The Wilderness Society: *Offshore Petroleum (Laminaria and Corallina Decommissioning Cost Recovery Levy) Bill 2021* [Provisions] *and Treasury Laws Amendment (Laminaria and Corallina Decommissioning Cost Recovery Levy) Bill 2021* [Provisions]

Senate Standing Committees on Economics

November 2021

Dear Secretary,

On behalf of the Wilderness Society, I am pleased to provide this brief submission to the Inquiry into the *Offshore Petroleum (Laminaria and Corallina Decommissioning Cost Recovery Levy) Bill 2021 [Provisions] and Treasury Laws Amendment (Laminaria and Corallina Decommissioning Cost Recovery Levy) Bill 2021* [Provisions] (**the Offshore Petroleum Decommissioning Levy Bill or the Bill**).

The submission makes comment on specific issues of interest to the Wilderness Society and its members in relation to the Bill.

Yours sincerely,

Jess Lerch
National Corporate Campaign Manager, Wilderness Society

SUBMISSION

Support for the levy

The Wilderness Society strongly supports the introduction of this levy on Australian offshore oil and gas production to recover the Commonwealth Government's decommissioning costs for the Laminaria and Corallina oil fields and associated infrastructure.

We also welcome the Government's precedent that last-resort financial responsibility for the decommissioning of offshore petroleum fields will rest with the offshore petroleum industry and not the Australian taxpayer. We consider that this is an important and necessary precedent.

The Wilderness Society has made consistent public comment to this effect, on the basis of three key principles that we consider crucial to proper consideration of this and many other relevant decommissioning challenges facing this industry and presenting risks to the marine environment, Australian governments, communities and taxpayers.

1. Ineffective, incomplete, delayed and/or cost-cut decommissioning (and maintenance) of offshore oil and gas infrastructure presents unacceptable increased risks to the environment as well as worker safety.
2. The taxpayer should not have to foot the bill for decommissioning these projects or the associated and broader decommissioning challenges facing this industry and has a right to expect offshore oil and gas companies to clean up their mess expeditiously and properly. If they do not, the government will need to do it for them, but full cost recovery from either previous titleholders or the broader offshore oil and gas industry must be required.
3. Where the government is forced to undertake decommissioning of offshore petroleum infrastructure (as is the case here, with the Northern Endeavour debacle) it should ensure that it does so as a 'model proponent', with utmost adherence to best practice, full removal (and recycling where possible) of infrastructure and full remediation of the environment.

We consider that the test of this Bill must be that it *ensures* the full cost recovery for the completion of *best practice decommissioning* of the Laminaria and Corallina oil fields and associated infrastructure.

Specific concerns and recommendations

The importance of decommissioning of the Northern Endeavour properly

The Wilderness Society considers that it is essential that this Bill not only supports but also *ensures* that the Australian Government fully completes best practice decommissioning of the Laminaria and Corallina oil fields and associated infrastructure.

It is our view that, like it or not, the standard to which the Northern Endeavour is decommissioned

is likely to set the upper benchmark for future decommissioning - and must be considered in the context of the scale of the challenge this industry is facing in relation to completing the very substantial amount of decommissioning liabilities coming down the line, as well as existing concerns about cost cutting and substandard maintenance issues in the industry.

We consider two inclusions in the Bill are counter productive to achieving this outcome.

(1) The inclusion of a levy end date and capacity for it to be brought forward
(2) The definition of "decommissioning" in the Bill

On the first point, it is our concern that this sets up a situation in which pressure may be exerted on the government to cut costs such that best practice decommissioning is not achieved. It is our view that this would not only be a bad outcome for environmental protection and rehabilitation, worker safety and maximising reuse/recycling of infrastructure but also that it would set subpar decommissioning expectations across the entire industry into the future.

We would appreciate clarification from the Department of Industry, Science, Energy and Resources (DISER) on how the Bill's time horizon of 2029-30 was chosen and what assumptions have been made to arrive at such a decision.

It is our view that there should not be a legislated end date for the application of the levy in order to support the Government to undertake best practice decommissioning, infrastructure removal and any necessary environmental rehabilitation safely and successfully to completion.

In order to ensure the above, we would also appreciate clarification regarding who will make the final determination as to when decommissioning is completed successfully and in full. Any ambiguity or uncertainty about who is the legally responsible regulator for this decommissioning project should be resolved urgently.

On the second point, we are concerned about the change to the definition of 'decommissioning' included in this Bill since the September 2021 exposure draft. It appears that the definition has changed from *removal of subsea infrastructure* to *removal* ***or any other treatment*** *of subsea infrastructure*.

We recommend the Bill be amended to include the original, more constrained, definition in line with the regulator's base case expectations of titleholders for maintenance and removal of all structures, equipment and property from title areas as per the duties outlined in section 572 of the OPGGS Act and associated NOPSEMA policy.[1]

We consider that any decision to leave any structure, equipment or property in situ must only occur in the most extreme of situations (ie. in a theoretical instance in which it provides *critical habitat for a listed threatened species*) and as a very limited exception, if ever, given the marine pollution risks associated with much offshore petroleum infrastructure and the impact that the dumping or abandonment of industrial structures and equipment has on the wilderness values of our marine environments.

We would appreciate clarification that alternative options to removal are not being considered or facilitated instead of full removal, which ought be the primary (and important) objective.

[1] https://www.nopsema.gov.au/sites/default/files/documents/2021-07/A720369.pdf

The levy should be made permanent

Clearly the Government is now fully aware of the significant costs associated with full decommissioning and removal of offshore petroleum fields and infrastructure. Which is no doubt why situations like the Northern Endeavour debacle, delays to maintenance and decommissioning and deviations from base case maintenance and removal decommissioning responsibilities have occurred and will most likely continue, particularly given the significant global climate transition risks facing this industry.

The recent introduction of trailing responsibilities[2], while overdue, was welcome, but we are unconvinced it will fully inoculate the Australian taxpayer from future 'Northern Endeavour' scenarios and would welcome an assessment of residual risks from the regulator (NOPSEMA) and/or DISER on that issue, including whether and/or how recent International Energy Agency modelling for net zero emissions by 2050 has been used in that risk assessment.

We consider that not only would making the levy permanent help address the ongoing risks of a repeat of the Northern Endeavour debacle but also part of the concerns raised in the previous section.

It is our view that levy funds received that may exceed those necessary to fully decommission the relevant oil fields and infrastructure should be used to:

(1) provide for appropriately determined financial assurance for potential future instances in which the Australian Government may need to step in to decommission abandoned offshore oil and gas projects; and

(2) build the necessary Australian capacity to undertake the extremely substantial decommissioning liabilities coming down the line for this industry and which have already been consistently acknowledged as a significant challenge by both the government and the industry itself.

"Unlike in the Gulf of Mexico and the North Sea, decommissioning is still in its infancy in Australia, and all involved (i.e., regulators, operators, and the service sector) need to be prepared for the coming wave as assets approach the end of their producing lives."[3] (Australian Oil and Gas Industry Outlook Report, 2020)

"The decommissioning challenge is significant given Australia's remote location, as many offshore structures are now approaching the end of their operational lives and because of the relative infancy of Australia's offshore petroleum industry in undertaking large scale decommissioning projects. Decommissioning will be complex, expensive, span many years and introduce many new and significant safety, environmental and well integrity risks."[4] (NOPSEMA Decommissioning Compliance Strategy 2021-2025)

We consider that addressing the decommissioning challenge facing the industry and building the

[2] Offshore Petroleum and Greenhouse Gas Storage Amendment (Titles Administration and Other Measures) Bill 2021

[3] https://appea.com.au/wp-content/uploads/2020/06/Australia-Oil-and-Gas-Industry-Outlook-Report.pdf

[4] https://www.nopsema.gov.au/sites/default/files/documents/2021-05/A763035%20-%20Decommissioning%20Compliance%20Strategy.pdf

necessary capacity to undertake the significant complex, expensive and multi-year projects referred to by NOPSEMA should, like the decommissioning of the abandoned Northern Endeavour, be funded by the industry that will benefit from that necessary capacity, and which has had many decades to theoretically prepare for these known liabilities - not the Australian taxpayer.