

**Economics Legislation Committee**  
ANSWERS TO QUESTIONS ON NOTICE  
Industry, Innovation and Science Portfolio  
2015-16 Supplementary Budget Estimates Hearing  
22 October 2015

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**AGENCY/DEPARTMENT:** DEPARTMENT OF INDUSTRY, INNOVATION AND SCIENCE

**TOPIC:** Assessment Process

**REFERENCE:** Written Question – Senator Xenophon

**QUESTION No.:** SI-74

On what basis were BP awarded leases in the pristine Great Australian Bight within a year of the disaster in the Gulf of Mexico and prior to damage and compensation in the GOM being assessed?

**ANSWER**

On 14 January 2011, BP was granted four petroleum exploration permits by the Commonwealth-South Australian Offshore Petroleum Joint Authority (*Commonwealth and South Australian Energy and Resources Ministers*) for exploration activities in the Great Australian Bight.

In April 2010, BP lodged four bids (one for each of the four areas in the Bight Basin) as part of the 2009 Offshore Petroleum Acreage Release. Bidders are required by the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* and associated guidelines to submit a bid which details the exploration work they propose to undertake in the area, along with evidence of their financial and technical capability to facilitate the work.

Australia has a robust, objectives based regulatory regime for offshore oil and gas activities. Assessment of bids is a competitive process against publicly available criteria. The bids lodged by BP underwent assessment by the Commonwealth and South Australian Governments. The assessment examined the technical and financial competence of BP to undertake the proposed work program in accordance with the requirements of Australian legislation. The assessment process also includes a mechanism whereby the relevant authorities can go back and request further information and assurances from applicants as required- as was the case in assessing BP's bid and as part of the approval process for this permit, BP undertook to fully integrate the lessons learned from Macondo into its systems and processes.

In addition, at the time of granting, the Commonwealth-South Australian Offshore Petroleum Joint Authority imposed special conditions on BP's title. This was a direct acknowledgement of the sensitive environmental, agricultural and cultural elements underpinning the rural economy in the Bight Basin. The conditions address specific technical requirements for well design, environment, health and safety and are as follows:

- Exploration well design. All well casing and cement design is to be undertaken by an appropriately qualified and experienced engineer, who, along with other such personnel associated with the permit activities will make themselves available for peer review at the discretion, and to the satisfaction of the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA).
- Prior to the commencement of drilling the permittee is required to lodge with the NOPSEMA.

- (a) An approved well design and integrity monitoring plan designed to assure well integrity within each well drilled, which must be agreed by the NOPSEMA and will include quarterly compliance reporting.
  - (b) Independent certification by the original provider, prior to installation, that each Blowout Preventer (BOP) to be used has been satisfactorily tested to design pressures.
- Prior to the commencement of drilling activities, the permittee must specify, and have approved by the NOPSEMA, the hydrocarbon spill mitigation technologies and risk mitigation processes that it will deploy throughout the drill and maintain for the active life of the well.
  - As soon as practicable after the completion of drilling, and prior to the commencement of any other exploration activity, the permittee will conduct and report to the National Offshore Petroleum Titles Administrator, for review by the NOPSEMA, on Cement Bond Logging to demonstrate effectiveness of cement jobs behind well casing.
  - The permittee will undertake an annual Environment, Health and Safety Management System self-assessment each year, as per requirements determined by the NOPSEMA, in relation to the effectiveness of system elements, including the Management of Change processes and procedures.

BP must satisfy regulators that they have complied with these conditions in order to retain their title.

Offshore petroleum exploration permits do not, of themselves, authorise petroleum exploration activities. Rather an exploration permit grants the titleholder the right, in the area for which the permit is granted, to apply for permission to undertake exploration activities that are accepted by regulators, to comply with the relevant laws.