Offshore Alliance

Submission to Senate Economics Legislation Committee

Offshore Petroleum (Laminaria and Corallina Decommissioning Cost Recovery Levy) Bill 2021

and

Treasury Laws Amendment (Laminaria and Corallina Decommissioning Cost Recovery Levy) Bill 2021

5 November 2021

The Offshore Alliance welcomes the opportunity to contribute to the Senate Economics Legislation Committee's inquiry into the Offshore Petroleum (Laminaria and Corallina Decommissioning Cost Recovery Levy) Bill 2021 and Treasury Laws Amendment (Laminaria and Corallina Decommissioning Cost Recovery Levy) Bill 2021.

This submission has been prepared by the Offshore Alliance, which includes The Australian Workers' Union and the Maritime Union of Australia (which is a Division of the Construction, Forestry, Maritime, Mining and Energy Union).

The Offshore Alliance jointly organises workers across the Australian offshore oil and gas industry and represents the interests of approximately 20,000 people working across all aspects of the offshore oil and gas industry.

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1 Recommendations

RECOMMENDATION 1: The Bill should clearly identify:

- The safety legislation applying to work funded by the levy
- The environmental legislation applying to work funded by the levy
- The agency responsible for oversight of the development of safety and environmental plans, compliance with these plans to completion of work, and ensuring this agency has legally binding powers of enforcement.
- That Australian Standards apply to the work and equipment undertaken funded by the levy.

RECOMMENDATION 2: The Bill's definition of 'decommissioning' does not align with existing legislation or policy, and risks establishing a precedent that any treatment of subsea infrastructure will allow proponents to cut costs by leaving in place subsea oil and gas equipment. The Bill's definition should be amended to 'decommissioning costs', reflecting that the Bill establishes a levy rather than regulating decommissioning activity. It should also include recycling (mainly of steel).

RECOMMENDATION 3: The Bill should explicitly set an object and purpose for the levy to plug wells, remove oil and gas equipment and property, provide for the conservation and protection of natural resources, and to make good any associated damage to the seabed or subsoil in the Laminaria and Coralina oil fields. It should also allow for establishing infrastructure in Australia to facilitate this work.

RECOMMENDATION 4: The Bills should establish that the levy will remain in place until wells are plugged, oil and gas equipment and property is removed, the conservation and protection of natural resources is provided for, and any associated damage to the seabed or subsoil has been made good.

RECOMMENDATION 5: The Australian Government should establish a dedicated Australian decommissioning yard, supported by an industry levy (including for training) to take on the growing task of decommissioning and recycling over the coming decades.

RECOMMENDATION 6: The Bill should ensure that revenue from the levy is used to support Australian industry and jobs, and maximises socioeconomic benefits from the work. Tender requirements must ensure that a fit and proper offshore operator carries out the work.

RECOMMENDATION 7: The Bill should require a publicly available annual report from the Commissioner of Taxation on quantum of levy collected from each leviable entity for that levy year (based on the barrels of oil equivalent which forms the basis of the levy). Further, the Bill should require a publicly available quarterly report from DISER regarding the progress of work completed, any safety incidents, and any near misses.

2 Background

The Offshore Petroleum (Laminaria and Corallina Decommissioning Cost Recovery Levy) Bill 2021 and Treasury Laws Amendment (Laminaria and Corallina Decommissioning Cost Recovery Levy) Bill 2021 were foreshadowed in the 2021 Budget, and introduced in October 2021.

The Bills introduce a levy of 48 cents per barrel of oil equivalent payable to the Federal Government for all offshore oil and gas produced in Australia. This will recover the Commonwealth's costs for decommissioning the *Northern Endeavour* FPSO and associated oil fields. The Levy is called the *Laminaria-Corallina oilfields decommissioning levy*, and will be payable from 1 July 2021 payable in arrears, so the first payments to government for FY 2021-22 will be made in the first half of FY 2022-23.

The Offshore Alliance very much supports the legislation. The *Northern Endeavour* must be removed, all associated wells properly plugged, the subsea oil and gas equipment removed, and any damage these activities have caused to the seabed and subsoil must be remediated. Steps must also be taken to ensure that the safety and labour standards of current and future work on the *Northern Endeavour* is significantly improved. The legislation needs amendment to make it considerably more rigorous to ensure good jobs and environmental outcomes, including:

1. Legally binding safety and environmental oversight for all contractors, and for the planning and the completion of all removal and remediation work
2. Clarifying the need for removal of all oil and gas equipment from the oilfields as per the *Offshore Petroleum and Greenhouse Gas Storage Act* 2006 (Cth) (the OPGGS Act) and international conventions
3. Ensuring the levy is not ended before the work is properly complete
4. Maximising jobs and economic benefit, for this and future decommissioning projects, including setting up an Australian decommissioning yard.
5. Reporting and transparency

Rigorous decommissioning requirements will be an important source of jobs for workers in the oil and gas industry as the energy transition takes place. The new levy and associated legislation and direct spend of up to $1 billion by the Department of Industry, Science, Energy and Resources (DISER) is an opportunity to ensure the Australia's decommissioning

task is set up properly to ensure best practices in creating jobs and ensuring excellent safety and environmental outcomes.

As the government's 2020 Consultation Paper on an enhanced decommissioning framework stated, 'it is important the risks and liabilities of petroleum activities remain the responsibility of those who have derived the greatest financial benefit from the project'.[1] This is particularly important considering Australia's generous tax treatment of oil and gas companies. Despite the massive expansion of LNG production and the recent modest improvements to the Petroleum Rent Resource Tax (PRRT), the government is only estimating $1.15 billion in annual PRRT payments from the industry over the next three years. Companies in Qatar export similar amounts of gas as Australia but paid over $20 billion in tax in 2018.[2]

The oil and gas industry in Australia has made tens of billions in profits since its establishment in the Bass Strait in 1969. It is completely unacceptable that after many years of profitable operation any industry cost should be borne by taxpayers – yet the government has already paid or committed to pay over $200 million to operate the former Woodside Floating Production, Storage and Offtake (FPSO) vessel *Northern Endeavour*, and the total bill after decommissioning could reach $1 billion.[3]

2.1 The Northern Endeavour: unsafe and badly managed

Production from the Laminaria and Corallina oil fields began in 1999 with Woodside, Shell and BHP as titleholders, and Woodside operating the *Northern Endeavour* FPSO. However by 2015, production was down to 2% of peak rates and Woodside put a decommissioning plan to NOPSEMA indicating it would cease production by the second half of 2016.[4] In a series of transactions in 2015 and 2016, Woodside paid Northern Oil and Gas Australia (NOGA) over $US 20 million to take the *Northern Endeavour* and the Laminaria and

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[1] DISER, Enhancing Australia's decommissioning framework for offshore oil and gas activities, December 2020, p.6.

[2] Diane Krall, In the midst of an LNG export boom, why are we getting so little for our gas?, *The Conversation,* 17 February 2020.

[3] Peter Milne, Offshore oil & gas producers to pay for $1B Northern Endeavour cleanup, Boiling Cold, 11 May 2021.

[4] Steve Walker, Review of the Circumstances that Led to the Administration of the Northern Oil and Gas Australia (NOGA) Group of Companies, Commonwealth of Australia, June 2020, p.13.

Corralina fields off its hands. NOGA and associated entity TSOGA continued to use the facility to produce oil – a 'U-turn' for the facility from decommissioning back to operations that the Walker report identified as having significant implications.[5] Woodside reported that it gained $AUD 132 million from the deal as a result of avoiding the cost of decommissioning the facility.[6]

In July 2019 a dangerous occurrence on the *Northern Endeavour* 'provided evidence of immediate threats to health and safety…loss of containment and wider potential loss of structural integrity',[7] and NOPSEMA issued a Prohibition Notice and General Direction against Upstream Production Solutions (UPS) and Timor Sea Oil and Gas Australia (TSOGA) to shut the facility down. Seven Directions were issued to TSOGA and UPS between 2016 and 2019 with regards to safety and environmental issues on the *Northern Endeavour*.

The *Northern Endeavour* was the only revenue source for the titleholder and it subsequently went into liquidation. The Australian Government assumed control of the *Northern Endeavour* and associated fields in February 2020. The Department commissioned the Walker report[8] to investigate these circumstances and recommend improvements to legislation and regulation. Manyof its recommendations were implemented in August 2021 in the *Offshore Petroleum and Greenhouse Gas Storage Amendment (Titles Administration and Other Measures) Bill 2021*, and the *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Amendment Bill 2021*. A few are planned as part of the Offshore Oil and Gas Safety Review, which has been announced but not yet legislated. Notably, the Government's announcement in December 2020[9] to require up-front financial security for decommissioning costs for new oil and gas facilities has not yet been implemented, and the December 2020 proposal appeared to fall short of what was recommended in the Walker

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[5] Steve Walker, Review of the Circumstances that Led to the Administration of the Northern Oil and Gas Australia (NOGA) Group of Companies, Commonwealth of Australia, June 2020, p.15-16.

[6] Peter Milne, Federal Govt regulates poorly and gets $360M Northern Endeavor clean-up bill, 2 Oct 2020

[7] Steve Walker, Review of the Circumstances that Led to the Administration of the Northern Oil and Gas Australia (NOGA) Group of Companies, Commonwealth of Australia, June 2020, p.28.

[8] Steve Walker, Review of the Circumstances that Led to the Administration of the Northern Oil and Gas Australia (NOGA) Group of Companies, Commonwealth of Australia, June 2020.

[9] DISER, Enhancing Australia's decommissioning framework for offshore oil and gas activities, December 2020, p. 8-9.

review.[10] Financial security for decommissioning has been required for offshore renewable energy in the Offshore Electricity Infrastructure Bill present before Parliament.

In July 2021 DISER sought tenders to tow away the *Northern Endeavour* FPSO in 2023, in a project that it said 'will set the standard for future similar activities in Australian waters,' despite a reported 6,200 'structural anomalies'.[11] DISER will then be responsible for plugging wells, and removing wellheads and other equipment.

Upstream Production Solutions remains the major contractor on the *Northern Endeavour*, and the facility remains rife with safety issues and an aggressively anti-union management. In August 2021 a worker on the *Northern Endeavour* was seriously injured by falling due to faulty walkway which was slippery, uneven, and haphazardly repaired. The worker suffered fractured ribs, torn tendons in their shoulder, and a T3 traverse fracture in their vertebra. The injury was absolutely preventable as the floor was a recognised safety hazard and had been raised with management, who took no action.

Because the Northern Endeavour has been allowed to fall into disrepair, new hazards have emerged for those working around the vessel or doing maintenance work for the vessel. Also in August 2021, the Mermaid Searcher was towing the offtake hose of the Northern Endeavour. Rigging gear from the Northern Endeavour, reportedly not inspected for 2 years, parted, resulting in a dangerous rapid retraction and a broken window on the Mermaid Searcher. It was only luck that avoided injuries or fatalities in this incident.

In September 2021 a worker was medically evacuated from the facility for mental health issues.

In October 2021, management is refusing to bargain with workers for an enterprise agreement. Management has addressed workers in a meeting to declare that the Northern Endeavour is 'not a union facility' and that those who want to talk about unionism can 'f*** off and take that propaganda' with them. There are also issues with workers on board without Basic Offshore Safety Induction and Emergency Training (BOSIET) qualifications.

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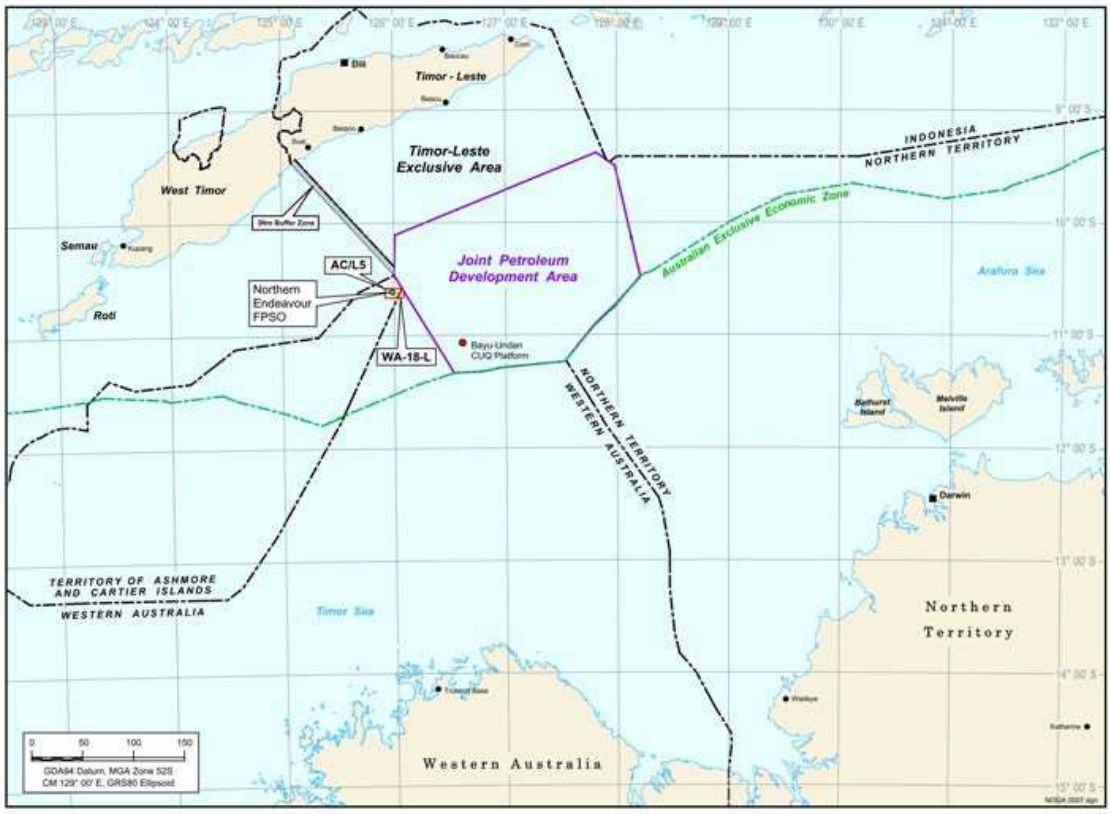
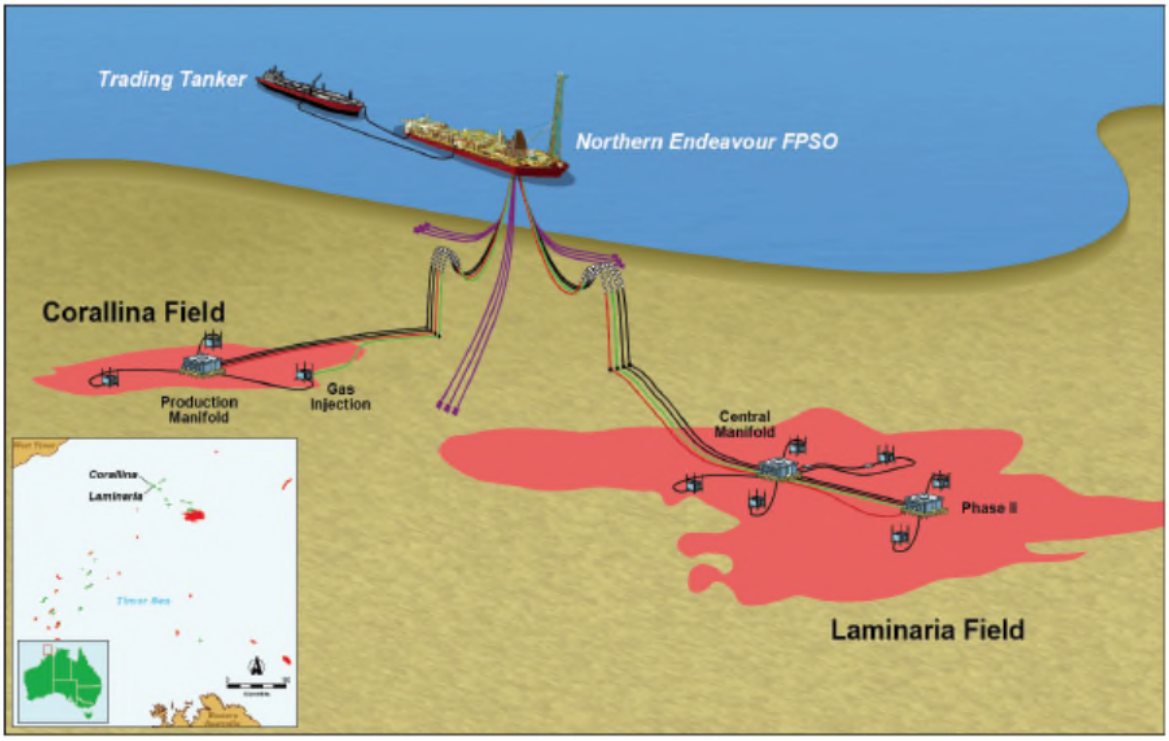
[10] Offshore Alliance Submission: Enhancing Australia's decommissioning framework for offshore oil and gas activities, January 2021.

[11] Peter Milne, Government hurries to tow Northern Endeavor away by mid-2023, 1 July 2021.

The *Northern Endeavour* is located in the Timor Sea in the Territory of Ashmore and Cartier Islands, outside of the Australian Exclusive Economic Zone. It is approximately 550 km northwest of Darwin, in water depths ranging between 350 and 410m (see map below). A significant amount of decommissioning work will have to take place at that depth.





2.2 Decommissioning is a growing challenge for the oil and gas industry

Decommissioning is a growing challenge for the Australian oil and gas industry. A report for National Energy Resources Australia in February on total decommissioning liability found that decommissioning would cost $52 billion AUD ($40.5 billion US), based on total removal of all offshore equipment, and there are:

- 1,008 offshore wells
- 57 fixed facilities with 237,000 tonnes topside and 518,000 tonnes underwater
- 82 pipelines with a total length of 4,960km, plus 205 infield flowlines (1,700km)
- 130 umbilicals with a length of 1,500km
- 535 subsea structures such as manifolds[12]

Most of the spend will be labour costs Most of the spend will be labour costs for divers, seafarers, crane operators, riggers, scaffolders, and mechanical and electrical trades. The other main expense will be hiring vessels, including large vessels with cranes and capacity

[12] National Energy Resources Australia/Advisian. Offshore Oil and Gas Decommissioning Liability (Australia), Executive Summary, February 2021.

to carry removed equipment, dive vessels, and towage vessels for large pieces that can be floated. Other trades will be needed to safety dismantle equipment in yards, and prepare the steel for recycling. There will also be shore based roles in safety, environmental and vessel management. This means a very significant number of jobs.

27% of decommissioning work needs to take place before 2025 due to facilities that are already disused, and 51% of this work is to take place before 2030. About half of this work is in the North Carnarvon Basin (off the NW WA coast between Exmouth and Dampier), another quarter of this work in the Bass Strait. NOPSEMA has already issued Directions to ENI, Woodside, BHP, Mobil, Inpex and Cooper Energy to plug and remove over 200 disused wells and associated subsea equipment and at least 10 platforms, located off Victoria and West Australia.[13]

Gaps in regulation to date allowed the *Northern Endeavour* situation to develop, and many other companies to leave disused equipment in place, rather than removing it. The government has moved to plug some of these gaps with its August 2021 Bill, but discussions at the NOPSEMA advisory board indicate a worrying lack of preparedness by industry:

> *The Board discussed that while it has been a legal obligation to fully remove equipment since the 1960's, industry appears to not have had this as the default consideration in their planning, nor have assets been valued on the basis of full removal. In some instances equipment has not been maintained to enable removal and in one example the resulting technical and safety risks are such that equipment may now have to remain in place. The CEO advised NOPSEMA will use its powers to take action where companies are not making appropriate considerations.*[14]

There is no profit for companies in decommissioning, making it ripe for cost cutting which undermines safe work practices. On the Sinbad platform, cutting corners created a life-threatening situation for rope access workers on the caisson when the topside lift went bad. Only the quick thinking actions of the crane operator saved their lives. Workers who were affected were forced to work immediately after incident and provided no support from

[13] NOPSEMA, Published Directions and notices.

[14] NOPSEMA Advisory Board minutes, 9 September 2020, p.2.

the employer or principal contractor. Some industry experts are of the view that a jack-up crane would have been a safer option to carry out the work than the floating vessel crane that was used.[15] The International Marine Contractors Association observed that this incident "had a high potential for multiple fatalities".[16] Commenting on the Sinbad incident, industry expert Peter Milne said:

> *The dangers of decommissioning don't need to be magnified by a cost-first approach that leaves the structures with uncertain integrity. The regulator will need to be aggressively proactive to keep decommissioning safe.*[17]

3 The Bills present an opportunity to set out a long-term framework for best-practice decommissioning

The Offshore Alliance supports the legislation, and believes it is appropriate for industry to fund the remediation task created by their own failures. However, the decommissioning challenge will only grow in the near future, and the issue extends well beyond the Northern Endeavour situation covered by the Bills. Recognising this, the Offshore Alliance sees an opportunity for the Australian Government to establish a best-practice framework not just for this project, but for the long term.

3.1 Who is in charge?

NOPSEMA's website notes that the Northern Endeavour facility is no longer regulated under the OPGGS Act Framework.[18] This appears to be the result of the former titleholder,

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[15] Out of control lift of Santos platform, ABC Radio, 3 August 2021. Peter Milne, Out of control lift of Santos platform off WA could have killed, Boling Cold, 29 July 2021.

[16] Peter Milne, Santos' swinging platform off WA coast had 'high potential for multiple fatalities', November 3, 2021.

[17] Peter Milne, New Sinbad platform video highlights decomm dangers, 2 August 2021.

[18] Explanation of the General Direction issued 27 Sept 2019 to the Administrators of Timor Sea Oil and Gas Australia Pty Ltd (TSOGA), which says the Direction was closed on 10 Sept 2020 for this reason. See https://www.nopsema.gov.au/offshore-industry/directions-notices-and-alerts/published-directions-and-notices

Timor Sea Oil & Gas Australia Pty Ltd (TSOGA), going into liquidation, meaning that there is no official titleholder under the OPGGS Act. The Government's Northern Endeavour website says 'Activities will be undertaken in close consultation with the National Offshore Petroleum Safety and Environmental Management Authority.' However, this is likely to mean that it is impossible for NOPSEMA to issue legally binding directions, fines or prohibition notices to anyone operating the facility or carrying out decommissioning work. Effectively, this puts the Government in the extraordinary position of undertaking decommissioning activity without being required to comply with the regulations that would apply to a private company. No regulator for safety or environmental issues is nominated in the Bill for work carried out using the levy that it creates.

A legally binding safety regulator **must** be nominated for the very hazardous work being funded by the levy.

A legally binding environmental regulator **must** also be nominated to ensure oversight of the scope and quality of work funded by the levy. While the OPGGS Act is the most relevant framework for the offshore petroleum industry, if it is determined that it cannot apply due to the absence of a titleholder, the Bill should ensure that an alternative regulatory framework – for example, the standard environmental regulations applying to all major projects with Commonwealth involvement, namely the Environmental Protection and Biodiversity Conservation (EPBC) Act.

RECOMMENDATION 1: The Bill should clearly identify:

- The safety legislation applying to work funded by the levy
- The environmental legislation applying to work funded by the levy
- The agency responsible for oversight of the development of safety and environmental plans, compliance with these plans to completion of work, and ensuring this agency has legally binding powers of enforcement
- That Australian Standards apply to the work and equipment undertaken funded by the levy.

3.2 Clarifying the need for full removal of all oil and gas equipment from the oilfields

The Bills establish a new definition of 'decommissioning' as 'removal or **any other treatment** of subsea infrastructure' (emphasis added). The September 2021 exposure draft did not include the phrase 'any other treatment'.

The term 'decommissioning' is not defined in other relevant legislation. In particular, the OPGGS Act and new NOPSEMA policy instead use the term 'maintenance and removal of property' (s. 572 of the OPGGS Act). This section requires titleholders to 'remove from the title area all structures that are, and all equipment and other property that is, neither used nor to be used'. This reflects Australia's international obligations in various conventions,[19] which are particularly important in the case of the *Northern Endeavour* as the facility is outside the Australian EEZ in the Territory of Ashmore and Cartier Islands and relatively close to East Timor and Indonesia. Companies can apply to NOPSEMA for a 'deviation from removal requirements' if they can demonstrate 'equal or better environmental outcomes,' but this is subject to scrutiny and approval from NOPSEMA.[20].

There is a risk that, by defining 'decommissioning' in a way not previously anticipated in previous legislation, the Government sets a precedent that 'any other treatment' of subsea infrastructure is sufficient to amount to remediation of infrastructure, with potentially devastating long-term environmental consequences.

The purpose of the additional words may simply be to broaden the government's authority to spend funds collected via the levy in the event that some subsea infrastructure can't be removed. However the concern is that these additional words may foreshadow an intention by the government to not completely remove the subsea infrastructure, or for industry to apply the new definition in other circumstances.

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[19] The Conventions are the United Nations Convention on the Law of the Sea (UNCLOS) and the Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter (London Convention) and associated Protocol, along with International Maritime Organisation Guidelines. See Australian Government, Department of Industry, Innovation and Science and Resources, Discussion Paper – Decommissioning Offshore Petroleum Infrastructure in Commonwealth Waters, October 2018, p.13.

[20] There is room for improvement here as 'equal or better environmental outcomes' are not clearly defined in legislation or policy.

To avoid this concern, the current definition of 'decommissioning' in the legislation should be amended to refer to 'decommissioning **costs**' – noting that the legislation is aimed at establishing a levy for *funding* decommissioning, rather than dealing with decommissioning activity.

The government is likely under significant pressure from industry to reduce its spend on the decommissioning levy, and the easiest way to reduce costs is to leave some subsea infrastructure in place. This would be a poor outcome for workers and the environment.

Finally, the definition of 'decommissioning' does not include recycling of facilities. This will also create jobs in transporting equipment to recycling facilities, and dismantling it, as well as providing raw materials for low-emissions steel. This should be explicitly stated in the definition, suggest inserting at (d) and changing current (d) to (e):

> *(d) any recycling of facilities or infrastructure; and*

RECOMMENDATION 2: The Bill's definition of 'decommissioning' does not align with existing legislation or policy, and risks establishing a precedent that any treatment of subsea infrastructure will allow proponents to cut costs by leaving in place subsea oil and gas equipment. The Bill's definition should be amended to 'decommissioning costs', reflecting that the Bill establishes a levy rather than regulating decommissioning activity. It should also include recycling (mainly of steel).

Our concern about oil and gas equipment being left on the sea floor is amplified due to the fact that the Bill does not have an 'Object' or explicitly state that the purpose of the levy is for the removal of subsea infrastructure and remediation of the seafloor. The intent of the Bill is not explicit and this should be remedied.

We suggest an object along the lines of:

> *"The object of this Act is to impose a temporary levy on all leviable entities to recover the costs of the Australian Government of plugging all wells, removing oil and gas equipment and property, providing for the conservation and protection of natural resources, and making good any associated damage to the seabed or subsoil inthe Laminaria and Corallina oil fields, and establishing infrastructure in Australia to facilitate this work."*

Likewise, the purpose of the levy should be along the following lines:

> *"The purpose of the levy is to recover the costs of the Australian Government of plugging all wells, removing oil and gas equipment and property, providing for the conservation and protection of natural resources, and making good any associated damage to the seabed or subsoil in the Laminaria and Corallina oil fields, and establishing infrastructure in Australia to facilitate this work."*

RECOMMENDATION 3: The Bill should explicitly set an object and purpose for the levy to plug wells, remove oil and gas equipment and property, provide for the conservation and protection of natural resources, and to make good any associated damage to the seabed or subsoil in the Laminaria and Coralina oil fields. It should also allow for establishing infrastructure in Australia to facilitate this work.

3.3 No robust process for determining length and scope of the levy and decommissioning task

When the levy was announced, there was initially no end date, which drew the ire of industry.[21] The current legislation has the end date as the 2029-30 financial year.

The only explanation in the EM is 'this period has been chosen to ensure that the levy can be imposed for the duration of the decommissioning of the Laminaria and Corallina oil fields and associated infrastructure'. No information is available as to why the government believes that decommissioning will be complete by 2029, and indeed, there is no evidence that the decommissioning task will be completed by then. The Inquiry must be provided with information as to how this date was picked.

It does not appear on the face of the Bill that the period during which the levy is imposed can be extended. However, the period can also be reduced. As such, the period of the levy being required should be overestimated for a worst case scenario.

[21] APPEA, New NOGA Levy is extreme, 29 June 2021.

RECOMMENDATION 4: The Bills should establish that the levy will remain in place until wells are plugged, oil and gas equipment and property is removed, the conservation and protection of natural resources is provided for, and any associated damage to the seabed or subsoil has been made good.

Further, the Bill grants the Resources Minister unilateral power based on the Minister's own satisfaction to reduce the rate of the levy and the period during which it is imposed. The levy should apply to recover costs for the entire period of decommissioning that is required – it is not clear why the Resource Minister should have discretion to determine what work will be done and how the levy will end. This is particularly concerning as no environmental regulator has been nominated and the legislation is not clear that the base case is removal. A more rigourous process must be put in place, noting that the levy is being imposed to ensure that the Australian taxpayer does not foot the bill for corporate scheming and avoidance.

The levy must only be modified in quantum or application once the decommissioning is factually complete. A single Minister should not have the power to modify it, particularly not the Resources Minister.

The potential to shorten the levy further may lead to cost pressure, particularly as the levy does not include any other requirements on the quality of work, or independent checks to ensure removal and remediation are complete. All of the details in the legislation are about limiting cost.

RECOMMENDATION 4: The provisions of the Bills giving the Resources Minister power to unilaterally terminate the levy should be removed. Any alterations to the levy must be in line with the scope of work established within the framework of established safety and environmental legislation such as the OPGGS Act or the EPBC Act.

3.4 Maximising jobs, safety and economic benefit

The tender for the Northern Endeavour decommissioning projects claims that the project 'will set the standard for future similar activities in Australian waters.' However, this aim is not set out in the Bills, representing a missed opportunity to set a best-practice framework.

The Bills should establish an Australian decommissioning yard and recycling program on an ongoing basis. With Australian Government support, a dedicated facility where platforms and equipment could be towed and disassembled would create jobs (particularly in trades which are currently facing adjustments in the wake of the ongoing energy transition) and could establish Australia as a world leader in decommissioning practice.

Currently, no such facility exists, despite the NERA report observing $1.5 billion in cost savings could be made by dismantling large structures locally rather than south-east Asia.[22]. The Bills represent a significant opportunity to establish this industry in Australia, particularly because the entire petroleum industry is contributing to the levy – the establishment of a yard to assist decommissioning for all companies, is in the interests of all companies (rather than just the decommissioning of the Laminaria and Corallina fields). A dedicated decommissioning yard could also support training for workers in the industry (particularly if paired with a training levy to fund it).

RECOMMENDATION 5: The Australian Government should establish a dedicated Australian decommissioning yard, supported by an industry levy (including for training) to take on the growing task of decommissioning and recycling over the coming decades.

Further, on the basis that DISER intends for the tender to set the standard, contractor requirements should be set in this Bill, with minimum decommissioning experience for the company and minimum offshore experience for the workers.

Noting the opportunity to create Australian jobs, the legislation should:

- require that Australian Industry Participation Plan (AIPP) will apply to all tenders of $1 million or more, lowering the current threshold to ensure the vast majority of work under the levy is captured.
- ensure that vessel tenders are included in the AIPPs, which will require legislative rule making under the *Australian Jobs Act 2013* s.128 to include minimum standards

[22] National Energy Resources Australia/Advisian. Offshore Oil and Gas Decommissioning Liability (Australia), Executive Summary, February 2021, p.7.

for the procurement of offshore support vessel services to be published and applied by the procurement entity.[23]

- require that any company winning tenders have a minimum of 10 years experience in the Australian offshore industry, be genuinely based in Australia and have Australian staff, and be fit to carry out the work, including not having been subject to safety or environmental infringements in the past 5 years. For decommissioning work, that contractor must be required to employ workers with a minimum of 10 years of experience in the Australian offshore oil and gas industry
- ensure that these requirements apply, noting that the Northern Endeavour is located outside the Australian EEZ in a Territory.
- ensure that any work is done in compliance with Australian Standards.

Any tenders for work commissioned under this levy should include a plan on how the proponent will ensure socioeconomic benefits from the project, by including evaluation criteria on:

a) maximising the use of locally produced and supplied goods and services
b) maximising the employment of suitable qualified local workers, including energy workers
c) fostering opportunities for training and skills development of local workers
d) increasing employment and income opportunities for Aboriginal and Torres Strait Islander people.

RECOMMENDATION 6: The Bill should ensure that revenue from the levy is used to support Australian industry and jobs, and maximises socioeconomic benefits from the work. Tender requirements must ensure that a fit and proper offshore operator carries out the work.

3.5 The Bills have no reporting or transparency measures

Despite the Bill being levied on the production of each industry participant, there are currently no measures to report the liabilities of each producer in the Bill. And noting the

[23] MUA, Reform of the operation of the Australian Jobs Act 2013, March 2021.

challenges outlined in the existing decommissioning efforts in Australia, it is unclear how the quality and progress of the work being undertaken will be monitored and reported in the current Bills.

The Bill should require a publicly available annual report from the Commissioner of Taxation on quantum of levy collected from each leviable entity for that levy year (based on the barrels of oil equivalent which forms the basis of the levy). Further, the Bill should require a publicly available quarterly report from DISER regarding the progress of work completed, any safety incidents, and any near misses.

RECOMMENDATION 7: The Bill should require a publicly available annual report from the Commissioner of Taxation on quantum of levy collected from each leviable entity for that levy year (based on the barrels of oil equivalent which forms the basis of the levy). Further, the Bill should require a publicly available quarterly report from DISER regarding the progress of work completed, any safety incidents, and any near misses.