



Australian Government
**Department of Industry,
Innovation and Science**

Additional Submission from the Department of Industry, Innovation
and Science to the Environment and Communications References
Committee Inquiry into

*The potential environmental, social and economic impacts of BP's
planned exploratory oil drilling project, and any future oil or gas
production in the Great Australian Bight*

October 2016

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1 Executive Summary

The Department of Industry, Innovation and Science (the department) is the lead Australian Government department responsible for oil and gas activities in Commonwealth waters. The department is responsible for providing upstream offshore oil and gas related policy advice to the Australian Government. This includes supporting the Minister for Resources and Northern Australia in his role as the Commonwealth member of the Joint Authorities for the offshore areas of each State and the Northern Territory and as the Joint Authority for the offshore areas of the External Territories and of the Eastern Greater Sunrise.

The department welcomes the opportunity to provide further information to the inquiry. The department notes the Committee will be referring to evidence gathered by the previous Parliament. The department would refer the Committee to its previous submission which provided an overview of the offshore oil and gas sector, including the titles and regulatory frameworks, the importance of objective-based regulation, the environmental regulatory regime for offshore oil and gas activities and oil pollution emergency response arrangements.

With regards to the previous submission, the department can provide the following updates:

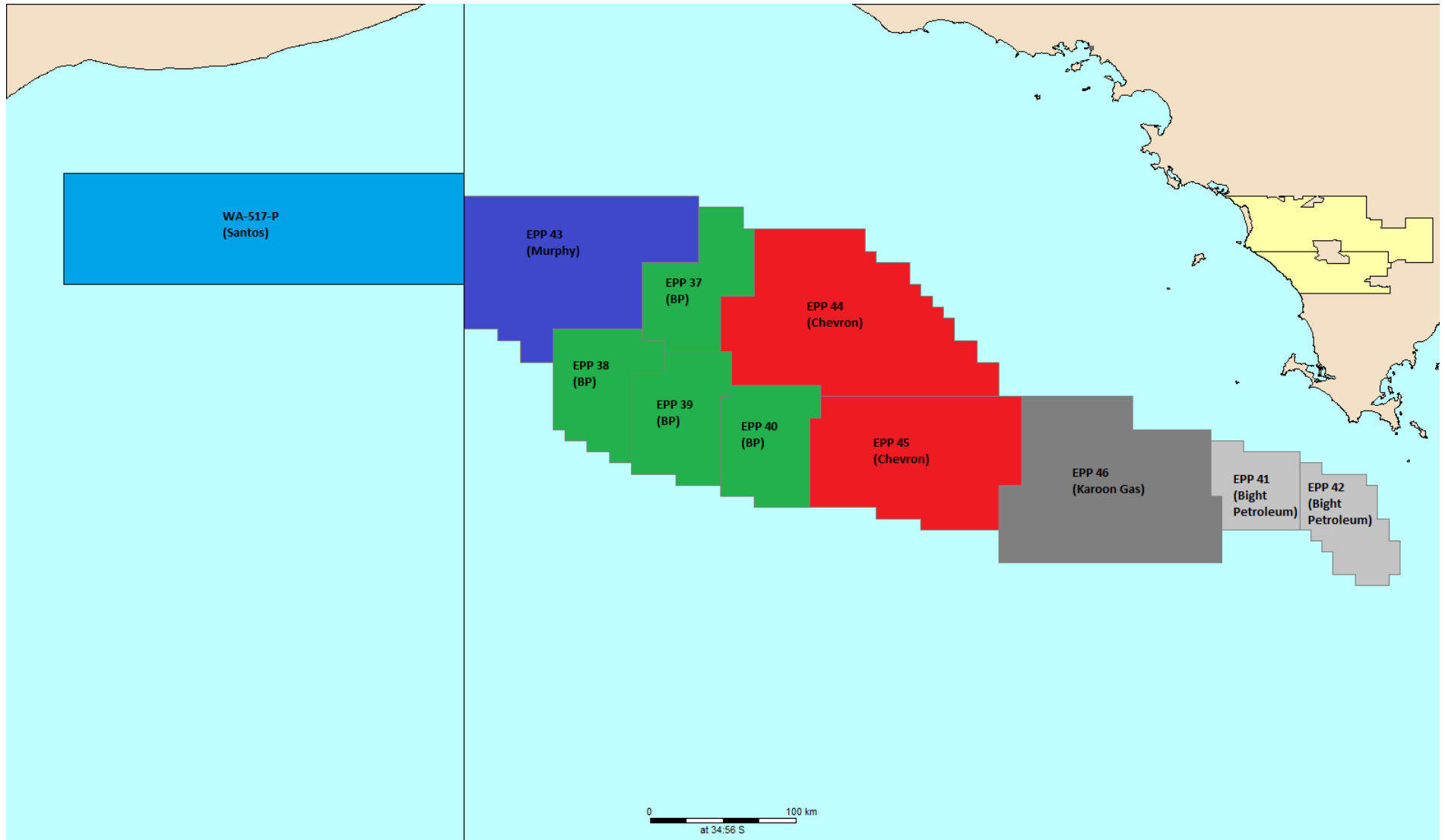
- Following the Australian Federal Election in July 2016, a review process commenced into the Statement of Expectations issued to NOPSEMA by the responsible Commonwealth Minister. The Statement of Expectations is expected to be finalised before the end of 2016.
- Progress reports on the implementation of the recommendations of the operational reviews of the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) and the National Offshore Petroleum Titles Administrator (NOPTA) were provided to the Minister for Resources and Northern Australia, the Hon Senator Matthew Canavan, on 30 August 2016. The reports are publicly available on the department website at [NOPSEMA Operational Review Implementation Progress Report](#) and [NOPTA Operational Review Implementation Progress Report](#).

2 BP's petroleum titles in the Great Australian Bight

On 11 October 2016, BP Australia announced its intention not to progress its exploration drilling program in the Great Australian Bight, citing commercial reasons and a change in their global investment strategy. BP holds permits EPP37, EPP38, EPP39 and EPP40 (see Figure 1) which are located in Commonwealth waters offshore of South Australia in the Ceduna sub-basin of the Great Australian Bight.

BP has held the permits since January 2011 and has undertaken significant seismic data acquisition and interpretation across the permits. Important scientific information has been derived from this data acquisition which is publicly available.

Figure 1- Map of Petroleum titles in Great Australia Bight



The titleholders have been working towards completing four exploration wells with a total estimated cost of \$538 million¹. If the exploration wells are not drilled by 30 June 2017, the title will be in default on its work program commitments and may be cancelled at that time.

Prior to default, the titleholders have the option to seek another investor to take-over BP's commitments; this could result in continuation of the permits.

In the event that titles do fall into default and are cancelled, the titleholders may seek to make good on their commitments by diverting the committed expenditure to exploration of other areas – via a Good Standing Agreement.

The Good Standing Agreement is a policy mechanism available to companies that wish to maintain 'good standing' with government to 'make good' their default. If a company chooses not to enter into a Good Standing Agreement, its default will reflect poorly on past performance and may affect its ability to secure new exploration permits.

If the permits do cease to exist, they will revert to 'vacant acreage' – a marine area that does not have a petroleum title over it. Vacant acreage may be nominated in future acreage releases to be considered for new petroleum exploration permits.

As of 20 October 2016, BP and its joint venture partner had not made an application to the Commonwealth-South Australian Joint Authority regarding the future of the permits. Any such application(s) will be assessed against the relevant legislation and guideline.

3 Planned Exploration Commitments in the Great Australian Bight

Oil and gas exploration has occurred in Australia over several decades and in the Great Australian Bight for over 40 years. Throughout this time Australia's offshore oil and gas resources have been significant contributors to the Australian economy by way of export revenue, job creation, domestic supply of oil and gas and regional development. In 2014-15 the oil and gas extraction industry (including both onshore and offshore oil and gas) contributed around \$31 billion to industry gross value added and employment of around 24,000 people.

Direct benefits are returned to the Australian people during infrastructure development and production, as well as benefits during the exploration phase, such as direct and in-direct employment. The BP program in the Great Australian Bight would have created jobs and opportunities for local suppliers. It was expected that 25 business in Ceduna and surrounding towns would be engaged in BP's planned drilling program; 100 workers including 25 Ceduna-based workers and a 20 per cent indigenous worker component².

The Australian Government remains committed to encouraging the exploration for, and development of, Australia offshore petroleum resources. This includes the Great Australian Bight where offshore petroleum exploration has occurred safely in the past.

¹ <https://neats.nopta.gov.au/>

² http://www.bp.com/en_au/australia/about-us/what-we-do/exploring-in-great-australian-bight/jobs-economic-benefits-great-australian-bight.html

In addition to the four permits held by BP, there remains a total of seven exploration permits currently active in the Bight Basin (see Figure 1). These are managed by five different explorers and joint ventures.

- Bight Petroleum ([EPP41](#)³, [EPP42](#)⁴) - Bight is currently planning to acquire a 181 km² 3D seismic survey by July 2018.
- Murphy Australia (operator) and Santos ([EPP43](#)⁵) - The titleholders are currently processing seismic data.
- Chevron ([EPP44](#)⁶, [EPP45](#)⁷) - The titleholders are currently undertaking geological studies and planning four exploration wells due to be drilled by October 2018.
- Karoon Gas ([EPP46](#)⁸) - This permit was awarded on 6 October 2016. Karoon's work program for the first three years of the permit includes new seismic survey acquisition as well as other surveys.
- Santos (Operator) and JX Nippon Oil and Gas Exploration (Australia) Pty Ltd ([WA-517-P](#)⁹) - The titleholders are currently conducting geological and geophysical studies.

³ <https://neats.nopta.gov.au/TitleRegister/TitleDetailsEp/387f3545-16e9-4ea0-95d7-630facf7175e>

⁴ <https://neats.nopta.gov.au/TitleRegister/TitleDetailsEp/d273ac01-714b-4bce-8c02-6b1849bc8dcc>

⁵ <https://neats.nopta.gov.au/TitleRegister/TitleDetailsEp/53ba447c-26f2-4ee3-ad2f-7b0958e5c947>

⁶ <https://neats.nopta.gov.au/TitleRegister/TitleDetailsEp/f9f55e8b-da90-4de1-afc4-65e1576a04de>

⁷ <https://neats.nopta.gov.au/TitleRegister/TitleDetailsEp/dac60d39-8bff-41af-bdfe-52dcd2b27ec7>

⁸ <https://neats.nopta.gov.au/TitleRegister/TitleDetailsEp/c73a4af2-b53d-485d-8dd1-152f6a51fa2f>

⁹ <https://neats.nopta.gov.au/TitleRegister/TitleDetailsEp/8e8fba93-efa0-469b-b220-577f7b415fc4>