

Senate Standing Committee on Economics  
ANSWERS TO QUESTIONS ON NOTICE  
Treasury Portfolio

**Inquiry into 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]**

**Division:** Corporate and International Tax Division  
**Topic:** Levy cost coverage  
**Reference:** Spoken (8 November 2021)  
**Senator:** Rex Patrick

**Question:**

Senator PATRICK: In terms of the make-up of the costs—and I did ask this of industry and they said I'd be best to ask you—I understand that the ongoing operating costs of Northern Endeavour will be included in the cost that is covered by the levy. They were pretty adamant about that. I think they were less sure about the legal costs associated with the litigation that's currently going. Maybe I'll just ask you: what's included in terms of cost coverage by this levy?

Mr Winckler: The cost coverage includes the direct and indirect costs incurred by the Commonwealth in relation to the decommissioning and remediation obligations. In terms of some of those indirect costs, that does include things like legal expenses and insurances that the Commonwealth is required to take out. It obviously includes direct expenditure around the procurements that the task force enters into. It does not include things like Commonwealth financing costs. I think I did hear that question raised earlier.

Senator PATRICK: I did ask that, yes.

Mr Winckler: To the extent that the Commonwealth is financing its general budget sector expenditure, it doesn't include that finance but it does include legal costs, insurance costs and other indirect costs like that.

Senator PATRICK: What about departmental costs? I presume that they're not included. Mr Winckler: No, it does include relevant departmental costs as well.

Senator PATRICK: So the cost of the Northern Endeavour Taskforce inside the department of industry is a cost that will be recovered through the levy?

Mr Winckler: Yes, that's correct.

Senator PATRICK: Do you have a comprehensive list of those? Is it described in legislation or is it in the EM? Is it something that will be prescribed by regulation?

Mr Winckler: The legislation currently refers to costs directly and indirectly incurred by the Commonwealth and it mentions some specific things, but that's not an exhaustive list. I can also take on notice to follow up what disclosures there are, so there's no exhaustive list in the legislation in the EM.

Senator PATRICK: If you could provide one to the committee on notice, I think that that would be helpful to the committee but also to the industry that will eventually have to bear the cost of it. I think we should be open and upfront with them about what it is that they'll be asked to pay for and for the taxpayer understanding of what it is that we'll be asked to pay for. Thank you very much for that.

**Answer:**

Total decommissioning cost is defined in the Bill as the total amount in dollars of net costs reasonably incurred by the Commonwealth in relation to the decommissioning related activities.

Examples of direct costs intended to be recovered could include, but are not limited to, those related to operating and maintaining the Northern Endeavour, wells and infrastructure, activities related to preparations for decommissioning and decommissioning process (such as disconnection, removal and disposal of the Northern Endeavour as well as plugging the wells and removal of any subsea infrastructure and associated environmental remediation). Additionally, any costs that would come from spending in emergency circumstances such as a significant oil spill would also be captured.

Examples of indirect costs could include, but are not limited to, obtaining insurance to carry out the decommissioning related activities, obtaining legal advice in preparing contracts to undertake the works and other costs associated with the Commonwealth having to establish the Northern Endeavour Taskforce as a result of the Australian Government action to keep the Laminaria and Corallina oilfields, associated infrastructure and the surrounding marine environment safe and secure and assessment of any alternate proposals put forward by industry.