SUBMISSION No. 1
Inquiry into Bills referred 25 May 2011

Australian Government
Department of Resources, Energy and Tourism

GPO Box 1564, Canberra ACT 2601
Phone (02) 6276 1000
www.ret.gov.au

ABN 46 252 861 927

3 June 2011

Committee Secretary
House of Representatives Standing Committee on
Agriculture, Resources, Fisheries and Forestry
PO Box 6021
Parliament House
CANBERRA ACT 2600
AUSTRALIA

Dear Sir/Madam,

Committee Inquiry into:

- ***Offshore Petroleum and Greenhouse Gas Storage (National Regulator) Bill 2011;***
- ***Offshore Petroleum and Greenhouse Gas Storage Regulatory Levies Legislation Amendment (2011 Measure No 2) Bill 2011;***
- ***Offshore Petroleum and Greenhouse Gas Storage (Registration Fees) Amendment Bill 2011;***
- ***Offshore Petroleum (Royalty) Amendment Bill 2011; and***
- ***Offshore Resources Legislation Amendment (Personal Property Securities) Bill 2011.***

Thank you for the opportunity to provide further explanatory information in support of the above Bills.

The Department of Resources Energy and Tourism (the Department) considers the Bills will significantly enhance the regulatory framework for petroleum and greenhouse gas storage activities in Commonwealth waters.

The principal purpose of the Bills is to amend the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* and associated Acts to implement reforms associated with the establishment of a national offshore regulator in Commonwealth waters. The Bills only address the regulatory framework for petroleum and greenhouse gas storage activities. It is intended that amendments to the *Offshore Minerals Act 1994* will be introduced in the Spring Session of the Parliament to bring mining activities in Commonwealth waters within the new regulatory framework.

The measures in the Bills are explained in the accompanying explanatory memoranda, and I refer the Committee to those documents rather than duplicating their contents within this submission.

Attachment A to this submission provides explanatory information about the development of the regulatory reforms.

The Department will make officials available to attend a public hearing should that be required. The contact officer in the Department on the regulator reform amendments is Mr Peter Livingston (ph 02 6213 7974, and on the Personal Property Security amendments is Ms Jessica Brown (ph 02 6213 7974, A separate submission addressing the Personal Property Security amendments will be provided to the Committee by this Department.

Yours sincerely,

Graeme Waters
General Manager
Petroleum Regulatory Reform

ATTACHMENT A

THE DEVELOPMENT OF

OFFSHORE PETROLEUM REFORMS

Background

1. The Bills propose to amend the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* and associated Acts to implement a regulatory reform model for the upstream petroleum sector in Commonwealth waters. The reforms stem from the Commonwealth Government's response to the Productivity Commission (PC) *Review of Regulatory Burden on the Upstream Petroleum (Oil & Gas) Sector* (April 2009) and have evolved to address stakeholder concerns and the outcomes of the Montara Commission of Inquiry.

Rationale for reform

2. In April 2007, the Australian Petroleum Production and Exploration Association's (APPEA) Strategic Leaders' Report, '*Platform for Prosperity*' identified seven high-value adding priorities to ensure the value of Australia's petroleum is maximised for all Australians and petroleum energy security is delivered. One of those priorities to be progressed as quickly as possible was more consistent and more efficient national petroleum regulation.

3. APPEA called for the PC to carry out a review of the onshore and offshore regulatory framework in order to assist implementation of a more efficient and nationally consistent petroleum regulatory regime. APPEA stated that the case exists for the industry to have its own regulatory and approvals system, possibly in the form of a national regulatory authority. APPEA also stated that the roles of the Joint Authority and Designated Authority warrant review in order to streamline processes, remove duplication and reduce approvals time lines.

4. In 2008 the Council of Australian Governments (COAG) identified the upstream petroleum sector as one of many 'hotspot' areas where overlapping and inconsistent regulation threatens to impede economic activity and agreed that the PC should undertake a review. The PC review commenced in April 2008 and reported in April 2009. The PC identified significant unnecessary regulatory burdens on the sector and its principal recommendation to reduce those burdens was the establishment of a national offshore regulator. The PC also identified significant potential national income gains, in the order of billions of dollars each year, from the implementation of its recommended reforms.

5. Reform of the sector is a COAG priority. COAG agreed to amend the National Partnership Agreement to Deliver a Seamless National Economy (SNE) to include milestones to implement 25 responses agreed by the Ministerial Council on Mineral and Petroleum Resources (MCMPR) and five responses agreed by the Commonwealth relating to the establishment of a national offshore petroleum regulator.

6. The 2008 Varanus Island pipeline explosion and the 2009 Montara incident have also highlighted inadequacies in the Australian offshore petroleum regulatory regime. These inadequacies largely stem from risks of regulatory gaps arising from regulation of safety separate from regulation of integrity, environment and day-to-day operations. It is appropriate for the Commonwealth to lead reform as over 90 per cent of Australia's conventional oil and gas resources are located in Commonwealth waters.

Current Regulatory Arrangements

7. The Commonwealth has responsibility for petroleum operations in Australia's offshore areas beyond three nautical miles from the territorial sea baseline and the states and the Northern Territory (NT) have responsibility in the three nautical mile coastal waters and internal waters and onshore. The Commonwealth and the relevant state or territory jointly administer petroleum activities in Commonwealth waters adjacent to each state and territory through a combination of Joint Authority (JA) and Designated Authority (DA) arrangements and the National Offshore Petroleum Safety Authority (NOPSA). The JA and DAs administer titles and regulate environment plans and day to day operations. NOPSA regulates safety. These arrangements are based on the Offshore Constitutional Settlement (OCS) of 1979.

8. The current arrangements are complex, disjointed, involve inconsistent administration, regulatory duplication and result in regulatory gaps. The quality and quantity of regulatory expertise varies significantly from jurisdiction to jurisdiction. There is very little correlation between the fees paid by industry and the cost of regulation, with the states and the NT normally receiving revenues well in excess of their costs of administration. The current arrangements and proposed new arrangements are detailed in Attachment B and charts indicating work flows under each arrangement are in Attachment C.

PC Recommend a National Offshore Petroleum Regulator (NOPR)

9. The PC's principal recommendation to reduce unnecessary regulatory burden was the establishment of a NOPR in Commonwealth waters responsible for titles administration, environment plans and day-to-day operations. It also recommended that the state and NT Governments be provided with an option to confer their regulatory powers in state and NT waters on NOPR. The PC recommended that NOPR operate on a full cost recovery basis and that the JAs and DAs be abolished and respectively replaced by the responsible Commonwealth Minister and NOPR. NOPSA was to remain independent of NOPR so as to maintain NOPSA's exclusive focus on safety and avoid potential or perceived conflicts in regulatory objectives or priorities.

10. From August 2009, the Minister for Resources and Energy and his Department consulted extensively with jurisdictions and industry about the PC recommendations. Most states either supported or accepted the PC's recommendations. However, WA opposed a national regulator, did not want NOPR to be a statutory authority and preferred reforms within the existing regulatory framework. All jurisdictions and industry wanted a continuing state and NT government role in titles administration. Under the model proposed by the PC, there would be no role for jurisdictions in the regulation of petroleum projects in adjacent Commonwealth waters, which have a significant impact on their economies. This would limit consultation and information sharing that could impact upon supporting state infrastructure, services and related state approvals.

Report of the Montara Commission of Inquiry

11. The Report of the Montara Commission of Inquiry released in November 2010 recommended that, at a minimum, the proposal to establish a national offshore petroleum regulator should be pursued. However, the Montara Report states, "A single, independent regulatory body should be created, looking after safety as a primary objective, well integrity and environmental approvals. Industry policy and resource development and promotion activities should reside in government departments and not with the regulatory agency." An integrated approach to the regulation of safety, integrity and environment, with separate titles administration, was a significant variation from the original PC recommendation.

12. The public interest in the Montara incident demonstrated the community expects the Commonwealth to play a key role in regulating petroleum activities in Commonwealth waters. Under the current regulatory regime, the Commonwealth cannot direct the state or NT how to regulate petroleum activities in Commonwealth waters.

Reform Model in Amendment Bills

13. The Bills propose to implement a single, independent regulator of safety, environment plans and day-to-day operations of petroleum, mining and greenhouse gas storage activities in Commonwealth waters and a National Offshore Petroleum Titles Administrator (NOPTA). The single regulator will be created by expanding NOPSA's functions to include regulation of environmental management and day-to-day operations – becoming the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA). Safety, environment protection and day-to-day operational consents are all concerned with integrity and should be regulated in an integrated manner.

14. States and the NT will have an option to confer their equivalent regulatory powers and functions on NOPSEMA in state and NT waters.

15. NOPSEMA will be solely a regulator of offshore petroleum activities. Where States or the NT confer functions and powers under their coastal waters legislation, the activities of NOPSEMA as regulator of safety, structural integrity and environmental management will be concerned only with the offshore operations of titleholders. The conferral will have no bearing whatever on the State or Territory's right to grant petroleum rights over its three nautical mile seabed. The same will be true if Western Australia confers functions and powers on NOPSEMA in the State's "internal waters" (called "eligible coastal waters" in the Bill). There is therefore no question of a State or Territory "giving up" its petroleum rights.

16. The Bill will enable States, including Western Australia, and the NT to join the Commonwealth in establishing a single regulator of petroleum operations for all offshore waters between the outer edge of the continental shelf and the coastline. The Bill creates the potential to avoid any offshore boundary between regulatory regimes.

17. Under NOPSA's current functions it cannot provide related services and technical advice to third parties on a cost recovery basis. The amendments will enable NOPSEMA to provide assistance on a cost recovery basis to state, NT and international governments and regulators, provided the assistance is within the scope of its functions.

18. The reform model retains the JA as decision maker on key petroleum and mining title decisions to maintain a state role in these decisions. The responsible Commonwealth Minister's view would prevail in the event of a disagreement. Statutory timeframes for key title decisions are to be introduced. The Commonwealth Minister will remain decision maker for greenhouse gas storage titles.

19. NOPTA will make recommendations to the JA on titles as well as administer titles and collect data relating to petroleum, mining and greenhouse gas storage activities in Commonwealth waters. States will have an option to confer their administrative powers on NOPTA.

20. NOPSEMA and NOPTA will provide significant regulatory reform by replacing seven DAs and their Departments and will deliver significant efficiency gains and reduction in regulatory burden. NOPSEMA and NOPTA together provide the integrated approach to regulation and separate titles administration recommended by the Montara Commission of Inquiry.

21. APPEA has called the legislation to establish NOPSEMA and NOPTA a big step forward in developing new regulatory frameworks that comprehensively address efficiency, safety and environmental concerns (APPEA Media Release of 25 May at Attachment D).

Cost Recovery

22. The Government has decided that the costs of regulating petroleum and greenhouse gas storage activities in Commonwealth waters should be recovered from those industries which gain the benefits from those activities. This will ensure that the costs of regulation do not fall upon the wider community. The cost of regulating the offshore petroleum and greenhouse gas storage industries is to be recovered in a two stage process.

23. First, the costs of establishing NOPTA and expanding NOPSA to NOPSEMA will be recovered from industry by the Commonwealth retaining registration fee revenues for a minimum of 24 months subject to the lesser of $30.6 million or the actual establishment costs being recovered. The Minister for Resources and Energy may notify in the Gazette the actual establishment costs within six months of the commencement of NOPSEMA aned NOPTA. $30.6 million is the estimated revenue that would be retained by the Commonwealth during a 24 month period. A Cost Recovery Impact Statement (CRIS) is being undertaken prior to the amendments coming into effect (draft CRIS at Attachment E). The CRIS is expected to be finalised by the end of June 2011.

24. Second, from 1 January 2012, NOPTA and NOPSEMA's fees and levies will be re-set to ensure they operate on a full cost recovery basis. A CRIS will be undertaken prior to resetting the fees. On-going fees and charges will be subject to three yearly reviews.

25. As the petroleum and greenhouse gas storage industries will pay the costs of their regulation, it is appropriate that they are provided full transparency in the raising of revenue from fees and levies and its expense on the regulation and administration of petroleum and greenhouse gas storage activities. Under the current arrangements there is no transparency in the Designated Authority's costs and the revenues from offshore petroleum fees frequently significantly exceed the DAs' costs of administering petroleum titles.

26. Establishing a Special Account for NOPTA and retaining the existing NOPSA Special Account for NOPSEMA will assist in the provision of this transparency. When NOPSA was established in 2005, a Special Account was created to provide the states with necessary assurance to confer their powers on NOPSA. The scope of NOPSA's existing Special Account needs to be expanded to cover its expanded regulatory functions.

Cost Impact on Industry

27. This section provides an indicative cost impact on industry noting that it is difficult to accurately estimate these impacts due to the wide fluctuations in the annual registration fee revenues collected under the current arrangements. For example, over the past five financial years, these registration revenues have averaged about $15 million per year but have varied from about $2 million in 2008-09 to almost $35 million 2007-08.

28. It is estimated that the reforms will result in an on-going cost reduction for industry in the order of $5 million per year after the establishment costs of NOPSEMA and NOPTA are recovered. While the establishment costs are being recovered, industry will incur a cost increase in the order of $10 million per year for about two years.

29. The estimates are based on average registration fee revenues over the past five financial years and staffing levels for NOPSEMA and NOPTA of 108 and 40 respectively.

30. It is expected that the annual net cost reduction for industry is likely to be less than the average annual cost of the registration fees because NOPSEMA will adopt a more robust approach to the regulation and compliance monitoring of the structural integrity of wells and environmental management than has previously occurred.

Table 1: Estimated Cost Impacts on Industry

	Existing Regime full year costs $ million	Establishment Phase (a) Full year costs $ million	Final Regime (b) Full year costs $ million
Registration Fees	15	15	-
Non-registration Fees	7	-	-
NOPSA	15	-	-
NOPSEMA	-	23	23
NOPTA	-	8	8
Total	37	46	31

Notes:

(a) Establishment Phase refers to the period after the commencement of NOPSEMA and NOPTA during which the Commonwealth retains registration fee revenues to recover the establishment costs of NOPSEMA and NOPTA.

(b) Final regime refers to the period following the abolition of registration fees.

31. Within the next six months, the Department of Resources and Energy will prepare a full CRIS process prior for the new fees and levies for NOPTA. Similarly, NOPSA will conduct a full CRIS process prior to determining new fees and levies for NOPSEMA. These processes will provide more accurate indications of the cost impacts on industry.

32. It is also important to note that the cost of industry compliance with regulation (sometimes amounting to millions of dollars for a project) is very modest relative to the full project cost. The PC noted that the main cost to industry from regulation arises from delays in project approvals.

33. The PC found that project approvals are taking longer than a streamlined approvals process would allow, diminishing the present value of petroleum resource extraction in Australia by billions of dollars each year. In its submissions to the PC, the Victorian Government considered a national offshore regulator could reduce the time taken for approving a production licence by about 50 percent to around 6-12 months. The PC considered such reductions in approvals times were a reasonable objective.

34. One of the key objectives of the reforms in the amendment Bills is to reduce unnecessary delays in approvals times. The benefits of reducing approvals times for industry will far outweigh any short term cost to industry while the establishment costs of NOPSEMA and NOPTA are recovered.

Consultation

35. There has been extensive consultation with stakeholders in the lengthy development of these reforms commencing in early 2008.

36. The Productivity Commission Review process commenced in April 2008 and involved numerous informal discussions with stakeholders, an issues paper, 20 submissions, four roundtable meetings, a draft report and a final report in April 2009.

37. The Commonwealth Government sought to develop an all of governments response to the PC Review through the Ministerial Council on Mineral and Petroleum Resources (MCMPR). In August 2009, the MCMPR established a Working Group of officials involving all jurisdictions to develop the responses. MCMPR had agreed 25 responses by the end of 2009 but deferred its consideration of the recommendations for a national offshore regulator pending the outcomes of the Montara Commission of Inquiry. From August 2009 until late 2010, the Commonwealth, at Ministerial and officials level, continued to consult extensively with jurisdictions and industry on the proposed national offshore regulator.

38. The Montara Commission on Inquiry reported to the Commonwealth Minister for Resources and Energy in June 2010 and the Minister publicly released the report together with the Commonwealth's draft response on 24 November 2010. The Commonwealth's draft response included the reform model that is now in the current amendment Bills. Stakeholders were provided three months to comment on the draft response.

39. On 18 February 2011, the MCMPR met to consider the Commonwealth's proposed establishment of a national offshore regulator. While a consensus could not be reached, the Commonwealth Minister advised the Council that, in light of the PC Review and the Montara Report, continuation of the status quo was not a credible option. Accordingly he advised the Council that the Commonwealth would move to implement its proposed reforms in Commonwealth waters. MCMPR agreed to establish a Working Group of officials from all jurisdictions to guide the transition to the new regulatory arrangements.

40. While consensus from all stakeholders on the form of the national offshore petroleum regulator could not be obtained, the reform model adopted by the Commonwealth is a 'best fit' outcome addressing the legitimate concerns raised. The reform model has the support of industry and most jurisdictions.

41. On 25 May 2011, the Commonwealth Government releasing its final response to the Montara Report and also its response to the PC Review. Both of these responses incorporate the reform model that is now in the current amendment Bills.

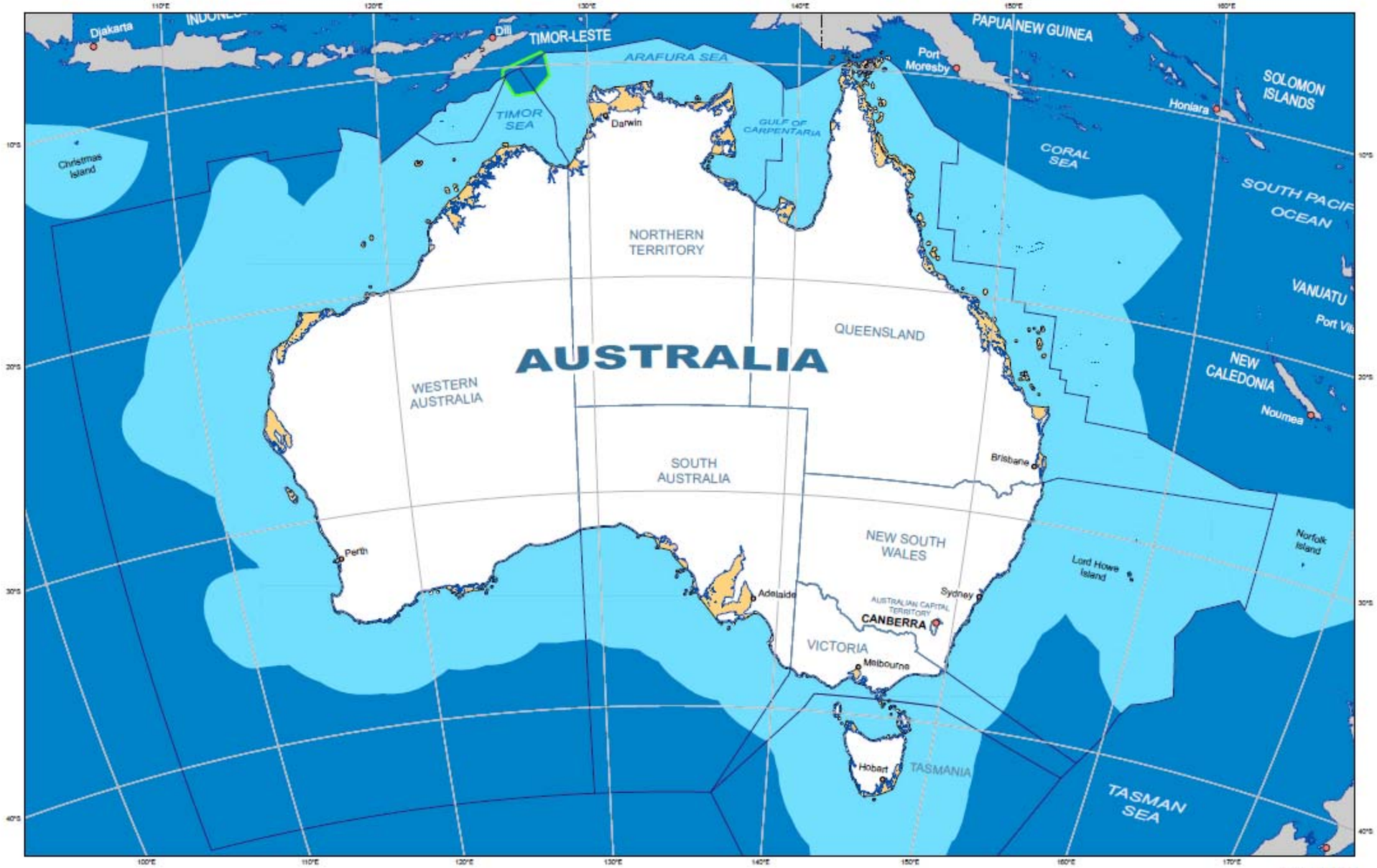
ATTACHMENT B

Key Offshore Petroleum Regulation Terms

Commonwealth and State/NT jurisdiction

State/NT coastal waters:	These are the waters to which the state/NT Petroleum (Submerged Lands) Acts apply. They are waters of the sea lying between the territorial sea baseline (generally situated at the lowest astronomical tide line along the coast) and the line that is three nautical miles seaward of that baseline. In the case of WA, where some stretches of the baseline are drawn at some distance away from the coast, there are some 'historic' petroleum title areas that are landward of the baseline (but outside the limits of the State) that are included in state coastal waters by operation of the WA PSLA.
Internal Waters:	The internal waters of an Australian state or territory are those waters that fall within the constitutional boundaries of that state or territory, which may include bays, gulfs, estuaries, rivers, creeks, inlets, ports or harbours. WA officials use the term 'internal waters' to refer to waters landward of the territorial sea baseline but external to the State of WA. WA have some petroleum title areas in these so-called 'internal waters' that are regulated under the WA PSLA.
Territorial Sea:	The area between the territorial sea baseline and the line that is 12 nautical miles seaward of the territorial sea baseline. Note: The offshore jurisdictional boundaries established by the OPGGSA and state/NT PSLAs are based on the former 3 nautical mile territorial sea.
Territorial Sea Baseline:	Generally is the line of lowest astronomical tide along the coast, but it also encompasses straight lines across bays (bay closing lines), rivers (river closing lines) and between islands, as well as along heavily indented areas of coastline (straight baselines) under certain circumstances.
Commonwealth waters:	The area between the outer limit of State/NT coastal waters (i.e. a line three nautical miles from the territorial sea baseline) and the outer limit of the continental shelf.
Continental Shelf:	The area extending from the outer limit of the territorial sea (12 nautical miles from the territorial sea baseline) for up to 200 nautical miles from the territorial sea baseline (subject to boundary delimitations with other countries). It can extend further if the physical continental shelf continues beyond 200 nautical miles in accordance with the United Nations Convention on the Law of the Sea.
Exclusive Economic Zone (EEZ):	The area extending from the outer limit of the territorial sea (12 nautical miles from the territorial sea baseline) for up to 200 nautical miles from the territorial sea baseline (subject to boundary delimitations with other countries).

AREAS OF COMMONWEALTH, AND STATE AND NORTHERN TERRITORY MARINE PETROLEUM JURISDICTION



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Area of Commonwealth Marine Petroleum Jurisdiction - includes the territorial sea beyond the outer limit of coastal waters; and continental shelf within and beyond the 200 nautical mile limit. The limit to the northwest of Australia, in part, is based upon the provisions of the 1997 Maritime Boundary Treaty with Indonesia which has been signed but is yet to enter into force; and an area of continental shelf beyond the 200 nautical mile limit that remains to be resolved.

Area of State and Northern Territory Petroleum Jurisdiction - includes waters that are within the constitutional limits of the State and Northern Territory; and Coastal Waters defined under the Coastal Waters (State Powers) Act 1980 and Coastal Waters (Northern Territory Powers) Act 1980.

The Joint Petroleum Development Area between Australia and Timor-Leste.

Scheduled Areas in relation to a State or the Northern Territory.

Key Terms

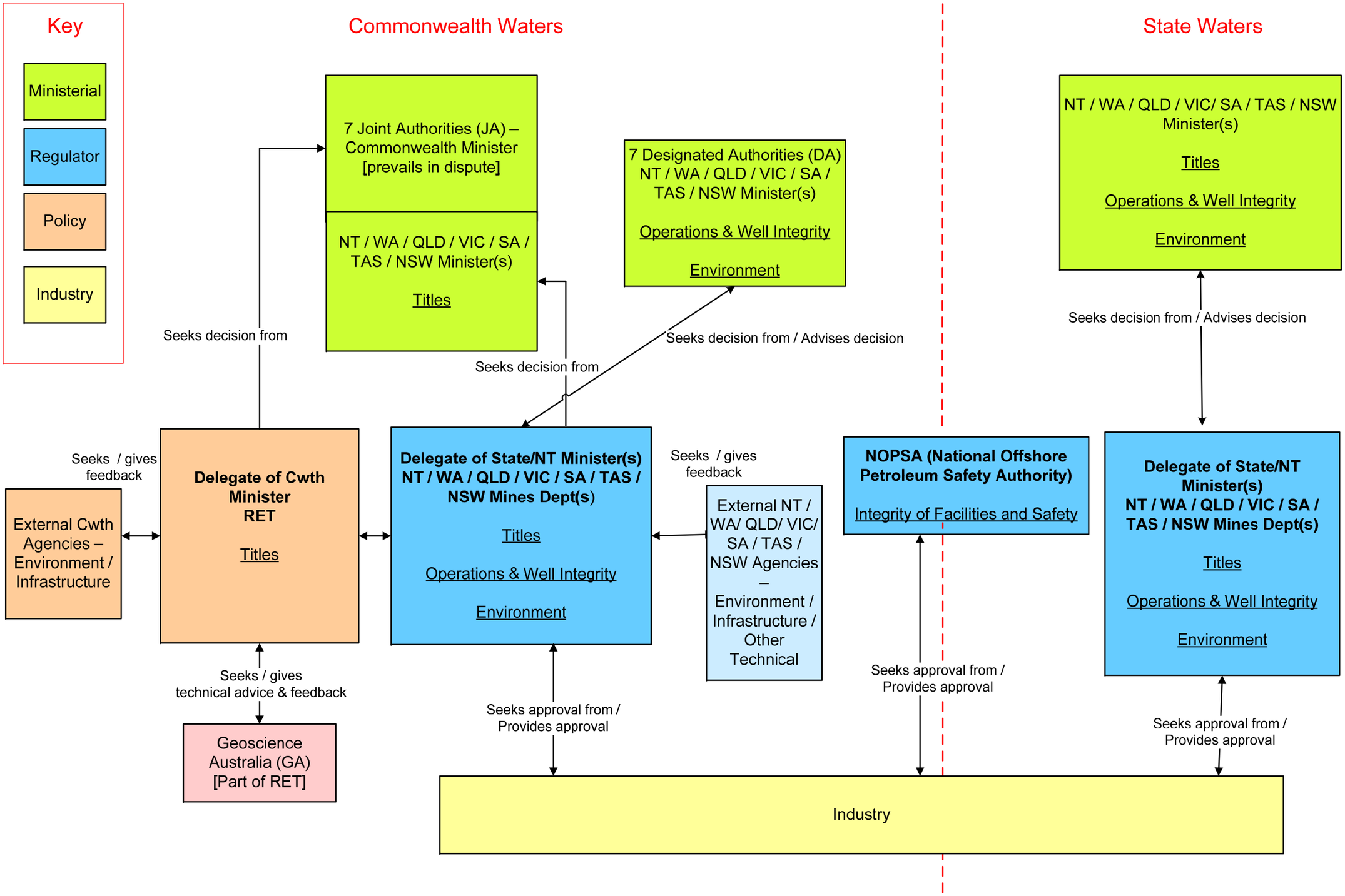
Roles:

Resource Management	Regulation of the efficient and effective exploitation of petroleum and mining resources. E.g.: consideration of field development plans.
Titles	Make recommendations to the Joint Authorities on titles, administering the register of titles and collecting data in relation to petroleum and mining activities; and to the Commonwealth Minister on greenhouse gas storage activities in Commonwealth offshore areas under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGSA) and the *Offshore Minerals Act 1994* (OMA); and these same functions in state and NT waters conferred upon it by state and NT legislation.
Safety	Regulation of occupational health and safety of the workforce and offshore petroleum and greenhouse gas injection/storage facilities.
Operations & Integrity	Approval of day-to-day operations and the regulation of the integrity of facilities (including pipelines) and wells.
Environment	Regulation of the environment approvals under the OPGGSA, including environmental plans and oil spill contingency plans.

Entities:

Existing Entities	
Joint Authority (JA)	The JA of an offshore area of a state or territory is constituted by the responsible state or territory minister and the responsible Commonwealth Minister. Responsible for all major title decisions such as the granting, imposition of conditions or termination of titles. In the event of a disagreement between the Commonwealth and state/NT member of the JA, the Commonwealth view prevails. For greenhouse gas titles, the responsible Commonwealth Minister replaces the JA.
Delegates of the JA	The JA can jointly delegate their functions and powers to officials in their Departments.
Designated Authority (DA)	The DA for an offshore area of a state or territory is constituted by the responsible state or territory minister. Responsible for environment plans and day to day operational approvals such as consents for well operations.
Delegate of the DA	The DA can delegate their functions and powers to officials in their Department.
National Offshore Petroleum Safety Authority (NOPSA)	NOPSA is an incorporated Statutory Agency regulating Commonwealth waters and state and NT coastal waters. The role of NOPSA is to administer offshore petroleum occupational health and safety legislation under the OPGGSA and mirror state/NT legislation. NOPSA's role includes acceptance of facility safety cases, monitoring of compliance, investigation and enforcement. Under its governance arrangements, NOPSA reports to the Commonwealth Minister and to state/NT Ministers in relation to state/NT waters. NOPSA has a CEO appointed by the Commonwealth Minister on the recommendation of the MCMPR. NOPSA also has an advisory (not governance) Board appointed by the Commonwealth Minister on the recommendation of the MCMPR.
Department of Resources, Energy and Tourism (RET)	The Commonwealth Department of RET provides advice and policy support to the Australian Government regarding Australia's resources, energy and tourism sectors.
Geoscience Australia (GA)	GA is a prescribed Agency within the RET Department that provides geoscientific and technical advice. Offshore activities focus on providing pre-competitive data and information to assist in identifying new prospective basins for petroleum exploration, and the geological storage of carbon dioxide, in Australia's offshore jurisdiction.
States/NT Mines Departments	Responsible for assisting the JA and DA in titles administration, regulation of operations, integrity and the environment for Commonwealth and State waters under the OPGGSA and its equivalent state/NT legislation.
Proposed Entities	
Joint Authority (JA)	As above – this will continue to function as at present
Delegates of the JA	As above – this will continue to function as at present
National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA)	NOPSEMA will have responsibility for the regulation of safety, integrity, environment and day-to-day operations related to petroleum, mining and greenhouse gas storage activities in Commonwealth waters under the OPGGSA and OMA. States and the NT will have an option to confer their equivalent regulatory powers and functions on NOPSEMA in state and NT waters. NOPSEMA will be a continuation of NOPSA with expanded functions.
National Offshore Petroleum Titles Administrator (NOPTA)	NOPTA will have responsibility for making recommendations to the JAs on titles, administering the register of titles and collecting data in relation to petroleum, mining and greenhouse gas storage activities in Commonwealth offshore areas under the OPGGSA and OMA; and these same functions in state and NT waters conferred upon it by state and NT legislation (under which the decision-maker is the state/NT minister only). NOPTA will be established within RET but be located in Perth with branch offices in Melbourne and Darwin.
Department of Resources, Energy and Tourism (RET)	As above – this will continue to function as at present
Geoscience Australia (GA)	As above – this will continue to function as at present. Technical advice functions will be performed by NOPTA.
States and the NT Mines Departments	Responsible for providing policy advice to the state/NT member of the JA in titles administration for Commonwealth and state/NT waters under the OPGGSA.
Entities whose roles remain the same under current and proposed	
'Industry'	The entities seeking decisions from regulators in relation to an offshore petroleum, mining or greenhouse gas storage title or consent.

CURRENT ARRANGEMENTS (a)



(a) Note: The above arrangements reflect the well integrity responsibilities applying prior to the commencement of the Resource Management and Administration Regulations from 29 April 2011. From that date, responsibility for the regulation of well integrity moved from the DAs to NOPSA.

REFORM MODEL in Amendment Bills

Key

- Ministerial
- Regulator
- Policy
- Industry

Commonwealth Waters

State Waters (providing States / NT have conferred powers)

7 Joint Authorities (JA) – Commonwealth Minister [prevails in dispute]

NT / WA / QLD / VIC / SA / TAS / NSW Minister(s)

Titles

NT / WA / QLD / VIC / SA / TAS / NSW Minister(s)

Titles

Provides policy advice to

Provides policy advice to

Provides policy advice to

Cwth Policy Adviser
Delegate of Cwth Minister RET

NT / WA / QLD / VIC / SA / TAS / NSW Policy Advisers
Delegate of State/ NT Minister(s)

Seeks decision from / Advises decision

Seeks decision from / Advises decision

External Cwth Agencies – Environment / Infrastructure / Geoscience Aust

Seeks / gives feedback

External NT / WA/ QLD/ VIC/ SA / TAS / NSW Agencies – Environment / Infrastructure / Other Technical

Seeks / gives feedback

NOPTA (National Offshore Petroleum Titles Administrator – separately branded function) (within RET portfolio)

Titles

NOPSEMA (National Offshore Petroleum Safety and Environmental Management Authority)

Safety

Operations & Integrity

Environment

Seeks approval from / Provides approval

Seeks approval from / Provides approval

Industry

MEDIA RELEASE

APPEA

CANBERRA T +61 2 6247 0960
Level 10, 60 Marcus Clarke St, Canberra ACT 2601

BRISBANE T +61 7 3221 8300
Level 9, 320 Adelaide St, Brisbane QLD 4000

PERTH T +61 8 9321 9775
Level 1, 190 St Georges Tce, Perth WA 6000

Wednesday, 25 May, 2011

Oil and gas industry welcomes Government's responses to Montara, Productivity Commission reports

The Australian oil and gas industry has welcomed the Australian Government's responses to reports by the Productivity Commission and the Montara Commission of Inquiry.

Australian Petroleum Production & Exploration Association (APPEA) Chief Executive, Belinda Robinson, said: "Both of these reports have major implications for the oil and gas industry.

"Industry and government need a strong understanding of what happened at Montara and what can be done to reduce the chance of a similar incident occurring ever again. We also need a more efficient regulatory regime that continues to attract vital investment in Australia's oil and gas resources without compromising health, safety or environmental outcomes."

In a 2009 report, the Productivity Commission found that current regulatory arrangements for the industry were overly complex, imposing unnecessary regulatory burdens and increasing costs.

"Significantly the Commission believes that a 50 per cent reduction in approval times is achievable and an across-the-board one-year reduction in total approval time for major projects could increase future national income by billions of dollars each year," Ms Robinson said.

Last year, the Montara Commission of Inquiry found Australia's offshore oil and gas regulatory regime to be seriously wanting in its oversight of safety and environmental management. This reinforced the findings of the Productivity Commission and made a compelling case for setting up a single integrated offshore regulatory authority for these critical operational areas.

"Government and industry now have a great opportunity to develop new regulatory frameworks that comprehensively address efficiency, safety and environmental concerns," Ms Robinson said.

"Legislation to establish the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) and the National Offshore Petroleum Titles Administrator (NOPTA) – announced by Minister for Resources and Energy, Martin Ferguson, today – is a big step forward in this important task.

"APPEA looks forward to closely examining the detail of these new regulatory agencies to confirm that appropriate funding, accountability and governance arrangements are in place – factors that both the Productivity Commission and the Montara Commission of Inquiry identified as being very important."

Media Contact: Michael Bradley – 0423 550 347 MBradley@appea.com.au