

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

Department of Industry, Science, Energy and Resources

Inquiry into the Offshore Petroleum (Laminaria and Corallina Decommissioning Cost Recovery Levy) Bill 2021 [Provisions] and Treasury Laws Amendment (Laminaria and Corallina Decommissioning Cost Recovery Levy) Bill 2021 [Provisions]

08 November 2021

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**AGENCY/DEPARTMENT:** DEPARTMENT OF INDUSTRY, SCIENCE, ENERGY AND RESOURCES

**TOPIC:** Oil and gas company decommissioning obligations

**REFERENCE:** Question on Notice

**QUESTION No.: 8**

The December 2020 ‘enhanced decommissioning framework’ said that that oil and gas companies would be required to put up financial security to cover their decommissioning obligations. This requirement has been included in the Offshore Electricity Bill covering offshore renewable energy projects. When will this requirement be introduced for oil and gas projects? Will it be going to public consultation and has a date been set?

**ANSWER**

Section 571 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* places a duty on all titleholders to have sufficient financial assurance to meet the costs, expenses and liabilities that may arise in connection with or as a result of carrying out a petroleum activity. The Act also provides for a number of forms of financial assurance that may be maintained. These include (without limitation) any of the following, or any of the combination of the following:

- a) insurance;
- b) self-insurance;
- c) a bond;
- d) the deposit of an amount as a security with a financial institution;
- e) an indemnity or other surety;
- f) a letter of credit from a financial institution;
- g) a mortgage.

The December 2020 ‘enhanced consultation paper’ contains the following statement: “*Under an enhanced framework, NOPSEMA will expand its monitoring and compliance of a titleholder’s duty under section 571 of the Act. Assurance of a company’s financial health to meet both planned and unplanned expenses, costs and liabilities is a common feature in comparable jurisdictions, especially those managing mature industries...The department also expects forms of financial assurance, such as bonds and securities will be used under the enhanced framework.*”

On 8 April 2021, the Australian Government endorsed the enhanced framework for the decommissioning of offshore oil and gas infrastructure in Australia, following a comprehensive review process. As part of implementation of the enhanced framework, the department is currently working with NOPSEMA on its approach and policies for expanding its monitoring and compliance of a titleholder’s duty under section 571.