

The total compliance amount is calculated by multiplying the compliance rating (a rating reflecting the varying levels regulatory effort required for compliance monitoring and enforcement activities) for each activity described in the environment plan with the unit value and then multiplying the result with the expected duration of each activity in whole calendar years not exceeding five years.

As outlined in this CRIS, to address cost escalation from inflationary pressures, a 13% increase to the environment plan levy is required. This change results in an environment plan levy unit value of \$5,420.

ASSESSMENT FEES

A fee is imposed where NOPSEMA assesses an Offshore Project Proposal (OPP) or a titleholder's financial assurance arrangements as a pre-condition for acceptance of an environment plan.

The assessment fee is calculated by multiplying the hourly rate of each NOPSEMA staff member with the recorded number of actual hours they worked on the assessment. It may also include the cost of engaging external experts. NOPSEMA's hourly rates are reviewed annually and are inclusive of fixed corporate overheads.

Before NOPSEMA starts an OPP or financial assurance assessment, it will provide advice to the proponent or titleholder on the fee that will apply for discussion and agreement. The fees cannot exceed the expenses incurred by NOPSEMA in carrying out its assessment.

As most titleholders use a method developed by the [Australian Energy Producers](#) to estimate an appropriate

level of financial assurance for pollution incidents that may arise because of their proposed petroleum activities, where this method is used appropriately NOPSEMA does not typically impose this fee.

No changes are proposed to the OPP and financial assurance assessment fees; however, mandatory Australian Public Service wage increases as described in this CRIS will affect the hourly rate charged for NOPSEMA staff time.

INVESTIGATION LEVIES

A levy is imposed when NOPSEMA undertakes a compliance investigation under [Part 3 of the Regulatory Powers \(Standard Provisions\) Act 2014](#), in its application of the OPGGS Act, in relation to specified safety or well incidents and where the costs of that investigation has exceeded \$30,000. There is no provision imposing a levy for a compliance investigation in relation to any type of environmental management incident.

The amount of the levy is the costs and expenses reasonably incurred by NOPSEMA. It may include the time of NOPSEMA staff, calculated by multiplying the hourly rate of each NOPSEMA staff member with the recorded number of actual hours they worked on the investigation, and the cost of engaging external experts. NOPSEMA's hourly rates for its staff are reviewed annually and are inclusive of fixed corporate overheads.

No changes are proposed to fees imposed by the investigation levies; however, mandatory Australian Public Service wage increases as described in this CRIS will affect the hourly rate charged for NOPSEMA staff time.

INTRODUCTION OF A DESIGN NOTIFICATION FEE

The [Offshore Petroleum and Greenhouse Gas Storage Legislation Amendment \(Safety and Other Measures\) Bill 2024](#) currently before Parliament is proposing to insert into the OPGGS Act a regulation making power to implement a design notification scheme (DNS) as recommended in the [Offshore Oil and Gas Safety Review](#).

A design notification scheme formalises engagement with NOPSEMA on facility design early in the front-end engineering and design phase. NOPSEMA will assess and provide written feedback on the design concept identifying any safety issues but will not 'accept' or 'reject' the design.

This CRIS proposes a fee arrangement for a DNS. The fee would be calculated by multiplying the hourly rate of each NOPSEMA staff member (reviewed annually and inclusive of fixed corporate overheads) with the recorded number of actual hours they worked on design notification. The fee may also include costs associated with engaging external experts but will not exceed the total expenses incurred.

COST RECOVERY REVENUE ESTIMATES

Revenue estimates from levies and fees during the period of this CRIS (2024–25 to 2025–26) with and without the changes proposed in this CRIS are provided in Table 4.

Table 4: Revenue estimates for 2024–25 and 2025–26

Activity Output	Regulatory Charging	No levy increase (\$000's)		13% levy increase (\$000's)	
		2024–25	2025–26	2024–25	2025–26
OHS	Safety case levy – SMS amount	5,791	6,202	6,544	7,008
	Safety case levy – facility amount	14,787	15,836	16,710	17,895
Total OHS		20,579	22,038	23,254	24,903
Well Integrity	Well activity levy	1,000	1,096	1,129	1,239
	Annual well levy	5,389	6,005	6,090	6,785
Total Well Integrity		6,415	6,870	7,249	7,763
Environmental Management	Environment plan levy – activity	9,713	10,485	10,976	11,848
	Environment plan levy – compliance	14,358	13,182	16,187	14,630
	Offshore project proposal assessment fee	500	500	500	500
Total Environmental Management		24,668	23,244	27,663	25,826
TOTAL REVENUE		51,662	52,152	58,167	58,492

4. RISK ASSESSMENT

NOPSEMA is required to be fully funded by cost recovery levies and fees raised from the offshore petroleum and greenhouse gas storage industries. NOPSEMA has assessed the risks of the proposed 13% increase to regulatory levies and introduction of a DNS fee in accordance with the Department of Finance's Charging Risk Assessment for Regulatory Activities.

1. Proposed change in annual cost revenue

This CRIS proposes a 13% increase in safety case levies, well levies, and environment plan levies and as a result is assigned a high-risk rating.

2. Proposed change in total annual cost revenue

This CRIS proposes a change in total annual cost revenue of <\$10M and as a result is assigned a low-risk rating.

3. Level of change involved

This CRIS proposes the introduction of cost recovery for a new activity (a design notification scheme) and as a result is assigned a high-risk rating, noting the measure is before Parliament and due to be legislated.

4. Types of cost recovery charges to be used

This CRIS proposes to change levies and introduce a new fee and as a result is assigned a medium-risk rating.

5. Necessary legislative requirements

The cost recovery changes proposed in this CRIS do not involve an additional Act of Parliament and as result is assigned a low-risk rating.

6. Working with other Commonwealth, State/Territory and/or local government entities

The changes proposed in this CRIS do not require working with Commonwealth, State/Territory and/or local government entities and as a result is assigned a low-risk rating.

7. Expected impact of cost recovery on payers

Based on the change in the level of charges, the number of people affected, is a low-risk rating according to the CRA.

8. Consultation with payers and other stakeholders about the proposed cost recovery

Minimal feedback was provided during the consultation period from payers and stakeholders about the proposed changes in this CRIS, as a result a medium risk rating is assigned.

Overall cost recovery assessment rating: MEDIUM

5. STAKEHOLDER ENGAGEMENT

A draft CRIS and invitation to attend a stakeholder briefing on the draft CRIS was emailed to all levy-paying regulated entities and the Australian Energy Producers, the peak body for the offshore petroleum and greenhouse gas storage industries, on 7 March 2024.

NOPSEMA Chief Executive Officer, Sue McCarrey, and Chief Financial Officer, Finian Koong led a stakeholder briefing on the draft CRIS with an open Q&A on 14 March 2024. Only two stakeholders from the same organization attended the briefing. No stakeholders from levy-paying regulated entities attended the briefing or engaged NOPSEMA on the draft CRIS at any point during the consultation period.

The organization that attended the briefing also made a written submission to NOPSEMA on the draft CRIS. In that submission, it stated that it would only support an increase to regulatory levies commensurate with mandatory APS wage increases. NOPSEMA notes this does not address increases to the CPI since the last CRIS was approved in September 2022 to end of the period of this CRIS on 30 June 2026. Additionally, increasing regulatory levies commensurate only with mandatory APS wage increases would still be an approximate 9.5% levy increase.

The submission noted NOPSEMA had not yet implemented recommendations from the 2020 Operational Review of NOPSEMA's operations conducted by Deloitte on behalf of the Government. This issue was also raised in a submission made on NOPSEMA's 2022–23 CRIS. NOPSEMA notes that since the 2022–23 CRIS it continues to be unable to implement any of recommendations from the review and/or reflect them in this CRIS ahead of any potential response from the Government to the review.

While NOPSEMA awaits the Government's response to the 2020 Operational Review, internal reviews are being undertaken to identify efficiencies and business improvements. The new organisation structure and functional arrangements implemented in February 2024 is an outcome of these internal reviews.

The submission raised that NOPSEMA has not conducted any efficiency measures to assist with determining the cost effectiveness of its operations to provide industry with confidence that it has pursued all avenues for achieving cost savings. NOPSEMA notes that it reviews the cost effectiveness of its operations annually, in consultation with levy-payers and other industry stakeholders, through the Cost Effectiveness Report. NOPSEMA also undertakes internal audits and process improvement reviews on its quality management system primarily for compliance. This includes identifying areas for improvement to ensure resources continue to be used effectively and efficiently.

The submission did not address the proposed introduction of a fee arrangement in relation to the introduction of a facility Design Notification Scheme (DNS), that is currently before Parliament. Further clarity to ensure industry consultation with NOPSEMA in relation to a DNS would be clear, time bound and only apply to new project builds was raised. NOPSEMA notes that DISR as the relevant policy agency has led industry consultation on the requirements of the DNS as part of the 2019 Offshore Oil and Gas Safety Review.

6. FINANCIAL ESTIMATES

Financial estimates for NOPSEMA's regulatory charging activity outputs with cumulative results are provided in Table 5 for the budget year (2023–24) and three forward years.

Table 5: Financial estimates for 2023–24 to 2026–27

	2023–24	2024–25	2025–26	2026–27
	Budget	Forward	Forward	Forward
	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Expenses = X	53,949	55,006	57,262	58,515
Revenue = Y	51,364	58,167	58,492	58,486
Balance = Y – X	(2,585)	3,161	1,231	(28)
Cumulative balance	16,279	19,440	20,671	20,642
Explain material variance	The increase in revenue from 2023–24 to 2026–27 is primarily due to the 13% increase in levy unit values proposed in this CRIS. The increase in expenditure is primarily due to NOPSEMA filling some long-standing vacancies and building regulatory capacity and capability to ensure NOPSEMA can continue to deliver its regulatory activities efficiently and effectively.			
Explain balance management strategy	Regarding the \$16.3M retained surplus in 2023–24, NOPSEMA tries to maintain 3 months of working capital and full cash coverage of its employee entitlements. NOPSEMA does not have access to debt arrangements, therefore must maintain liquidity whilst adhering to the Australian Government Cost Recovery Policy.			

7. FINANCIAL PERFORMANCE

Historical financial performance for NOPSEMA's regulatory charging activity outputs with cumulative results are provided in Table 6 from 2018–19 to 2022–23.

Table 6: Historical performance of NOPSEMA's regulatory charging activities

	2018–19	2019–20	2020–21	2021–22	2022–23
	Actual	Budget	Budget	Budget	Budget
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Expenses = X	34,541	36,076	37,025	38,789	39,775
Revenue = Y	33,109	36,505	38,264	40,419	39,696
Balance = Y – X	(1,432)	429	1,239	1,630	(79)
Cumulative balance	13,568	16,074	17,313	18,943	18,864
Explain material variance	In 2018–19 NOPSEMA filled some long-standing staff vacancies and relaxed other cost saving measures that were put in place in 2017–18 in response to reduced number of activities. There was an increase in levy unit values of 10% from 1 January 2019 allowing NOPSEMA to respond to an increase in activities. In 2020–21 and 2021–22 an increase in activities and commensurate increase in levy unit values of 10% from 1 January 2022 resulted in an operating surplus for both years.				
Explain impact on balance management strategy	NOPSEMA does not have access to debt arrangements, therefore must maintain liquidity whilst adhering to the Australian Government Cost Recovery Policy. Once maturity has been reached with levy structures in the past, NOPSEMA has successfully managed any surplus by maintaining stable levy unit amounts in the face of rising costs. Levies commenced with safety case in 2005, well integrity levies from 2011 and environment plan levies from 2012. Safety case and well integrity levies can now be forecast with relative accuracy, however environment plan revenue is submission based and subject to significant annual fluctuations.				

8. NON-FINANCIAL PERFORMANCE

NOPSEMA's regulation of the offshore petroleum and greenhouse gas storage industries is subject to a range of governance controls including parliamentary oversight, ministerial policy directions and statement of expectations, and independent statutory reviews. In accordance with section 695 of the OPGGS Act, an independent review is required every 5 years to assess the effectiveness of NOPSEMA.

The first independent review of NOPSEMA's performance in 2015 found that NOPSEMA is an effective regulator that has made positive contributions to improving safety, well integrity and managing Australia's offshore environment. Since then, this view has been reinforced in multiple independent reviews by eminent authorities such as Prof Allan Finkel AO, (Chief Scientist of Australia) in 2019 and Steve Walker from the UK Health and Safety Executive in 2020.

In 2020, an independent operational review of NOPSEMA's performance was undertaken by Deloitte. Deloitte found that NOPSEMA is appropriately focused in bringing about improvement in OHS, well integrity and environmental management across the offshore oil and gas industry. The review also found NOPSEMA to be compliant with its obligations in administering the streamlined Endorsed Program under the *Environment Protection and Biodiversity Conservation Act 1999*.

In accordance PGPA Act requirements, NOPSEMA has developed, communicated, and implemented Accountable Authority Instructions which form part of the finance law which officials are required to comply with and provides a mechanism to apply the key principles and requirements of the financial framework. In accordance with Australian National Audit Office requirements, NOPSEMA complies with internal and external audit measures and NOPSEMA ensures it fully complies with the PGPA Act.

The NOPSEMA Corporate Plan 2023–28 was published within legislative requirements on the NOPSEMA website. The plan outlines NOPSEMA's goals, delivery strategies and performance indicators and aligns with the Regulator Performance Framework.

9. KEY FORWARD DATES AND EVENTS

Date	Event
7–21 March	Stakeholder engagement and consultation period
22–25 March	Amend draft CRIS to incorporate Stakeholder engagement outcomes
26 March – 2 April	Submit draft CRIS and Charging Risk Assessment to the Department of Finance
28 March – 16 April	Ministerial approval of final CRIS
1 July 2024	Implementation of CRIS update, estimated date

10. CRIS APPROVAL AND CHANGE REGISTER

Date of CRIS change	CRIS change	Approver	Basis for change
1 January 2013	5% increase to safety case levies, incorporated review of well and environment plan levies.	Responsible Commonwealth Resources Minister	Consolidation of individual CRIS's for safety case, well and environment plan levies
1 January 2014	13% increase to safety case levies, 20% increase to environment plan levies, realignment of ratings for petroleum facilities and activities.	Prime Minister, and the Responsible Commonwealth Resources Minister	Periodic review of cost recovery arrangements
1 January 2016	Increased the well activity levy to \$35,000 and removed the levy for well activity approvals.	Responsible Commonwealth Resources Minister	Reflect the Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Amendment (Well Operations) Regulation 2015
1 January 2019	10% increase to safety, well and environment plan levies.	Responsible Commonwealth Resources Minister	Periodic review of cost recovery arrangements
1 January 2022	10% increase to safety, well and environment plan levies.	Responsible Commonwealth Resources Minister	Periodic review of cost recovery arrangements
1 January 2023	10% increase to safety, well and environment plan levies.	Responsible Commonwealth Resources Minister	Periodic review of cost recovery arrangements
1 July 2024	Proposed 13% increase to safety, well and environment plan levies. Introduction of a design notification scheme fee.	Responsible Commonwealth Resources Minister	Address inflationary pressures and cost escalation.

11.APPENDIX: SCHEDULE OF LEVIES & FEES 2024–25 to 2025–26

SAFETY CASE LEVY FOR FACILITIES OTHER THAN PIPELINES

Item	Facility type	Rating	Unit value	SMS amount
1	Floating liquefied natural gas facility	25	\$52,650	\$255,700
2	Large platform with drilling or workover capability	12	\$52,650	\$255,700
3	Platform, other than a platform mentioned in item 2, with accommodation facilities when drilling or workover facilities are in commission	8	\$52,650	\$255,700
4	Platform, other than a platform mentioned in item 2, with accommodation facilities when drilling or workover facilities are not in commission	5	\$52,650	\$255,700
5	Floating production storage and offloading facility	6	\$52,650	\$255,700
6	Mobile offshore drilling unit or drill-ship	6	\$52,650	\$169,950
7	Vessel for laying pipes for a petroleum or a greenhouse gas substance	5	\$52,650	\$169,950
8	Vessel or structure used for: (a) doing work on an existing pipe; or (b) the erection, dismantling or decommissioning of a facility; or (c) the provision of accommodation for persons working on another facility	3	\$52,650	\$255,700 (non-mobile)
				\$169,950 (mobile)

9	Floating storage unit linked to a production platform	3	\$52,650	\$255,700
10	Monopod, well head platform, or other small production or injection facility, with no accommodation	1	\$52,650	\$255,700
11	A vessel or structure not described in any of items 1 to 10 of this table	3	\$52,650	\$255,700 (non-mobile)
				\$169,950 (mobile)

SAFETY CASE LEVY FOR PIPELINES

Item	Pipeline type	Rating	Unit value	SMS amount
1	A pipeline subject to a pipeline license with no sub-sea development or manifold connected to the pipeline	1	\$21,000	\$84,300
2	A pipeline subject to a pipeline license with no more than 2 sub-sea developments or manifolds connected to the pipeline	2	\$21,000	\$84,300
3	A pipeline subject to a pipeline license with more than 2 sub-sea developments or manifolds connected to the pipeline	3	\$21,000	\$84,300

ENVIRONMENT PLAN LEVY

Item	Activity type	Activity rating	Compliance rating	Unit value
1	Operation of a facility that is used for: (a) the recovery or processing of petroleum; or (b) the injection or storage of a greenhouse gas substance into the seabed or subsoil	25	22	\$5,420

2	Operation of a facility that is used for the storage of petroleum but not for the recovery or processing of petroleum	14	9	\$5,420
3	Recovery of petroleum, or the injection of a greenhouse gas substance into the seabed or subsoil, 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 in the same license area; and (c) is not connected to a pipeline subject to a pipeline license that is in the same license area	12	6	\$5,420
4	Operation of a pipeline subject to a pipeline license	6	3	\$5,420
5	Construction or installation of a facility mentioned in item 1 or 2	25	18	\$5,420
6	Construction or installation of a pipeline subject to a pipeline license	16	13	\$5,420
7	Decommissioning, dismantling, or removing a facility mentioned in item 1 or 2	22	14	\$5,420
8	Decommissioning, dismantling, or removing a pipeline subject to a pipeline license	16	14	\$5,420
9	Significant modification of a facility mentioned in item 1 or 2	23	17	\$5,420
10	Significant modification of a pipeline subject to a pipeline license	16	13	\$5,420
11	Drilling	27	14	\$5,420
12	Conducting a seismic survey	17	9	\$5,420
13	Conducting a survey (other than a seismic survey)	10	3	\$5,420

14	<p>Any other activity carried out under an instrument, authority or consent granted or issued under:</p> <p>(a) if authorised by a Commonwealth title (within the meaning of section 10F of the Regulatory Levies Act)—the OPGGS Act; or</p> <p>(b) if authorised by a State/Territory title (within the meaning of section 10G of the Regulatory Levies Act)—an Act of a State or Territory that substantially corresponds to the OPGGS Act</p>	9	3	\$5,420
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WELL LEVIES

Type	Unit value
Well activity levy	\$52,650 per application
Annual well levy	\$6,220 for each eligible well