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| **Australian Government** |
| **Department of Industry, Science, Energy and Resources** |

**National Offshore Petroleum Titles Administrator**

**COST RECOVERY IMPLEMENTATION STATEMENT**

Titles Administration

*Offshore Petroleum and Greenhouse Gas Storage Act 2006*

**2022**

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| Cost recovery involves government entities charging individuals or non-government organisations some or all of the efficient costs of a regulatory activity. This may include goods, services or regulation, or a combination of them. The Australian Government Charging Framework, which incorporates the Cost Recovery Guidelines (the CRGs)[[1]](#footnote-1), sets out the framework under which government entities design, implement and review regulatory charging activities. |

**CONTENTS**

[**1** **INTRODUCTION** 3](#_Toc84844711)

[1.1 Purpose of the CRIS 3](#_Toc84844712)

[1.2 Description of the regulatory charging activity 3](#_Toc84844713)

[Operational cost drivers 4](#_Toc84844714)

[*Enhanced titles administration framework* 5](#_Toc84844715)

[**2** **POLICY AND STATUTORY AUTHORITY TO COST RECOVER** 7](#_Toc84844716)

[2.1 Government policy approval to cost recover the regulatory activity 7](#_Toc84844717)

[2.2 Statutory authority to charge 7](#_Toc84844718)

[**3** **COST RECOVERY MODEL** 7](#_Toc84844719)

[3.1 Outputs and business processes of the regulatory charging activity 7](#_Toc84844720)

[3.2 Outputs and business processes 9](#_Toc84844721)

[3.3 Costs of the regulatory charging activity 12](#_Toc84844722)

[3.4 Costs of the activity 12](#_Toc84844723)

[3.5 Design of regulatory charges 14](#_Toc84844724)

[3.6 Cost recovery levy 14](#_Toc84844725)

[3.7 Cost recovery fees 16](#_Toc84844726)

[**4** **RISK ASSESSMENT** 19](#_Toc84844727)

[**5** **STAKEHOLDER ENGAGEMENT** 20](#_Toc84844728)

[*Cost recovery consultation* 20](#_Toc84844729)

[*NOPTA international benchmarking* 20](#_Toc84844730)

[**6** **FINANCIAL ESTIMATES** 21](#_Toc84844731)

[**7** **FINANCIAL PERFORMANCE** 21](#_Toc84844732)

[**8** **NON-FINANCIAL PERFORMANCE** 21](#_Toc84844733)

[*NOPTA stakeholder survey* 22](#_Toc84844734)

[**9** **KEY FORWARD DATES AND EVENTS** 22](#_Toc84844735)

[**10** **CRIS APPROVAL AND CHANGE REGISTER** 22](#_Toc84844736)

# **INTRODUCTION**

## Purpose of the CRIS

This Cost Recovery Implementation Statement (CRIS) provides information on how the National Offshore Petroleum Titles Administrator (NOPTA) implements cost recovery for the administration of offshore petroleum and greenhouse gas (GHG) storage titles (titles administration) under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (the OPGGS Act), the *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Act 2003* (the Levies Act), and associated regulations. It also reports financial and non‑financial performance information for titles administrationand contains financial forecasts. NOPTA will maintain the CRIS until the activity or cost recovery for the activity has been discontinued.

## Description of the regulatory charging activity

NOPTA was established on 1 January 2012 and is a Branch within the Department of Industry, Science, Energy and Resources (DISER). The General Manager of NOPTA is the Titles Administrator, a statutory position under the OPGGS Act.

Prior to 1 January 2012, the Australian offshore petroleum regulatory framework was administered at a State or Territory level (referred to as the Designated Authorities). A Productivity Commission Review[[2]](#footnote-2) (the Review) found that this resulted in duplication and overlap that was potentially diminishing the present value of petroleum resource extraction in Australia. The Review found that there was ‘significant unnecessary regulatory burden’ on the offshore petroleum sector. The Review recommended the creation of a national offshore petroleum regulator that would ease regulatory burden.

In response to the review, the Australian Government adopted a national model for the regulation of the upstream petroleum sector in Commonwealth waters following extensive consultation with state governments, the Northern Territory Government and industry, and consideration of the outcomes of the Montara Commission of Inquiry[[3]](#footnote-3). In addition to NOPTA, the Government established the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA), which is responsible for regulation of well integrity, environment plans and occupational health and safety.

NOPTA’s purpose is to administer titles and data management for petroleum and GHG titles in Australian Commonwealth waters. NOPTA supports the management of the offshore petroleum and GHG titles by providing expert advice, administration, compliance monitoring and data management in accordance with the OPGGS Act.

Under the OPGGS Act and associated regulations, NOPTA's functions include:

* Providing information, assessments, analysis, reports, advice and recommendations to the relevant decision makers under the OPGGS Act.
* Decisions on granting short-term titles (petroleum access authority and petroleum special prospecting authority) and decisions on the registration of transfers and dealings.
* Facilitating life of title administration, including compliance monitoring.
* Managing the submission and release of data.
* Engaging with titleholders on their performance in meeting regulatory obligations and expectations.
* Maintain the public registers of offshore petroleum and GHG titles.
* Ensuring petroleum resource management is undertaken in accordance with the principles of good oil field practice.
* Implementing effective field performance monitoring strategies in order to secure optimum long term petroleum recovery.
* Cooperating with NOPSEMA on matters relating to the administration and enforcement of the OPGGS Act and regulations.

The Offshore Resources Branch (ORB) within DISER provides the Australian Government with policy related advice and is responsible for maintaining the OPGGS Act. NOPTA utilises its technical and administrative experience to contribute to the development of guidance and legislation through the ORB.

NOPTA's offices are located in Perth and Melbourne.

### Operational cost drivers

On 1 January 2012, NOPTA began operations on a full cost recovery basis. A CRIS for the interim period and establishment costs for NOPTA was developed in July 2011. NOPTA’s CRIS has since been updated in 2013-14, 2015-16 (updated in line with revised Australian Government Cost Recovery Guidelines) and in 2016-17, when the previous CRIS was published (2016-17 CRIS). The 2016-17 CRIS was intended to be in place for 3 years.

NOPTA’s ability to effectively administer and discharge its functions under the OPGGS Act and to meet the expectations of the responsible Commonwealth Minister[[4]](#footnote-4), is underpinned by access to sufficient resources, capacity, and qualified personnel. Since the 2016-17 CRIS, NOPTA has been operationally efficient in delivering its activities and has minimised the need to adjust levies and fees over this time. However, while charging amounts have remained steady, NOPTA’s operational costs have continued to increase due to a range of internal and external factors discussed below.

*Administrative complexity of titles*

As industry activity volumes have fallen, the complexity of NOPTA’s activities has increased. For example, since the 2016-17 CRIS there has been a notable shift in the complexity of title applications which require more in-depth commercial and technical analysis, as well as additional requests for information from titleholders to support applications. An increase in administrative complexity is consistent with what is expected from a maturing industry (e.g., more complex operations and challenges from managing declining and marginal fields) and NOPTA anticipates this trend to continue. This will have an impact on the way NOPTA engages with the industry, including its internal resourcing and capacity.

*Increased costs of employee benefits (inclusive of salary costs)*

Since 30 June 2016, NOPTA’s personnel levels (inclusive of contractors) has increased from 51 FTE to 57.6 FTE as of 30 June 2020. The increase was driven by the recruitment of additional staff in the areas of commercial analysis, geology, reservoir engineering and geophysics to fill known skill gaps as identified in the 2015 Operational Review of NOPTA[[5]](#footnote-5) and to more closely align with the Minister’s statement of expectations for NOPTA. Over this time staff salaries have increased in-line with the DISER 2016-2019[[6]](#footnote-6) and 2019-2022[[7]](#footnote-7) enterprise agreements. Service and supplier costs have also continued to increase in line with consumer price index (CPI).

NOPTA has been proactive in managing risks arising from internal capacity constraints. Initiatives include the introduction of a matrix style organisational structure, the use of fixed-term contracts, flexible and part-time work arrangements, outsourcing arrangements for information communication and technology (ICT) application and infrastructure services, and ongoing improvements to operating efficiency through technology-driven developments. While NOPTA intends to continue these arrangements moving forward, these initiatives are not sufficient to prevent the need to increase fees and levies at this time.

*Increased investment in ICT*

Over the past five years NOPTA has been steadily developing its ICT capabilities. NOPTA’s ongoing investment in technology is aimed at embracing digital solutions to improve efficiency and streamline its processes and making it easier for stakeholders to engage. NOPTA’s systems for supporting the delivery of titles administration activities are primarily delivered through outsourcing arrangements with service providers, covering application managed services and infrastructure managed services.

A key example of NOPTA’s outsourced model for ICT infrastructure is the transition from in-house servers to the Microsoft Azure cloud-based environment in 2019. This has provided NOPTA with a national reach via related cloud technologies and has improved business continuity – which was critical during COVID-19 related restrictions. Technological upgrades have also been made to NOPTA’s internal systems which has significantly improved NOPTA’s ability to collect, store and analyse information.

Technological upgrades have laid the foundation for a range of practical initiatives designed to improve the National Electronic Approvals Tracking System (NEATS), including the redevelopment of the NEATS external website (launched 2 February 2021), and digital enhancements (in progress) to facilitate the online submission of applications through the NEATS Industry Portal. Moving forward, NOPTA intends to expand the NEATS Industry Portal to include online submission of reporting requirements, to develop a portal for Joint Authority delegates (to reduce manual handling of approvals), as well as a tailored portal for NOPTA and NOPSEMA communications. These initiatives are to streamline interactions and reduce administrative burden for our key stakeholders.

### *Enhanced titles administration framework*

In 2021, following a review of existing legislation and policy, the government endorsed an enhanced offshore oil and gas decommissioning framework[[8]](#footnote-8). The review took into account the outcomes from the *Independent review into the circumstances leading to the administration and liquidation of Northern Oil and Gas Australia*[[9]](#footnote-9), led by Steve Walker (the Walker Review).

On 2 September 2021, the *Offshore Petroleum and Greenhouse Gas Storage Amendment (Titles Administration and Other Measures) Act 2021* (the Amendment Act) received Royal Assent[[10]](#footnote-10) and imposes the legislative changes necessary to give effect to the enhanced framework arising from the review.

The new legislative measures include:

* **Changes in company control:** expanding the types of transactions requiring government assessment and approval to include changes in ownership or control of a titleholder entity, such as through a corporate merger, acquisition or takeover.
* **Trailing liability:** expanding the circumstances where a previous titleholder can be ‘called back’ to remediate the title areas or conduct other activities where the current titleholder is unable to do so and introducing the concept of a ‘related person’.
* **Suitability:** inclusion of decision-making criteria within the legislation to assess competency and suitability of entities applying to operate in Australia’s offshore regime. These assessments at key decision points include financial capacity, technical capability, history of compliance and corporate governance arrangements.
* **Other measures:** minor and technical amendments to improve the operation of the OPGGS Act, including the facilitation of electronic submission of all documents that accompany an application for a transfer or dealing of a petroleum or greenhouse gas title. The Amendment Act removes the requirement to provide additional copies of documents that accompany an application, reducing the administrative burden on industry and streamlining the application process.

The Amendment Act imposes new administrative requirements on NOPTA, including widening the applications to which an assessment of the applicant’s financial and technical capacity applies, creating new extended decision-making criteria for the initial grant of permits, the grant of pipeline and infrastructure licences and decisions for transfers and change of control (section 695YB and 695YC) and a new change of company control application (refer to the table in section 3.2 for further details).

NOPTA, currently, does not have sufficient internal technical capacity to discharge these new functions consistent with the expected volume and in a manner that is aligned with best practice. It is therefore necessary that NOPTA adjusts its fees and levies to allow for the adequate recovery of costs relating to the recruitment of additional staff, as well as enhancing internal systems to efficiently facilitate the new functions.

# **POLICY AND STATUTORY AUTHORITY TO COST RECOVER**

## Government policy approval to cost recover the regulatory activity

In its report *Review of Regulatory Burden on the Upstream Petroleum (Oil & Gas) Sector* (released on 30 April 2009), the Productivity Commission recommended establishing a national offshore petroleum regulator funded through full cost recovery. As part of the 2011–12 Budget, the Australian Government adopted a revised model for the regulation of the upstream petroleum sector in Commonwealth waters by establishing NOPSEMA and NOPTA instead of a single regulator[[11]](#footnote-11). Both entities were to operate on a full cost recovery basis from 1 January 2012, with the revenue from registration fees payable by the industry under the *Offshore Petroleum and Greenhouse Gas Storage (Registration Fees) Act 2006*, retained by the Government for an initial two-year period from 1 July 2011 to meet the establishment costs.

## Statutory authority to charge

The legal authority to impose the Annual Titles Administration Levy is contained in Part 4C of the Levies Act. The amounts are prescribed in the *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Regulations 2004*. The legal authority to prescribe application fees can be found in Chapter 2, Chapter 3, Chapter 4, Chapter 5, and Chapter 6 of the OPGGS Act. The fees are prescribed in the *Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011*.

NOPTA is fully funded through the cost recovery charges imposed under this legislation managing the funds through an administered Special Account. NOPTA does not receive an annual departmental appropriation. NOPTA recovers its costs via application fees and the Annual Titles Administration Levy[[12]](#footnote-12).

# **COST RECOVERY MODEL**

## Outputs and business processes of the regulatory charging activity

As at 30 June 2021, NOPTA will have 60.2 Full Time Equivalent (FTE) staff (including contractors), that includes 44.4 FTE in seven specialised teams employed to deliver its legislated functions:

1. Titles Exploration (6.6 FTE)
2. Titles Development (5.6 FTE)
3. Technical Exploration (4.6 FTE)
4. Technical Development (5.6 FTE)
5. Technical Commercial (5.6 FTE)
6. Data Management (8.6 FTE)
7. Legislative and Compliance (7.8 FTE)

These teams are supported by three teams:

1. Technology, Information and Geospatial Support (TIGS) (6.0 FTE)
2. Business Support Unit (BSU) (6.8 FTE)
3. Senior Leadership Group (3.0 FTE)

NOPTA’s Senior Leadership Group is made up of the Titles Administrator, an Operations Manager, and a Strategy and Governance Manager. The costs of the Senior Leadership Group and TIGS is allocated across NOPTA’s activities based on estimations of effort. The cost of the BSU team is treated as an indirect cost and apportioned to each specialised team based on the number of FTE employees in each of these teams. See **Section 3.3** for a breakdown of direct and indirect costs.

*Departmental Overheads*

As NOPTA only undertakes the functions legislated to it under the OPGGS Act, including support functions, this allows for easy identification of the costs incurred by DISER attributable to cost recovered activities.

DISER provides the governance structure, access to corporate support and systems, workers compensation and other insurance coverage and allocates these costs to NOPTA.

These costs[[13]](#footnote-13) consist of:

* Workers compensation insurance premium $26,000
* Property and general liability insurance premium $16,000
* Depreciation of NOPTA office fit-outs $110,000
* Governance structure (Accountable Authority instructions, delegations, departmental policies), mandatory training, financial and other departmental systems, corporate support $100,000
* Standard Protected Desktop Offering $106,000
* Human Resources support and payroll processing $67,000

NOPTA shares accommodation with NOPSEMA in Perth and Melbourne. In addition to rental and outgoings, NOPTA incurs an annual cost of $30,000 for NOPSEMA staff administering the building lease, receptionist services and office consumables.

## Outputs and business processes

All references are to the OPGGS Act unless otherwise described

|  |  |  |  |
| --- | --- | --- | --- |
| **No** | **FUNCTION** | **PROCESS** | **NEW PROCESSES (FOLLOWING COMMENCEMENT OF THE AMENDMENT ACT)** |
| **1** | **Acreage Release (Petroleum Exploration Permit):**  (Chapter 2) | ***Release***   * Gazettal of acreage release areas * Maintain guidance material[[14]](#footnote-14) for applicants |  |
| **2** | **Petroleum Exploration Permit (EP):**  (Chapter 2) | ***Grant, Renewal, Surrender, Expiry, Cancellation***  General overview of process:   * receipt of application * assessment of application (including any procedural fairness requirements) * consultation with NOPSEMA (where applicable) * implement the decision * dissemination of information * maintain the title register (Chapter 4) * gazettal of event (where applicable – Chapter 7) * ongoing assessment of compliance with the legislation including, any conditions and expectations of the title (where applicable) * data management and reporting * develop/maintain guidance material for applicants | * For initial applications extended decision-making criteria (Chapter 6, section 695YB). * Assessment of the financial resources and technical advice available to the applicant, where applicable. |
| **3** | **Suspension and extension; variation; exemption**:  (Chapter 2 and 3) | ***Petroleum - EP, RL, PL***  ***GHG – Assessment Permit, Holding Lease, Injection Licence***  ***Both - IL, Pipeline Licence***  See item 2 for general overview of process. | * Assessment of the financial resources and technical advice available to the applicant (as required). |
| **4** | **Declaration of a Location**:  (Chapter 2) | ***Declare, Variation and Revocation***  See item 2 for general overview of process. |  |
| **5** | **Retention Lease (RL)**:  (Chapter 2) | ***Grant, Renewal, Revocation, Surrender, Expiry, Cancellation***  See item 2 for general overview of process | * Assessment of the financial resources and technical advice available to the applicant. |
| **6** | **Production Licence (PL)**:  (Chapter 2) | ***Grant, Renewal, Surrender, Expiry, Cancellation, Termination***  ***Field Development Plans*** **(preliminary field development plans, final field development plans and variations)**  ***Rate of Recovery & Equipment and Procedures***  See item 2 for general overview of process. | * Assessment of the financial resources and technical advice available to the applicant. |
| **7** | **Infrastructure Licence (IL)**:  (Chapter 2)   * For petroleum and GHG | ***Grant, Variation, Surrender, Cancellation, Termination***  See item 2 for general overview of process. | * Assessment of the financial resources and technical advice available to the applicant * Extended decision-making criteria (Chapter 6, section 695YB). |
| **8** | **Pipeline Licence:**  (Chapter 2)   * For petroleum and GHG | ***Grant, Variation, Cease to Operate, Terminate, Surrender, Cancellation***  See item 2 for general overview of process. | * Assessment of the financial resources and technical advice available to the applicant. * Extended decision-making criteria (Chapter 6, section 695YB). |
| **9** | **Special Prospecting Authority (SPA), Access Authority (AA) and Scientific Investigation Consents:**  (Chapter 2) | ***Grant, Variation (AA), Extension duration (AA), Revocation (AA), Expiry, Surrender (SPA and AA), Cancellation (SPA)***  See item 2 for general overview of process. |  |
| **10** | **Transfers and Dealings**  (Chapter 4 and Chapter 5)   * For petroleum and GHG | ***Transfer of title***  ***Dealings affecting an existing title, future title***  See item 2 for general overview of process.  ***Change of company name***   * Receipt of application * assessment of application * implement the decision * maintain the register * dissemination of information * develop/maintain guidance material for applicants | **For transfers**   * assessment of the financial resources and technical advice available to the applicant. * Extended decision-making criteria (Chapter 6, section 695YB). |
|  | **Change of Company Control**   * Receipt of application * Assessment of application * Receipt of application * assessment of application (including any procedural fairness requirements) * consultation with NOPSEMA (where applicable) * implement the decision * dissemination of information * maintain the title register * gazettal of event (where applicable) * develop/maintain guidance material for applicants |
| **11** | **Greenhouse Gas Titles (including Cross-Boundary) (GHG)**  (Chapter 3)   * Assessment Permit * Holding Lease * Injection Licence | ***GHG assessment permits - Grant, Renewal, Surrender, Expiry, Cancellation***  ***Declaration of identified storage formations, variation of identified storage formations***  ***GHG holding leases - Grant, Renewal, Revocation, Surrender, Expiry, Cancellation***  ***GHG injection licences - Grant, Renewal, Surrender, Termination, Cancellation, Site Plan, Site Closing Certificates***  ***GHG search authorities, GHG special authorities, GHG research consents***  See item 2 for general overview of process. | * Assessment of financial and technical capacity (where relevant). * Extended decision-making criteria (Chapter 6 section 695YB).   (where relevant).   * New change of company control application (process as above). |

## Costs of the regulatory charging activity

NOPTA allocates direct and indirect costs to each output based on management estimates of effort required.

Direct costs from 2021-22 are budgeted at $12.5M and are made up of:

* Employee and associated expenses of the seven specialised teams (e.g., salary, superannuation, leave entitlement, learning & development, professional membership).
* Employee and associated expenses of the Senior Leadership Group, and the Technology, Information and Geospatial Support team. Maintenance and support of the National Electronic Approval Tracking System (NEATS).
* National Offshore Petroleum Data and Core Repository (NOPDCR) expenses required for the management of petroleum mining sample data (cores, cuttings and gas/fluid samples).

The direct costs are readily identifiable in the financial management and information system. Managers allocate and verify time on the key outputs and business processes. NOPTA regularly undertakes an exercise to validate the actual time spent on each function. The direct costs are allocated to various outputs based on estimated levels of effort.

Indirect costs from 2021-22 are budgeted at $5.2M annually and are made up of:

* Employee and associated expenses of the Business Support Unit
* Overheads - Departmental
* ICT desktop services
* Office accommodation and utilities
* Travel
* Legal

Indirect costs are allocated to the specialised teams using headcount.

**Table 1**: Direct and indirect costs by team ($M), 2021-22

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Titles | Legislative Compliance | Technical | Data Management | Technical Information & Geospatial Support | Executive | Total |
| Direct costs | 2.341 | 1.347 | 3.806 | 3.138 | 1.108 | 0.758 | 12.498 |
| Indirect costs | 1.180 | 0.848 | 1.530 | 0.769 | 0.437 | 0.446 | 5.210 |
| Total costs | 3.521 | 2.195 | 5.336 | 3.907 | 1.545 | 1.204 | 17.708 |

## Costs of the activity

NOPTA’s total budget for 2021-22 is $17.7M. This is an increase of $700,000[[15]](#footnote-15) from 2020-21.

The main drivers for NOPTA’s cost increases include:

* required ICT investment, including related ICT system/application development costs and system maintenance and outsourcing costs to suppliers
* a requirement to engage additional staff to aid in the widened requirement for assessment of financial resources and technical advice, the extended decision-making requirements under section 695YB of the OPGGS Act and the administration of change of control (company acquisition) (as proposed imposed under the Amendment Act)
* increased costs of employee benefits (inclusive of salary costs)
* a greater focus on resource management consistent with the responsible Commonwealth Minister’s expectations, and
* an increase in the complexity of titles administration activities consistent with a maturing industry.

NOPTA is proposing that fees and levies be increased by 10 percent to commence from 1 January 2022 to be reviewed in 12 months. NOPTA will maintain full transparency by notifying and consulting industry where required prior to any potential future increase.

Based on NOPTA’s analysis of effort required, the following Table 2 shows the allocation of NOPTA costs to outputs in 2021-22. The figures were derived by multiplying the direct and indirect costs of each specialist team by the level of effort estimated to achieve each output.

**Table 2**: Cost allocated to outputs in 2021-22 ($M)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Output  No. | Output | Direct  Costs | Indirect  Costs | Total $M |
| 1 | Acreage release | 0.422 | 0.198 | 0.620 |
| 2 | Petroleum exploration permit | 1.316 | 0.442 | 1.758 |
| 3 | Suspension and extension; variation; exemption | 0.319 | 0.157 | 0.476 |
| 4 | Declaration of a location | 0.275 | 0.126 | 0.401 |
| 5 | Retention lease | 4.007 | 1.711 | 5.718 |
| 6 | Production licence | 4.421 | 1.713 | 6.134 |
| 7 | Infrastructure licence | 0.083 | 0.040 | 0.123 |
| 8 | Pipeline licence | 0.430 | 0.212 | 0.642 |
| 9 | Special prospecting authority (SPA) and access authority (AA) | 0.327 | 0.139 | 0.466 |
| 10 | Transfers and dealings | 0.634 | 0.326 | 0.960 |
| 11 | Greenhouse gas[[16]](#footnote-16) | 0.264 | 0.146 | 0.410 |
|  | **Total** | **12.498** | **5.210** | **17.708** |

NOPTA’s revenue streams fluctuate from month to month, from approximately $600,000 to $3M as the bulk of the revenue is dependent on the anniversary dates of various titles. Application fees vary significantly month to month and are difficult to predict. Cash outflows are relatively stable at approximately $1.5M per month.

Based on NOPTA’s analysis of effort required, the following **Table 3** shows the proposed recovery of NOPTA costs by output based on the proposed levy and fee structure.

**Table 3:** Proposed cost recovery by output, from 2021-22

|  |  |  |
| --- | --- | --- |
| Output  No. | Output | Total $M |
| 1 | Acreage release | 0.083 |
| 2 | Petroleum exploration permit | 1.317 |
| 3 | Suspension and extension; variation; exemption | 0.503 |
| 4 | Declaration of a location | 0.080 |
| 5 | Retention lease | 6.765 |
| 6 | Production licence | 7.216 |
| 7 | Infrastructure licence | 0.083 |
| 8 | Pipeline licence | 0.473 |
| 9 | Special prospecting authority (SPA) and access authority (AA) | 0.041 |
| 10 | Transfers and dealings | 1.238 |
| 11 | Greenhouse gas[[17]](#footnote-17) | 0.096 |
|  | **Total** | **17.823** |

## Design of regulatory charges

NOPTA’s cost model has been designed to ensure stable revenue to enable effective regulation and management of its Special Account in line with Australian Government Cost Recovery Guidelines (CRGs). NOPTA’s cost recovery charges include an annual levy imposed on different types of titles (permits, leases and licences) and fees charged on applications made to the Titles Administrator for the approval of various matters relating to offshore petroleum and GHG titles. NOPTA has minimised the need to adjust charges since its inception in 2012, providing longer-term certainty to industry in this regard. Stability in the level of fees and levies is important for providing consistency for industry, supporting a more predictable investment environment.

The charges were last increased on 1 July 2016. Since this time NOPTA has managed costs internally to avoid increases in fees and levies. A review of NOPTA’s CRIS was delayed in 2020 due to concerns around the impacts of COVID-19. NOPTA is proposing that the levies and fees be increased by 10 percent from 1 January 2022 and will be reviewed after 12 months. NOPTA will maintain full transparency by notifying and consulting industry where required prior to any potential future increase.

NOPTA faces an uncertain operating environment over the next several years which may impact financials. This includes impacts of COVID-19 and oil price volatility which can result in a reduction in exploration activities and associated revenue from fees and levies. In addition, with the industry maturing, transactions will require closer scrutiny which will put additional resourcing pressure on NOPTA.

## Cost recovery levy

An Annual Titles Administration Levy (Levy) is imposed on holders of titles (permits, leases and licences). The levy is payable in accordance with the *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Regulations 2004* upon the grant of a title and annually thereafter within 30 days of the anniversary of the title. Where a title is in force for less than 12 months, the levy is calculated for the period the title remains in force. Levies are used to fund NOPTA activities where it is not possible or practical to attribute costs to a specific title (e.g., data management, resource management, compliance and enforcement).

The annual levy makes up the majority of NOPTA’s revenue, approximately 87 percent in 2019‑20, providing a stable revenue stream that is dependent upon the current number and type of titles in force. Levy revenue estimates are based on the existing number of titles incorporating known upcoming activities (e.g. acreage release grants, surrenders, expiries, title conversions etc.) and industry trends.

The structure for the annual Levy is relatively easy to calculate, involving a:

* fixed rate per title for an exploration permit, infrastructure licence, or assessment permit
* fixed rate multiplied by a known number of kilometres or part thereof for a pipeline licence, and
* fixed rate multiplied by a known number of blocks for a production licence, retention lease, holding lease or gas injection licence.

Consistent with the principles of the CRGs[[18]](#footnote-18), levy amounts have been designed to encourage continued exploration and innovation within industry. While this does result in a degree of over/under recovery across some levy categories, this is considered reasonable. For example, under the current levy structure, the revenue collected for exploration permit activities is less than estimated administrative costs, while the revenue collection from retention lease and production licence title activities is more than the estimated administrative costs. Under this arrangement, cross subsidy has been minimised by aligning administrative effort with the number of blocks within a title. For example, while a production licence may only include a few blocks, the technical administrative effort is high. While for other title types, such exploration permits or infrastructure licences, the number of blocks does not impact as much on effort. This is reflected in the levy structure (see below **Table 4**). Consequently, it is NOPTA’s view that the current levy structure is equitable and proportionate to the regulatory and administrative complexity of the current titles regime.

To ensure that revenue remains stable and can support NOPTA’s expanded administrative responsibilities (see **Section 3.2**), NOPTA is proposing that the levies be increased by 10 percent from 1 January 2022, to be reviewed after 12 months.

**Table 4:** Annual Titles Administration Levy revenue estimate from 1 January 2022

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Title Type | No. of titles | No. of blocks | Length Km | Current levy rate | Proposed  levy rate from 1 Jan 2022 | Levy amount | Outputs funded |
| Work-bid petroleum exploration permit or special exploration permit (per title) | 113 | - | - | $10,000 | $11,000 | $1,243,000 | 1, 2 |
| Petroleum retention lease (per block) | 81 | 303 | - | $20,000 | $22,000 | $6,666,000 | 5 |
| Petroleum production licence (per block) | 93 | 325 | - | $20,000 | $22,000 | $7,150,000 | 6 |
| Infrastructure Licence (per title) | 3 | - | - | $25,000 | $27,500 | $82,500 | 7 |
| Pipeline licence (per km or part thereof) | 78 | - | 4,150 | $100 | $110 | $456,500 | 8 |
| Work-bid greenhouse gas assessment permit (per title) | 3 | - | - | $10,000 | $11,000 | $33,000 | 11 |
| Cross-boundary work-bid greenhouse gas assessment permit (per title) | 1 | - | - | $10,000 | $11,000 | $11,000 | 11 |
| Greenhouse gas holding lease (per block) | - | - | - | $20,000 | $22,000 | - | 11 |
| Greenhouse gas injection licence (per block) | - | - | - | $20,000 | $22,000 | - | 11 |
| Cash-bid petroleum exploration permit (per title) | - | - | - | $10,000 | $11,000 | - | 1, 2 |
| Boundary-change petroleum exploration permit (per title) | - | - | - | $10,000 | $11,000 | - | 1, 2 |
| Levy Estimate |  |  |  |  |  | **$15,642,000** |  |

## Cost recovery fees

Application fees are payable in accordance with the *Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011* at the time that an application is submitted. Revenue from fees fluctuates from year to year as they are dependent on the timing, type and number of applications lodged by titleholders.

In 2019-20, the revenue from application fees accounted for approximately 13 percent of NOPTA’s total budget expenditure. The focus of NOPTA’s activities in relation to title specific applications is on assessing compliance with the OPGGS Act, relevant legislation and guidelines, as well as the technical and financial ability of applicants to carry out title related activities.

The application fees are calculated by applying a fixed/flat rate to the type of application submitted. Having a single flat fee for the majority of applications will be maintained as a part of NOPTA’s revenue structure. As with levies, NOPTA is proposing that the fees for application types be increased by 10 percent from 1 January 2022, to be reviewed after 12 months.

With over 40 application types, the adoption of a standard application fee in 2016 for application fees has improved clarity and understanding of cost recovery. The alternative of charging different fee amounts to reflect small cost differences would cause confusion and would be costly to administer. NOPTA minimises cross subsidy across titleholders where possible, for example, credit card surcharges (previously absorbed by NOPTA) are now paid by the titleholder (from January 2021). An additional application fee type called ‘change in control of a registered titleholder’ has been included below and is related to new administrative requirements associated with the Amendment Act (see **Section 1.2** for more detail).

Application fees have been estimated below in **Table 5** based on the average number of applications submitted to NOPTA to date and taking into consideration industry trends. The number of application fees fluctuates according to industry activity and is difficult to predict.

**Table 5:** Annual application fees revenue estimate from 1 January 2022

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Item and type of application | No. of applications | Current fee | Proposed fee  from 1 January 2022 | Fee amount | Outputs funded |
| 101 Work-bid petroleum exploration permit (s104) | 10 | $7,500 | $8,250 | $82,500 | 1, 2 |
| 102 Special petroleum exploration permit (s115) | - | $7,500 | $8,250 | - | 1, 2 |
| 103 Cash-bid petroleum exploration permit (s110)\* | - | $7,500 | $8,250 | - | 1, 2 |
| 104 Renewal of petroleum exploration permit (all types, s119) | 9 | $7,500 | $8,250 | $74,250 | 2 |
| 105 Petroleum retention lease (all types, s141 or 147) | 7 | $7,500 | $8,250 | $57,750 | 5 |
| 106 Renewal of petroleum retention lease (all types, s153) | 5 | $7,500 | $8,250 | $41,250 | 5 |
| 107 Petroleum production licence over a surrendered block (s178) | - | $7,500 | $8,250 | - | 6 |
| 108 Petroleum production licence over an individual block (s182) | 2 | $7,500 | $8,250 | $16,500 | 6 |
| 109 Petroleum production licence (other than in items 107 and 108) | - | $7,500 | $8,250 | - | 6 |
| 110 Renewal of petroleum production licence (all types, s184) | 1 | $7,500 | $8,250 | $8,250 | 6 |
| 111 Infrastructure licence (s198) | - | $7,500 | $8,250 | - | 7 |
| 111A Variation of infrastructure licence (s204) | - | $7,500 | $8,250 | - | 7 |
| 112 Pipeline licence (s217) | 1 | $7,500 | $8,250 | $8,250 | 8 |
| 113 Variation of pipeline licence (s226) | 1 | $7,500 | $8,250 | $8,250 | 8 |
| 114 Petroleum special prospecting authority (s234) | 2 | $7,500 | $8,250 | $16,500 | 9 |
| 115 Approval of transfer of petroleum title (s473) | 21 | $7,500 | $8,250 | $173,250 | 10 |
| 116 Approval of dealing relating to petroleum title (s488) | 108 | $7,500 | $8,250 | $891,000 | 10 |
| 116A Request for a variation of a declaration of location (s133(1)) | - | $7,500 | $8,250 | - | 4 |
| 117 Application for a petroleum access authority (s242) | 3 | $7,500 | $8,250 | $24,750 | 9 |
| 118 Application for one or more of the following (s264)(1):   1. variation of conditions of permit, lease or licence; 2. suspension of conditions and extension of the term of permit or lease; 3. exemption from conditions of permit, lease or licence; 4. suspension of conditions of licence, permit or lease. | 50 | $7,500 | $8,250 | $412,500 | 3 |
| 119 Nomination by permitee for declaration of a location in relation to a petroleum title (s129) | 1 | $7,500 | $8,250 | $8,250 | 4 |
| 120 Application for a consent to surrender a title (s269) | 11 | $7,500 | $8,250 | $90,750 | 3 |
| 121 Application for a declaration of a part of a geological formation as an identified greenhouse gas storage formation (s312 or 312A) | - | $7,500 | $8,250 | - | 11 |
| 122 Application for variation of a declaration of an identified greenhouse gas storage formation (s313) | - | $7,500 | $8,250 | - | 11 |
| 123 Application for a greenhouse gas special authority (s415) | - | $7,500 | $8,250 | - | 11 |
| 124 Application for one or more of the following (s436(1)) in relation to a greenhouse gas assessment permit, greenhouse gas holding lease or greenhouse gas injection licence:   1. variation or suspension of any of the conditions to which the permit, lease or licence is subject; 2. exemption from compliance with any of the conditions to which the permit, lease or licence is subject. | - | $7,500 | $8,250 | - | 11 |
| 124A Application for one or more of the following (s439A(1)) in relation to a cross-boundary greenhouse gas assessment permit, cross-boundary greenhouse gas holding lease or cross-boundary greenhouse gas injection licence:   1. variation or suspension of any of the conditions to which the permit, lease or licence is subject; 2. exemption from compliance with any of the conditions to which the permit, lease or licence is subject | - | $7,500 | $8,250 | - | 11 |
| 125 Application for acceptance of a field development plan (r4.04) | - | $7,500 | $8,250 | - | 6 |
| 126 Application for variation of a field development plan (r4.08) | 1 | $7,500 | $8,250 | $8,250 | 6 |
| 127 Application for permission to undertake recovery of petroleum from a petroleum pool in a licence area (r4.14) | - | $7,500 | $8,250 | - | 6 |
| 128 Application for approval of the rate of recovery of petroleum from a petroleum pool in a licence area (r4.18) | 4 | $7,500 | $8,250 | $33,000 | 6 |
| 201 Work-bid greenhouse gas assessment permit | 1 | $7,500 | $8,250 | $8,250 | 11 |
| 201A Cross-boundary greenhouse gas assessment permit | - | $7,500 | $8,250 | - | 11 |
| 202 Cash-bid greenhouse gas assessment permit | - | $7,500 | $8,250 | - | 11 |
| 203 Renewal of greenhouse gas assessment permit | 1 | $7,500 | $8,250 | $8,250 | 11 |
| 204 Greenhouse gas holding lease (all types) | - | $7,500 | $8,250 | - | 11 |
| 205 Renewal of greenhouse gas holding lease | - | $7,500 | $8,250 | - | 11 |
| 206 Greenhouse gas injection licence | 1 | $7,500 | $8,250 | $8,250 | 11 |
| 207 Greenhouse gas search authority | - | $7,500 | $8,250 | - | 11 |
| 208 Greenhouse gas site closing certificate | - | $7,500 | $8,250 | - | 11 |
| ADDITIONAL | | | | | |
| *Change in control of a registered titleholder (s566M)* | *21* | *-* | *$8,250* | *$173,250* | *10* |
| *Approval of transfer of greenhouse*  *gas title (s525)* | *-* | *-* | *$8,250* | *-* | *11* |
| *Approval of dealing relating to*  *greenhouse gas title (s539)* | *-* | *-* | *$8,250* | *-* | *11* |
| *Approval of dealing in future interest relating to greenhouse gas title (s548)* | *-* | *-* | *$8,250* | *-* | *11* |
| *Application for a consent to surrender a title (s441)* |  |  | *$8,250* | *-* | *11* |
| Fees Estimate |  |  |  | **$2,153,250** |  |

\*Refers to prequalification

# **RISK ASSESSMENT**

In accordance with the Charging Risk Assessment (CRA) template, NOPTA has assessed the overall risk rating of the cost recovered activity as *medium*. This is because the charges involve both fees and levies and require changes to the existing cost recovery charges through regulations. The impact on titleholders is considered *medium* due to the current economic conditions.

The major budget risk for NOPTA would be a significant increase or decrease in the number applications for new titles and/or applications for various activities relating to existing titles.

To mitigate exposure to potential downturns in the offshore petroleum industry, NOPTA aims to retain a reserve of 10 percent of its annual budget at the end of each financial year as a financially responsible measure. This enables NOPTA to manage its cash flow as revenue fluctuates from month to month while cash outflows are relatively stable. For significant fluctuations in industry activity, or unexpected priorities as set by the responsible Commonwealth Minister or Joint Authority, NOPTA may engage the services of short-term contractors as appropriate.

The appropriateness of NOPTA’s cost recovery framework, including the structure of both levies and fees, was last reviewed in December 2015 (as the basis of the 2016-17 CRIS). NOPTA also contributed to the then Department of Industry, Innovation and Science portfolio charging review in 2015, in accordance with the Australian Government Charging Framework. No amendments to NOPTA’s charging arrangements were recommended as a result of this review.

NOPTA considers that proposed increases to fees and levies are justified, reasonable, and can be equitably implemented via a staggered approach to reduce any financial risk on industry. For the reasons as outlined in this CRIS, it is critical that NOPTA raise its fees and levies to appropriately discharge its functions (including new activities as imposed under the Amendment Act), and to avoid the risk of under recovery.

NOPTA will continue to monitor the cost recovery arrangements to ensure that they remain cost effective and equitable among titleholders. NOPTA will actively engage with industry representatives, raising issues relating to cost structures as they arise.

# **STAKEHOLDER ENGAGEMENT**

### *Cost recovery consultation*

NOPTA held an open consultation process on the draft 2022 CRIS between 22 September 2021 and 8 October 2021. NOPTA utilised the department’s Consultation Hub[[19]](#footnote-19), the NOPTA website[[20]](#footnote-20) and approached stakeholders directly via email. Only one industry stakeholder submission was received who raised no specific objections to the proposed 10 percent increase to fees and levies. The respondent requested further clarification on NOPTA’s approach to its administration of the new ‘change in company control’ provisions and the existing ‘transfer of title’ provisions under the OPGGS Act. The respondent also requested clarification around the underlying cost assumptions relating to the change in company control process, as well as the administrative policy intent behind related processes under the OPGGS Act. The respondent encouraged NOPTA to continue to take an active role in policy discussions with industry and NOPSEMA.

### *NOPTA international benchmarking*

In March 2021, NOPTA conducted a benchmarking exercise, based on 2019-20 data, against similar offshore resource petroleum regulators located in the United Kingdom (Oil and Gas Authority (OGA)), Norway (Norwegian Petroleum Directorate (NPD)), U.S.A (Bureau of Ocean Energy Management (BOEM)) and Canada (Canada-Newfoundland & Labrador Offshore Petroleum Board (C-NLOPB)). While the scope of work undertaken by each regulator does vary, benchmarking was conducted in relation to regulator activities for offshore petroleum titles only.

The results show that NOPTA compares favourably in relation to all key metrics. In particular, the comparisons show that NOPTA:

* administers more total acreage under active licence (428,195 km2) than all the other regulators combined (361,232 km2),
* administers more active titles (372) than Canada, but less than the USA, UK and Norway
* has lowest annual operating budget of all regulators ($18.4M), which combined with the lowest FTE headcount (58) drives an (on average) the **second** lowest annual operating cost per title compared with the other regulators.

# **FINANCIAL ESTIMATES**

Financial estimates are provided below in **Table 8** based on a 10 percent increase occurring on 1 January 2022. As these financial estimates change the CRIS will be updated accordingly.

**Table 8**: Summary of financial estimates

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2021-22  $000 (Actual) | 2022-23  $000 | 2023-24  $000 | 2024-25  $000 | 2025-26  $000 |
| Revenue | 18,243 | 17,795 | 17,795 | 17,795 | 17,795 |
| Expenses | 16,493 | 19,047 | 19,490 | 19,480 | 19,764 |
| Surplus/(Deficit) | 1,750 | (1,252) | (1,695) | (1,685) | (1,969) |

NOPTA will continue to assess fees and levies to ensure they are efficient, and report on cost effectiveness as part of its annual report of activities.

# **FINANCIAL PERFORMANCE**

**Table 9**: Historical financial performance of NOPTA.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2016-17  $000 | 2017-18  $000 | 2018-19  $000 | 2019-20  $000 | 2020-21  $000 | 2021-22  $000 |
| Revenue | 17,453 | 17,700 | 17,986 | 17,561 | 17,178 | 18,243 |
| Expenses | 16,746 | 15,546 | 18,548 | 18,447 | 16,354 | 16,493 |
| Balance | 707 | 2,154 | (562) | (886) | 824 | 1,750 |
| Cumulative Balance | (3,318) | (1,164) | (1,726) | (2,612) | (1,788) | (38) |

# **NON-FINANCIAL PERFORMANCE**

NOPTA provides input for the department’s broader annual reporting process pursuant to its requirement under s695N of the OPGGS Act. NOPTA also publishes a separate annual report of its activities, which is consistent with its input into the department’s annual report but is expanded to provide a broader overview of NOPTA’s operations and can be found on the NOPTA website[[21]](#footnote-21).

### *NOPTA stakeholder survey*

NOPTA undertakes regular surveys to assess stakeholder satisfaction with its performance.

Stakeholders who responded to the 2021 survey[[22]](#footnote-22) (conducted by KPMG) reported high overall levels of satisfaction with NOPTA, its staff and processes. This repeats the overall results of the previous surveys. Some of these key highlights were:

* NOPTA’s role is very well communicated, with 71 percent of stakeholders understanding NOPTA’s role to a great extent.
* Nearly all stakeholders thought that NOPTA makes a valuable contribution to the process of managing Australia’s resources to a great extent or some extent (97 percent).
* The majority of respondents were either very or somewhat satisfied with the technical expertise of NOPTA staff (91 percent).
* Respondents largely viewed NOPTA’s current fees and levies as very reasonable or reasonable (71 per cent), with the majority of respondents agreeing that NOPTA’s fees and levies are set clearly and transparently (71 percent).

# **KEY FORWARD DATES AND EVENTS**

Key dates and events for the cost recovered activity include:

|  |  |
| --- | --- |
| 1 January 2022 | Implementation of CRIS update. |
|  |  |
|  |  |

# **CRIS APPROVAL AND CHANGE REGISTER**

| **Date of CRIS change** | **CRIS change** | **Approver** | **Basis for change** |
| --- | --- | --- | --- |
| 1 January 2022 | Update | Minister | Adjustment of rates to reflect additional functions and administrative responsibilities from the *Offshore Petroleum and Greenhouse Gas Storage Amendment (Titles Administration and Other Measures) Act 2021* |

1. The Australian Government Charging Framework and the CRGs are available on the Department of Finance website ([www.finance.gov.au](http://www.finance.gov.au)). [↑](#footnote-ref-1)
2. [Productivity Commission Research Report, *Review of Regulatory Burden on the Upstream (Oil and Gas) Sector,* April 2009.](http://www.pc.gov.au/inquiries/completed/upstream-petroleum/report) [↑](#footnote-ref-2)
3. [Montara Commission of Inquiry Report, June 2010](http://www.industry.gov.au/resource/Documents/upstream-petroleum/approvals/Montara-Report.pdf). [↑](#footnote-ref-3)
4. See [NOPTA Statement of Expectations October 2019](https://www.nopta.gov.au/_documents/statement-expectations-oct2019.pdf) [↑](#footnote-ref-4)
5. See [www.industry.gov.au/data-and-publications/national-offshore-petroleum-titles-administrator-2015-operational-review](http://www.industry.gov.au/data-and-publications/national-offshore-petroleum-titles-administrator-2015-operational-review) [↑](#footnote-ref-5)
6. See <https://www.industry.gov.au/sites/default/files/January%202018/document/pdf/enterprise-agreement-2016-19.pdf?acsf_files_redirect> [↑](#footnote-ref-6)
7. See <https://www.industry.gov.au/data-and-publications/enterprise-agreement-2019-2022> [↑](#footnote-ref-7)
8. See https://www.industry.gov.au/regulations-and-standards/regulating-offshore-oil-and-gas-in-australian-commonwealth-waters/offshore-oil-and-gas-decommissioning-framework-review [↑](#footnote-ref-8)
9. See [www.industry.gov.au/data-and-publications/independent-review-into-the-circumstances-leading-to-the-administration-and-liquidation-of-northern-oil-and-gas-australia-noga](http://www.industry.gov.au/data-and-publications/independent-review-into-the-circumstances-leading-to-the-administration-and-liquidation-of-northern-oil-and-gas-australia-noga) [↑](#footnote-ref-9)
10. New provisions take effect from 2 March 2022. [↑](#footnote-ref-10)
11. [Mid-Year Economic and Fiscal Outlook 2011–12 Budget Paper No. 2, Part 2: Expense Measures.](http://www.budget.gov.au/2011-12/content/bp2/html/bp2_expense-20.htm) [↑](#footnote-ref-11)
12. See [www.nopta.gov.au/\_documents/schedule-of-fees.pdf](http://www.nopta.gov.au/_documents/schedule-of-fees.pdf) [↑](#footnote-ref-12)
13. Estimates based on 20-21 figures. [↑](#footnote-ref-13)
14. Guidance material includes factsheets, application forms, submissions guidance, website, and training. [↑](#footnote-ref-14)
15. Expected expenditure for 2020-21 is $17M. [↑](#footnote-ref-15)
16. See Table at Section 3.2 [↑](#footnote-ref-16)
17. See Table at Section 3.2 [↑](#footnote-ref-17)
18. ‘Australian Government Cost Recovery Guidelines (RMG 304), p.20. [↑](#footnote-ref-18)
19. <https://consult.industry.gov.au/> [↑](#footnote-ref-19)
20. Nopta.gov.au [↑](#footnote-ref-20)
21. NOPTA.gov.au [↑](#footnote-ref-21)
22. See <https://www.nopta.gov.au/_documents/Stakeholder-Survey-Report-2021.pdf> [↑](#footnote-ref-22)