



NOPSEMA

Australia's offshore
energy regulator

Annual report on the cost effectiveness of the operations of the
National Offshore Petroleum Safety and Environmental Management
Authority

Financial year 2021 - 2022



CEO's foreword

I am pleased to release this Cost Effectiveness Report – my first as CEO - for the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA), for the financial year 2021-22 (FY22).

In 2021–22 the Australian offshore oil and gas and greenhouse gas storage industries continued to respond to the ongoing challenges presented by the COVID-19 pandemic as the severity of the crisis lessened globally. During the period NOPSEMA managed the impacts flowing from the freezing of levies in 2020 and the then low oil price environment, that reduced exploration activity and associated NOPSEMA revenue.

Since that period, NOPSEMA has supported industry initiatives to return to COVID-19 normal operations which coincided with a higher oil price environment. In September 2021, the then Minister for Resources and Water approved a 10% increase to regulatory levies, following consideration of the NOPSEMA's Cost Recovery Implementation Statement and other factors. The increase took effect on 1 January 2022.

An increasing focus on decommissioning by NOPSEMA and policy agencies has resulted in staff contributing more of their time to engage on the policy, legal, operational and compliance dimensions of our regulatory responsibilities.

I have been in the role of CEO since February this year and my goal is to ensure NOPSEMA maintains effective regulation of the industry through the protection of the offshore workforce and the environment. It is a challenge which I look forward to continuing.

In the reporting period 2021–22, there was 10.3 million hours worked offshore in waters regulated by NOPSEMA which was an increase of 16 per cent from the 8.9 million hours worked in 2020–21.

During reporting period, NOPSEMA was responsible for regulating 1062 offshore assets comprising fixed and mobile facilities, pipelines, wells, and subsea infrastructure. Our regulatory activity included assessing 199 key permissioning documents, investigating 684 reported incidents and complaints, inspecting 112 facilities and activities, and taking 33 compliance and enforcement actions.

NOPSEMA's total expenditure for the 2021-22 financial year was \$39.63 million (an increase of \$2.61 million on the previous year), with an operating surplus of \$5.40 million which is an increase of \$2.96 million (compared with previous year's surplus of \$2.43 million).

NOPSEMA has worked hard during the year to demonstrate the value of an independent, expert regulator. I would also like to acknowledge the professionalism and expertise of NOPSEMA's staff – including the previous CEO Stuart Smith - the support of our Ministers and the guidance of 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 to be leading an agency with such a high degree of expertise and am committed to ensuring it continues to be well placed to respond to future challenges.



Sue McCarrey

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Authority to recover

The Australian Government’s overarching cost recovery policy is that, where appropriate, recipients of government activities should be charged the costs of those activities. As such, NOPSEMA levies the offshore energy industry the costs attributable to the agency’s activities undertaken in meeting its policy outcome and legislated functions. NOPSEMA undertakes these activities as a Corporate Commonwealth Entity on a not-for-profit basis.

Policy background

NOPSEMA’s policy outcome is outlined in the Portfolio Budget Statements 2022–23 for the Industry, Science, Energy and Resources Portfolio and is as follows:

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.

Legislated functions

NOPSEMA’s legislated functions are detailed in section 646 of the OPGGS Act and are summarised as follows:

- to promote the OHS of persons engaged in offshore petroleum operations or offshore greenhouse gas storage operations
- to develop and implement effective monitoring and enforcement strategies to secure compliance by persons with their OHS, structural integrity of facilities, wells and well-related equipment, and environmental management obligations under the OPGGS Act and regulations
- to investigate accidents, occurrences and circumstances relating to OHS, structural integrity of facilities, wells and well-related equipment, and environmental management
- to advise persons on matters relating to OHS, structural integrity of facilities, wells and well-related equipment, and environmental management
- to make reports, including recommendations, to the responsible Commonwealth minister and each responsible state and Northern Territory minister
- to cooperate with other Commonwealth and state or Northern Territory agencies or authorities having functions relating to regulated operations

NOPSEMA fulfills its legislated functions through assessment, inspection, investigation, compliance and enforcement, and promotion and advisory activities.

1 NOPSEMA 2021–22 operations

1.1 Year in brief

This report covers the financial year 2021–22 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 \$5.40 million which is an increase of \$2.96 million compared with previous year's surplus of \$2.43 million. The change in operating results is largely attributable to an increase in levy revenue along with government appropriations received.

Levies collected in 2021–22 covered a full twelve-month period and increased by \$2 million on the prior year.

Table 1 NOPSEMA's 2021–22 financial result compared to 2020–21

INCOME STATEMENT				
<i>for the period ended 30 June 2022</i>				
	Actuals	Actuals	Variance	
	2021–22	2020–21	\$'000	%
	\$'000	\$'000	\$'000	%
INCOME				
Revenue - Cost Recovery				
Levies	40,419	38,264	2,155	5.6
Interest	55	66	(11)	(16.7)
Other	2,210	388	1,822	469.6
	42,684	38,718	3,966	10.2
Gains				
Other gains	842	-	842	0.0
Revenues from Government				
Revenues from Government	1,500	739	761	103.0
Total revenue	45,026	39,457	5,569	14.1
EXPENSES				
Expenses				
Employee benefits	30,233	28,317	1,916	6.8
Suppliers	5,102	4,455	647	14.5
Depreciation and amortisation	4,262	3,800	462	12.2
Finance costs	34	62	(28)	(45.2)
Other expenses	0	391	(391)	(100.0)
Total expenses	39,631	37,025	2,606	7.0
Surplus / (deficit)	5,395	2,432	2,963	121.8

Total expenditure for 2021–22 was \$39.63 million, an increase of \$2.61 million on the previous year. Employee benefits increased by \$1.92 million, and depreciation and amortisation costs increased by \$0.46 million. Non-employee related expenses accounted for 24% of total agency expenditure (24% in 2020–21).

Cash on hand as at 30 June 2022 was \$26.37 million, an increase of \$5.91 million compared to the prior year. Retained earnings for the period 30 June 2022 increased to \$23.90 million. The increase in cash on hand and retained earnings is largely attributable to an increase in industry activity along with government appropriations received for specific programs still to be implemented.

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. Section 59 of the PGPA Act enables NOPSEMA to invest relevant money under its own account. In 2021–22 NOPSEMA received \$0.06 million in interest from invested monies.

1.2 Achievement of budget targets

The financial result for 2021–22 was a surplus of \$5.40 million which is an increase of \$8.67 million against a forecast deficit of \$3.27 million in the Budget (Portfolio Budget Statements 2021–22). The increase in operating results is largely attributable to an increase in industry activity along with government appropriations received for specific programs.

Table 2 NOPSEMA's 2021–22 financial result compared to budget

INCOME STATEMENT				
<i>for the period ended 30 June 2022</i>				
	Actuals	Budget	Variance	
	2021–22	2021–22¹	\$'000	%
	\$'000	\$'000	\$'000	%
INCOME				
<i>Revenue - Cost Recovery</i>				
Levies	40,419	34,572	5,847	16.9
Interest	55	67	(12)	(17.9)
Other	2,210	633	1,577	249.1
	42,684	35,272	7,412	21.0
<i>Gains</i>				
Other gains	842	0	842	0.0
<i>Revenues from Government</i>				
Revenues from Government	1,500	1,500	0	0.0
<i>Total revenue</i>	45,026	36,772	8,254	22.4
EXPENSES				
<i>Expenses</i>				
Employee benefits	30,233	30,563	(330)	(1.1)

Suppliers	5,102	5,787	(685)	(11.8)
Depreciation and amortisation	4,262	3,554	708	19.9
Finance costs	34	140	(106)	(75.7)
Total expenses	39,631	40,044	(413)	(1.0)
Surplus / (deficit)	5,395	(3,272)	8,667	(264.9)

Note: 2021–22 Budget is the budget published in the Portfolio Additional Estimates Statements 2021-22 Industry, Science, Energy and Resources Portfolio

Total levy revenue for 2021–22 was \$40.42 million which is \$5.85 million (16.9 %) above budget due to higher than expected submissions.

Total expenditure for 2021–22 was \$39.63 million; \$0.41 million (1.0%) lower than budgeted and comprising:

- Employee benefits were \$0.33 million lower than budget
- Supplier costs were \$0.69 million lower than budget
- Depreciation and amortisation were \$0.71 million above budget

1.3 Current cost recovery model

The Australian Government’s overarching cost recovery policy is that, where appropriate, recipients of government activities should be charged the costs of those activities. The regulatory activities NOPSEMA delivers to industry to meet its legislated functions are funded through the charges in Table 3.

Table 3 NOPSEMA funding

Occupational health and safety	Well integrity	Environmental management
Safety case levies relate to the number of facilities and pipelines in a safety case when it is accepted and the number of facilities in accepted and in force safety cases each year.	Well levies relate to the number of well operations management plans (WOMP) submitted and the number of eligible wells in accepted and in force WOMPs each year.	Environment plan levies relate to the number of activities in an environment plan when it is submitted and the number activities in accepted and in force environment plans each year. Offshore project proposal assessment fees relate to the costs incurred in the assessment of an offshore project.
Safety investigation levies relate to the recovery of costs incurred in the investigation of contraventions of an operator’s legislative duties.	Well investigation levies relate to the recovery of costs incurred in the investigation of contraventions of a titleholder’s legislative duties.	

1.4 Cost recovery implementation statement

The Cost Recovery Implementation Statement (CRIS) provides information on how NOPSEMA implements cost recovery and contains financial and non-financial performance information and financial estimates. The process for a CRIS is undertaken in accordance with Australian Government Cost Recovery Guidelines and is subject to the oversight by the Department of Finance.

In September 2021, the then Minister for Resources and Water approved a 10% increase to regulatory levies following consideration of NOPSEMA's 2020–21 CRIS and other factors. The levy increase took effect on 1 January 2022.

Table 4 Levy rates

Levy	at 30 June 2022
Safety case levies	
Facility Amount - unit value	\$42,400
SMS Amount - mobile facility	\$136,700
SMS Amount - not a mobile facility	\$205,700
Unit value for pipeline facility	\$16,950
SMS for pipeline facility	\$67,800
Environment plan levies	
Activity value	\$4,400
Compliance value	\$4,400
Well levies	
Annual well levy	\$5,000
Well operations management plan	\$42,400

1.5 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

In 2021–22 NOPSEMA received 81 safety case assessments (77 in 2020–21), 66 scopes of validation (60 in 2020–21), and issued 79 safety case assessment notifications (78 in 2020-21). All safety case notifications were issued within the legislated timeframe.

Table 5 Safety case assessment notifications for 2021–22

Assessment subtype	Number submitted ¹	Number notified ²	Number notified within specified time	% Notified within specified time
Safety case new	8	7	7	100%
Safety case revised	73	72	72	100%
Total safety cases	81	79	79	100%
Scope of validation	66	63	N/A	N/A
Diving safety management system new	1			
Diving safety management system revised				
Diving project plan				
Diving start-up notice	4	5	N/A	N/A
Total additional activities	71	68	0	100%

1 Based on date of submission

2 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 year

Year	2020-21	2021-22
FLNG	1	1
Large Platforms	3	3
Other platforms:	0	0
Drilling or workover in commission	1	1
Drilling or workover not in commission	18	18
FPSO	7	8
FSO	0	0
MODU	12	7
Pipe laying vessel	20	14
Multi-purpose vessel	10	10
Pipeline	71	73
Not Normally Attended	11	11
Vessel or structure not otherwise listed	8	7
Total	162	153

The number of facilities subject to safety case levies during 2022 decreased to 153 compared to 162 for the previous year. This decrease was due to the number safety case assessments reducing by five for MODUs, by six for pipe laying vessels, and by one for vessel or structure not otherwise listed. However, the number of FPSOs increased by one, and pipelines by two, as seen in Table 6 above.

Inspections – OHS

For the reporting period, NOPSEMA completed a total of 64 safety inspections across a range of facilities and operators. This is a slight increase from 61 inspections in the previous period.

NOPSEMA’s planned inspections involved a range of activities, including:

- communication with OHS representatives and members of the workforce
- verifying those actions arising from recommendations of previous inspections had been completed
- oversight of compliance to NOPSEMA enforcements actions
- oversight of structural integrity for late life assets inc wells and assets entering into a decommissioning phase
- oversight of the abandonment of wells
- 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 2021–22, NOPSEMA issued 12 OHS-related enforcement actions and four non-statutory compliance action.

Incident notifications – OHS

In 2021–22, there were 598 incidents relating to reportable OHS matters (476 in 2020–21). This figure is comprised of 20 accidents (nine in 2020–21) and 578 dangerous occurrences (467 in 2020–21). There were also an additional 11 OHS-related complaints (10 in 2020-21).

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 2021–22, a total of 59 WOMP submissions were received (35 in 2020-21), where 94% of assessments for 2021–22 were notified within the legislated timeframes.

Table 7 Well integrity assessment notifications for 2021–22

Assessment subtype	Number submitted	Number notified	Number notified within specified time	% Notified within specified time
WOMP - new	16	17	16	94%
WOMP - revisions	43	36	34	94%
Total	59	53	50	94%

Inspections – WI

In 2021–22, 17 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 management of change.

Enforcements – WI

In 2021–22, three well integrity related enforcements were issued (none in 2020-21).

Incident Notifications – WI

In 2021–22, 68 incidents relating to well integrity matters were notified to NOPSEMA (58 in 2020-21).

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 (OPPs). To fund OPP assessments, NOPSEMA charges fees on a full cost recovery basis under Regulation 32 of the Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2009. OPP 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 2021–22

Assessment subtype	Number submitted	Number Notified	Number notified within specified time	% Notified within specified time
Environment plan (Exploration) - new	10	9	9	100%
Environment plan (Exploration) - revised	1	1	1	100%
Environment plan (Development) - new	22	22	22	100%
Environment plan (Development) - revised	19	19	19	100%
Offshore Project Proposal - Stage 1	1	1	1	100%
Offshore Project Proposal - Stage 2	1	1	1	100%
Total	54	53	53	100%

In 2021-2022 NOPSEMA received 54 EP/OPP submissions (29 in 20/21).

Inspections – Environmental Management (EM)

In 2021-2022, NOPSEMA conducted 31 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 had the following environmental management inspection targets for the period July 2021 to 31 December 2021:

- 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

Changes to inspection policy targets were introduced in January 2022, with the new targets as follows:

- all new titleholders undertaking exploration or development activity - inspected in the first year of activity commencement
- production activities
 - once during construction /commissioning (start-up) and/or
 - once every five-years (Environment Plan revision cycle)
- drilling activities
 - once every five-years (Environment Plan revision cycle) for exploration activities
 - risk based for development wells & intervention
- wells and infrastructure - suspended wells and non-producing infrastructure once every five-years (Environment Plan revision cycle)
- Decommissioning activities; Seismic activities; ‘Other’ activities – inspection undertaken based on risk.

During 2021–22, 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 2021–22, there were 11 enforcements (one EM Prohibition notice, six requests for a revision to an environment plan and four general directions) and three non-statutory compliance actions issued relating to environmental management (EM) and decommissioning matters (nine enforcements and five non-statutory compliance actions in 2020–21).

Incident notifications and investigations – EM

In 2021–22, there were four notifications relating to reportable environmental management matters (nine in 2020–21). 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 applied by NOPSEMA to engaging with titleholders and other stakeholders to provide advice on environmental management as well as cooperation in performance of NOPSEMA’s regulatory functions. This engagement has included a combination of online and remote options where travel constraints applied, as well as face-to-face engagement.

Extensive efforts were expended in 2021–22 to cooperate with government agencies (resources, environment and fisheries) across Commonwealth and State jurisdictions on environmental management and decommissioning.

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 Offshore Petroleum Titleholder Spill Risk Cooperative Forum
- Liaison with DAWE (now DCCEE) on the Feasibility of Administrative Streamlining of Sea Dumping Applications
- Liaison with DAWE/DCCEE as part of the Administrative Arrangements for the NOPSEMA EPBC Streamlining Program

- Liaison with DAWE/DCCEEW in the establishment and implementation of Work Orders under the Deed of Standing Offer
- Cooperation with DISER/DISR regarding enhancements to Australia’s decommissioning framework 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 a project under the federal government’s Business Research Innovation Initiative for improving whale detection at sea and mitigation of impacts from offshore energy activities
- Blue Economy CRC - Marine Spatial Planning Advisory Group
- Blue Economy CRC – Ocean Energy Systems Australia Working Group
- National Marine Science Committee (NMSC)
- NMSC Integrated Ecosystem Assessment Implementation 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
- Participation on the National Plan for Maritime Environmental Emergencies and National Plan Strategic Coordination Committee (NPSC).
- Engagement with the Clean Energy Regulator on the proposed Safeguard Mechanism reforms
- Engagement with DISER (now DISR) – Climate Change Unit
- Engagement with International Offshore Petroleum Environment Regulators (IOPER)
- Engagement with Global Offshore Wind Regulators Forum.
- Participation in Australian Environmental Law Enforcement and Regulators Network (AELERT) and National Regulator’s Community of Practice (NRCoP)

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

Promote and advice function - Decommissioning

An increasing focus on decommissioning by NOPSEMA and policy agencies has resulted in staff contributing more of their time to engage on the policy, legal, operational and compliance dimensions of decommissioning and related financial assurance regulatory and policy settings. Additionally, decommissioning is driving elevated levels of compliance activity, including the use of General Directions and other compliance and enforcement tools.

Throughout the reporting period NOPSEMA continued to implement actions from the Decommissioning Compliance Strategy 2021-2025 and Decommissioning Compliance Plan, taking compliance action for all petroleum projects that present the highest level of compliance risk with the requirements of section 572 in the form of General Directions and/or formal revisions to relevant permissioning documents.

A range of other policy and guidance material was developed or updated during this period, in relation to section 270 and 572 of the OPGGS Act, proactive planning for decommissioning, considerations when preparing for decommissioning activities 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 basis to discuss their progress more generally, and on specific topics as the need arises.

NOPSEMA has also been engaging with bodies such as APPEA, the National Energy Resources Australia (NERA), the Centre of Decommissioning Australia (CODA) and the Society of Petroleum Engineers (SPE) to promote and provide advice on decommissioning related compliance matters.

This also include regular engagement and cooperation with research organisation to improve environmental outcome for decommissioning activities. These have included NDRI, AIMS and other academic institutions.

Cooperating with NOPTA and other Commonwealth agencies - Decommissioning

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 2021-22, NOPSEMA completed 67 assessments for title related compliance advice for NOPTA. There has been a number of (potential and actual) transactions involving the sale of petroleum facilities and activities regulated by NOPSEMA throughout 2021-22, which have warranted interface between the agencies.

The Department of Industry, Science and Resources (DISR) 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.

NOSPEMA has been holding regular liaison meetings with the Australian Securities and Investment Commission (ASIC) to develop a strong collaborative and information sharing culture between the two agencies and to improve decommissioning outcomes within industry. This can be done by supporting ASIC's use of additional regulatory tools to increasing the accuracy and transparency of financial disclosure of decommissioning liabilities by titleholders.

NOPSEMA and the Department of Agriculture, Water and Environment ('DAWE' now Climate Change, Energy, the Environment and Water, 'DCCEEW') have continued to engage regularly to progress a project investigating the feasibility for the administrative streamlining of decommissioning assessments under the *Environment Protection (Sea Dumping) Act 1981* and Offshore Petroleum and Greenhouse Gas (Environment) Regulations 2009. In addition, DCCEEW and NOPSEMA have regular interface meetings to stay up to date on petroleum activities which may involve sea dumping permit requirements.

NOPSEMA has been actively engaging with these 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 - Decommissioning

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 the ongoing compliance monitoring of the general directions issued during this, and previous, reporting periods:

- four general directions issued in FY22 to titleholders of the non-operational petroleum projects, Stybarrow, Griffin, Minerva and Basker, Manta and Gummy (BMG) activities to ensure compliance with decommissioning obligations.
- three general directions issued in FY21 and FY19 for the following petroleum projects Enfield/Nganhurra, Esso Gippsland Basin Operations, and Woollybutt.

In addition, NOPSEMA has issued:

- six 'requests for a revision to an environment plan' to ensure permissioning documents for decommissioning activities are in compliance with decommissioning obligations
- three compliance advise letters requesting submission of permissioning documents to ensure compliance with decommissioning obligations.

Assessment of permissioning documents - Decommissioning

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. Seventeen EPs have been submitted during the reporting period. These were for cases of titleholders seeking a deviation to the full removal of property obligation, along with EPs for the execution of removal activities. 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.

NOPSEMA has also continued to ensure that all permissioning documents submitted during the reporting period are subject to oversight in relation to decommissioning matters, to ensure titleholders are appropriately planning for and carrying out decommissioning of facilities and equipment that are no longer in use.

2 Cost effectiveness of NOPSEMA operations 2021–22

2.1 Activities and costs

During the period, NOPSEMA received 412 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, 199 key permissioning documents were completed. Of the key permissioning documents notified by NOPSEMA, 98% were completed within the legislated timeframes.

Details of NOPSEMA’s activity during 2021–22 is summarised in the NOPSEMA Annual Report 2021–22 available at nopsema.gov.au.

2.2 Asset management

As at 30 June 2022, NOPSEMA had two office lease agreements in Perth and Melbourne.

Throughout 2021–22, 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 2021–22 had a fair value (acquisition cost) of \$23.19 million (\$24.69 million in 2020–21) and a carrying value (depreciated value) of \$8.03 million (\$5.76 million in 2020–21).

2.3 Organisational effectiveness in 2021–22

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. NOPSEMA fully or substantially met all KPI targets for 2021–22.

2.4 NOPSEMA’s core activities

Two of NOPSEMA’s core activities increased considerably during 2021-22 (assessments and investigations). The numbers of each activity undertaken were as follows:

Core activity	Environmental Management	Occupational Health and safety	Well Integrity	Other	<u>2021–22</u>	<u>2020-21</u>
					Total	Total for comparison
Assessments	115	152	63	82	412	342
Inspections	31	64	17	-	112	113

Investigations¹	4	598	68	-	670	543²
Enforcements	14	16	3	-	33	27
Liaison	374	328	54	163 ³	919	999

2.5 Industry data – hours worked, incidents and complaints

Industry data from 2014-2023 can be found on the NOPSEMA website

(<https://www.nopsema.gov.au/about/planning-and-reporting/industry-nopsema-performance-reports>)

under performance datasets.

¹ Includes investigations of incidents and complaints

² Does not include not-notifiable incident types

³ Includes liaison across multiple divisions or for other corporate or agency liaison

3 Outlook for 2022–23

Table 9 Outlook for 2022–23

INCOME STATEMENT				
	Budget Estimate 2022-23 \$'000	Audited Actuals 2021-22 \$'000	Variance	
			\$'000	%
INCOME				
Revenue - Cost Recovery				
Levies	41,370	40,419	951	2.4
Interest	70	55	15	27.3
Other	1,259	2,210	(951)	(43.0)
	42,699	42,684	15	0.0
Gains				
Other gains	0	842	(842)	(100.0)
Revenues from Government				
Revenues from Government	9,112	1,500	7,612	507.5
Total revenue	51,811	45,026	6,785	15.1
EXPENSES				
Expenses				
Employee benefits	34,785	30,233	4,552	15.1
Suppliers	11,721	5,102	6,619	129.7
Depreciation and amortisation	2,684	4,262	(1,578)	(37.0)
Finance costs	117	34	83	244.1
Total expenses	49,307	39,631	9,676	24.4
Surplus / (deficit)	2,504	5,395	(2,891)	(53.6)

3.1 Staffing levels (full time equivalents – FTEs)

NOPSEMA's staffing level for 2021–22 increased to 134.2 Full Time Equivalents (FTEs) as at 30 June 2022 compared to 123.6 FTEs as at 30 June 2021.

NOPSEMA had 135 approved positions as at 30 June 2022. 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'.