



**Australian Government**

**Department of Industry and Science**

**National Offshore Petroleum Titles Administrator**

## **COST RECOVERY IMPLEMENTATION STATEMENT**

### **Offshore Petroleum and Greenhouse Gas Storage Titles Administration**

**2016–17**

Cost recovery involves government entities charging individuals or non-government organisations some or all of the efficient costs of a specific government activity. This may include goods, services or regulation, or a combination of them. The Australian Government Cost Recovery Guidelines (the CRGs)<sup>1</sup> set out the overarching framework under which government entities design, implement and review cost recovered activities.

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<sup>1</sup> The CRGs are available on the [Department of Finance website](#).

# 1 INTRODUCTION

## 1.1 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 storage titles (titles administration). It also reports financial and non-financial performance information for titles administration and contains financial forecasts. NOPTA will maintain the CRIS until the activity or cost recovery for the activity has been discontinued.

## 1.2 Description of the activity

NOPTA was established as a statutory office in the then Department of Resources, Energy and Tourism on 1 January 2012, as the national offshore petroleum regulator to advise the Commonwealth Minister (currently Minister for Industry and Science) and the relevant State and the Northern Territory Ministers (collectively named the Joint Authority) on making decisions relating to offshore petroleum titles, and to administer titles and related well and survey digital reports and data.

Prior to 1 January 2012, the Australian offshore petroleum regulatory framework was administered at State or Territory level. A Productivity Commission Review (the Review)<sup>2</sup> 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. Of the 30 recommendations made within the Review, a number recommended the creation of a national offshore petroleum regulator that would ease regulatory burden.

In response to the review, the Commonwealth 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<sup>3</sup>. 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 functions are legislated under section 695B of the Offshore Petroleum and Greenhouse Gas Storage Act 2006 (OPGGSA)<sup>4</sup>, and include:

- keeping register of titles
- data and information management
- cooperate with NOPSEMA and other agencies.
- to do anything incidental to or conducive to the performance of any of NOPTA's functions, including to provide corporate support to facilitate delivery of the legislated functions.

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<sup>2</sup> Productivity Commission Research Report, *Review of Regulatory Burden on the Upstream (Oil and Gas) Sector*, April 2009.

<sup>3</sup> Montara Commission of Inquiry Report, June 2010.

<sup>4</sup> Functions of the Titles Administrator, *Offshore Petroleum and Greenhouse Gas Storage Act 2006 Section 695B*.

The position of Titles Administrator is a statutory position established under section 695A of the OPGGSA. The Titles Administrator is an employee of the Department of Industry, Innovation and Science, appointed by the Secretary and assisted by employees of the Department. NOPTA is responsible for the day-to-day administration of all petroleum and greenhouse gas titles in Commonwealth waters in Australia, and is the first point of contact for matters relating to offshore titles administration.

NOPTA recovers its costs via application fees and the Annual Titles Administration Levy.

Other key stakeholders include the Minister for Industry and Science and the relevant State and the Northern Territory Ministers, collectively named the Joint Authority, government entities across the Commonwealth, State and Territory, and offshore petroleum industry associations.

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

### **2.1 Government policy approval to cost recover the 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 2009–10 Mid-Year Economic and Fiscal Outlook, the Commonwealth Government agreed to establish a National Offshore Petroleum, Minerals and Greenhouse Gas Storage Regulator to operate on a full cost recovery basis, with the establishment fully funded by industry fees levied between 1 July 2010 and 31 December 2011. The new regulator was to replace the joint administration of upstream petroleum, minerals and greenhouse gas storage by the Commonwealth, States and the Northern Territory for the offshore area in order to streamline the regulation.<sup>5</sup>

As part of the 2011–12 Budget, the Commonwealth 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.<sup>6</sup> 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.

### **2.2 Statutory authority to charge**

The amendments to the OPGGSA and supporting legislation authorising imposition of charges on holders of offshore petroleum titles to fund the regulatory activities of NOPTA were passed through Parliament in September 2011.

The legal authority to impose the Annual Titles Administration Levy is contained in Part 4C of the *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Act 2003*.<sup>7</sup> The

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<sup>5</sup> Mid-Year Economic and Fiscal Outlook 2009–10 Budget Appendix A.

<sup>6</sup> Mid-Year Economic and Fiscal Outlook 2011–12 Budget Paper No. 2, Part 2: Expense Measures.

<sup>7</sup> Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Act 2003.

amounts are prescribed in the *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Regulations 2004*.<sup>8</sup>

The legal authority to prescribe application fees can be found in Part 2, Part 4, Part 6 and Part 7 of the OPGGSA. 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. All moneys are paid into an administered Special Account. NOPTA does not receive an annual departmental appropriation.

### **3 COST RECOVERY MODEL**

#### **3.1 Outputs and business processes of the activity**

NOPTA has an agreed establishment of 57 Full Time Equivalent (FTE) employees, that includes 47 FTE employees in five technical teams employed to deliver its legislated functions:

1. Titles (15 FTE)
2. Geoscience & Engineering (11 FTE)
3. Compliance & Operations Support (10 FTE)
4. Legislative Compliance (3 FTE)
5. Data Management (8 FTE)

These teams are supported by NOPTA's Information, Communications & Technology (ICT) team (3 FTE).

NOPTA's support team (4 FTE) to delivers administrative and support tasks. The costs of this team are indirect costs of NOPTA and represent 4% of NOPTA's total costs.

NOPTA's executive team is made up of a General Manager, Deputy General Manager and Executive Assistant. The cost of the executive team, ICT and support team is treated as an indirect cost and apportioned to each technical team based on the number of FTE employees in each of these teams.

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<sup>8</sup> [Offshore Petroleum and Greenhouse Gas Storage \(Regulatory Levies\) Regulations 2004.](#)

While NOPTA is structurally a branch within the Resources Division of the Department of Industry and Science, it does not undertake activities other than the functions legislated under the OPGGSA, which allows for easy identification of the costs attributable to cost recovered activities. The Department provides the governance structure, access to corporate support and systems, workers compensation and other insurance coverage and allocates these costs to NOPTA. These costs consist of:

- Workers compensation insurance premium \$110,000
- Property and general liability insurance premium \$20,000
- Depreciation of NOPTA office fit-outs \$220,000
- Governance structure (Accountable Authority instructions, delegations, departmental policies), mandatory training, financial and other departmental systems, corporate support \$100,000
- Desktops, multifunction devices, business software and telephony services \$80,000
- Human Resources support and payroll processing \$70,000

NOPTA also shares accommodation with NOPSEMA in Perth. In addition to rental and outgoings, NOPTA incurs an annual cost of \$50,000 for NOPSEMA staff administering the building lease, receptionist services and office consumables.

NOPTA's key outputs and business processes involved in their production are outlined below:

- 1) **Acreage Release (Petroleum Exploration Permit):** Annual release (two rounds per release) of petroleum exploration acreage. Gazettal of acreage release areas, receipt of applications (competitive bidding/tender process), assessment of applications (including financial and technical assessment), dissemination of information (notifying applicants of the decision), maintain the title register (including assessment and registration of dealings & transfers), ongoing assessment of compliance with any conditions of the title (including work program conditions), data management, and develop/maintain guidance material for applicants.
- 2) **Petroleum Exploration Permit (EP):** Receipt of applications for renewal or grant, assessment of application (including technical assessment of the proposed work program), implement decision in accordance with the Act, dissemination of information (notifying titleholder of decision), maintain the title register (including assessment and registration of dealings & transfers), ongoing assessment of compliance with any conditions of the title (including work program conditions), data management, and develop/maintain guidance material for applicants.
  - *EP Surrenders:* Receipt of application, assessment of application (including checking of submission of all outstanding data, reports and fees), implement decision (including updating register and gazetting the surrender), dissemination of information (notifying titleholder of decision), and develop/maintain guidance material for applicants.
  - *EP Expiries:* assessment/collection of any outstanding data, reports and fees, implement of expiry (including updating register and gazetting the expiry), dissemination of information (notifying titleholder of expiry), and develop/maintain guidance material for industry.

- *EP Cancellations*: compile assessment report, assessment of good standing provisions, implement decision (including updating register and gazetting the cancellation), dissemination of information (notifying titleholder of decision), and develop/maintain guidance material for industry.
- 3) **Suspension and extension; variation; exemption**: Receipt of application, assessment of suspension and extension, variation and exemption applications relating to conditions of a permit, lease or licence (including work program conditions), implement decision (including updating register), dissemination of information (notifying titleholder of decision), and develop/maintain guidance material for applicants.
  - 4) **Declaration of a Location**: Receipt of application, assessment of application (including technical assessment of whether the block(s) contain petroleum and whether petroleum has been recovered from the pool), implement decision (including updating register and gazetting the location), dissemination of information (notifying titleholder of decision), and develop/maintain guidance material for applicants.
  - 5) **Retention Lease (RL)**: Receipt of application, assessment of application (including technical assessment of whether the block(s) contain petroleum and commercial viability), implement decision in accordance with the Act, dissemination of information (notifying titleholder of decision), maintain the title register (including assessment and registration of dealings & transfers), ongoing assessment of compliance with any conditions of the title (including work program conditions), data management, and develop/maintain guidance material for applicants.
    - *RL Renewal*: Receipt of application, assessment of application (including technical assessment of whether the block(s) contain petroleum and commercial viability), implement decision in accordance with the Act, dissemination of information (notifying titleholder of decision), maintain the title register (including assessment and registration of dealings & transfers), ongoing assessment of compliance with any conditions of the title (including work program conditions), data management, and develop/maintain guidance material for applicants.
  - 6) **Production Licence (PL)**: Receipt of application, assessment of application, implement decision in accordance with the Act, dissemination of information (notifying titleholder of decision), maintain the title register (including assessment and registration of dealings & transfers), ongoing assessment of compliance with any conditions of the title (including work program conditions), data management, and develop/maintain guidance material for applicants.
    - *PL Field Development Plans*: Receipt of application (including preliminary field development plans, final field development plans and variations), assessment of application (technical assessment), implement decision in accordance with the Regulations, dissemination of information (notifying titleholder of decision), and develop/maintain guidance material for applicants.
    - *PL Rate of Recovery & Equipment and Procedures*: Receipt of application, assessment of application (technical assessment), implement decision in accordance with the Regulations, dissemination of information (notifying titleholder of decision), and develop/maintain guidance material for applicants.

- 7) **Infrastructure Licence:** Receipt of application, assessment of application (including proposed location of infrastructure), implement the decision in accordance with the Act, dissemination of information (notifying titleholder of decision), maintain the title register (including assessment and registration of dealings & transfers), ongoing assessment of compliance with any conditions of the title, data management, and develop/maintain guidance material for applicants.
- 8) **Pipeline Licence:** Receipt of application, assessment of application (including proposed location of the pipeline), implement decision, dissemination of information (notifying titleholder of decision), maintain the title register (including assessment and registration of dealings & transfers), ongoing assessment of compliance with any conditions of the title, and develop/maintain guidance material for applicants.
- 9) **Special Prospecting Authority (SPA) and Access Authority (AA):** Receipt of application, assessment of special prospecting authority application (authorising an entity to undertake exploration work other than drilling a well, in vacant acreage) or access authority application (authorising an existing petroleum titleholder to undertake petroleum activities other than drilling a well, outside the boundary of their existing titles), dissemination of information (notifying titleholder of decision), maintain the title register, ongoing assessment of compliance with any conditions of the title, data management, and develop/maintain guidance material for applicants.
- 10) **Transfers and Dealings:** Approval and registration of transfer of petroleum titles and dealings affecting petroleum titles. Transfers and dealings must be approved and registered in accordance with the OPGGSA, and this process is completed by NOPTA.
- 11) **Greenhouse Gas Permits (GHG):** Includes assessments applications for GHG assessment permits, renewal of GHG assessment permits, identified storage formation, variation of identified storage formation, holding leases, renewal of holding lease, GHG injection licences, variations, S&Es, revocations, site closing certificates, GHG search authorities, GHG special authorities, GHG research consents, surrender and cancellation.

## 3.2 Cost allocation

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

Direct costs from 2016–17 are estimated at \$11m annually and are made up of:

- Employee and associated expenses of the four technical teams (e.g. salary, superannuation, leave entitlement, learning & development, professional membership).
- Employee and associated expenses of the Executive.
- 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. To ensure that the efficient costs are continually applied to these outputs, NOPTA will undertake an exercise to validate the actual time spent on each function.

The direct costs are readily identifiable and are allocated to various outputs based on estimated levels of effort. A comprehensive review of the level of effort required for each output was undertaken in December 2015, following NOPTA's first three full financial years' of operation, and the current estimates are illustrated in Table 1 below.

Table 1: Allocation of direct costs to outputs

Output No.	Output	Titles	Compliance	Data Mgmt	GET
1	Acreage Release	5%	-	-	7%
2	Petroleum Exploration Permit	10%	10%	10%	9%
3	Suspension and extension; variation; exemption	11%	-%	-	4%
4	Declaration of a location	1%	-	-	-
5	Retention Lease	24%	35%	35%	35%
6	Production Licence	28%	35%	52%	42%
7	Infrastructure Licence	1%	1%	-	-
8	Pipeline Licence	2%	7%	-	1%
9	Special Prospecting Authority (SPA) and Access Authority (AA)	4%	1%	1%	-
10	Transfers and Dealings	13%	11%	2%	1%
	<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Indirect costs from 2016–17 are estimated at \$3.6m annually and are made up of:

- Employee and associated expenses of the support staff
- Overheads - Departmental and NOPSEMA recoup
- ICT desktop services
- Office accommodation and utilities
- Travel
- Legal

Indirect costs are allocated to technical teams using cost drivers as shown in Table 2.

Table 2: Allocation of indirect costs of outputs

Indirect Cost	Cost drivers
Support Staff and Overheads	% of Total Direct Costs
ICT - Desktop services	Headcount (as each person having a PC)
Office accommodation and utilities	Headcount (as a proxy of consumption of office-related expenditure)
Travel <sup>9</sup>	Headcount
Legal <sup>10</sup>	% of Total Direct Costs

<sup>9</sup> Travel is shown as an indirect cost as staff often travel for general NOPTA business, across projects, general oil and gas industry conferences etc. It is difficult to assign these costs directly to outputs.

<sup>10</sup> Legal advice may be sought on OPGGSA matters.



### 3.3 Costs of the activity

NOPTA's total budget for 2016–17 is \$14.619m. This is an increase of \$4m from 2015–16.

The main drivers for NOPTA's cost increases include:

- amortisation charges not previously allocated to NOPTA, relating primarily to the National Electronic Approvals Tracking System (NEATS). Funding is required for ongoing enhancements (\$2m). NEATS has now been fully commissioned and amortisation charges are charged on a monthly basis. NEATS is wholly utilised by NOPTA, and provides a single source of information on offshore petroleum titles and applications.
- Increased specialist resources (staff and consultants) required for improved resource management and stewardship (\$1.4m). Specialist resources are required to complete NOPTA's establishment to the approved level. This also relates to the Government's response to Recommendation 6 of NOPTA's Ministerial Review<sup>11</sup>, that NOPTA enhances its capability and capacity to more effectively contribute to the management of Australia's offshore resources.
- departmental overheads not previously allocated to NOPTA (\$0.6m). Appropriate treatment of these NOPTA related expenses, including workers compensation, property/public liability insurances, business software licences, office equipment, depreciation for fit-outs occupied by NOPTA and corporate support/governance, has driven this increase in overall expenditure.

These operating costs of NOPTA have been included in the Industry Portfolio Additional Estimates Statements. As part of the consultation process, Industry and other stakeholders were informed of these expenses.

The following table 3 shows the direct and indirect cost by technical team.

Table 3: Direct and indirect cost by technical team

	<b>NOPTA \$M</b>	<b>Titles \$M</b>	<b>Compliance \$M</b>	<b>Data Mgmt \$M</b>	<b>GET \$M</b>
Direct cost	11.064	3.792	1.989	2.750	2.533
Indirect cost	3.555	1.216	1.084	0.529	0.726
<b>Total cost</b>	<b>14.619</b>	<b>5.008</b>	<b>3.073</b>	<b>3.279</b>	<b>3.259</b>

Based on management analysis of effort required as per Table 1, the following table 4 shows the allocation of NOPTA costs to outputs in 2016–17. The figures were derived by multiplying the direct and indirect costs of each technical team by the level of effort estimated to achieve each output.

<sup>11</sup> <http://www.industry.gov.au/resource/UpstreamPetroleum/OffshorePetroleumDevelopment/Pages/National-Offshore-Petroleum-Titles-Administrator.aspx>.

Table 4: Cost allocated to outputs in 2016–17

Output No.	Output	Direct costs \$M	Indirect costs \$M	Total \$M
1	Acreage Release	0.367	0.112	0.479
2	Petroleum Exploration Permit	1.072	0.346	1.418
3	Suspension and extension; variation; exemption	0.519	0.163	0.682
4	Declaration of a location	0.026	0.008	0.034
5	Retention Lease	3.461	1.113	4.574
6	Production Licence	4.260	1.302	5.562
7	Infrastructure Licence	0.048	0.020	0.068
8	Pipeline Licence	0.257	0.113	0.370
9	Special Prospecting Authority (SPA) and Access Authority (AA)	0.206	0.066	0.272
10	Transfers and Dealings	0.785	0.292	1.077
11	Greenhouse Gas	0.063	0.020	0.083
	<b>Total</b>	<b>11.064</b>	<b>3.555</b>	<b>14.619</b>

NOPTA’s revenue streams fluctuate from month to month, from \$600,000 to \$2M as the bulk of revenue is dependent on the anniversary dates of various titles. On the other hand, cash outflows (including capital expenditure) are relatively stable at approximately \$1.3M per month. To ensure that it is fiscally responsible to pay creditors on time, NOPTA’s fee structure is designed to ensure that it is able to fund its operating and capital expenditure, including software enhancements and development. This ensures that NOPTA minimises the need to adjust charges, providing longer-term certainty to industry in this regard.

Based on management analysis of effort required, the following Table 5 shows the proposed recovery of NOPTA costs by output.

Table 5: Proposed cost recovered by output, from 2016–17

Output No.	Output	Total \$M
1	Acreage Release	2.087
2	Petroleum Exploration Permit	
3	Suspension and extension; variation; exemption	0.750
4	Declaration of a location	0.037
5	Retention Lease	5.031
6	Production Licence	6.118
7	Infrastructure Licence	0.075
8	Pipeline Licence	0.407
9	Special Prospecting Authority (SPA) and Access Authority (AA)	0.300
10	Transfers and Dealings	1.185
11	Greenhouse Gas	0.090
	<b>Total</b>	<b>16.080</b>

### 3.4 Design of cost recovery charges

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 titles. The charges were last reviewed in September 2013 and were changed through legislative amendment on 9 November 2013.

Based on data collected since the inception of NOPTA, it is estimated that 50% of titles due to expire are likely to be renewed in 2016–17, and that new titles are likely to offset cancellations. The numbers and types of applications vary significantly throughout any given year and are more difficult to predict with certainty.

#### 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 Fees) 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 twelve months, the levy is calculated for the remaining period of the Title.

The annual Levy makes up the majority of NOPTA's revenue, approximately 83% in 2016–17, providing a stable revenue stream that is dependent upon the current number and type of titles in force. It is used to fund activities where it is not possible or practical to attribute their costs to a specific entity (e.g. industry wide monitoring, compliance and enforcement). This means there is a degree of cross-subsidy between Titleholders, however this is minimal.

The focus of NOPTA's activities in relation to titles is on assessing the technical and financial ability of applicants to carry out title related activities. Technical assessments of field development plans are more closely aligned to the number of blocks, whereas for pipeline licences, the complexity of assessments varies depending on the length of the pipeline and the number of titles that the pipeline crosses.

**Table 6: Annual Titles Administration Levy revenue estimate 2016–17**

<b>Title Type</b>	<b>No. of titles</b>	<b>No. of blocks</b>	<b>Length Km</b>	<b>Levy Rate</b>	<b>Levy Amount</b>	<b>Outputs funded</b>
Exploration Permit	181	NA	NA	\$10,000/title	\$1,810,000	1, 2
Infrastructure Licence	3	NA	NA	\$25,000/title	\$75,000	7
Pipeline Licence	72	NA	3,925	\$100/km	\$392,500	8
Production Licence	92	305	NA	\$20,000/block	\$6,100,000	6
Retention Lease	66	248	NA	\$20,000/block	\$4,960,000	5
Greenhouse Gas Assessment Permit	NA	NA	NA	\$10,000/title	-	11

Title Type	No. of titles	No. of blocks	Length Km	Levy Rate	Levy Amount	Outputs funded
Greenhouse Gas Holding Lease	NA	NA	NA	\$20,000/block	-	11
Greenhouse Gas Injection Licence	NA	NA	NA	\$20,000/block	-	11
Work-bid Greenhouse Gas Assessment Permit	NA	NA	NA	\$10,000/title	-	11
Cash-bid Petroleum Exploration Permit	NA	NA	NA	\$10,000/title	-	1, 2
Boundary-change Petroleum Exploration Permit	NA	NA	NA	\$10,000/title	-	1, 2
<b>Levy Estimate</b>					<b>\$13,337,500</b>	

### 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 for approval to enable Titleholders to undertake certain regulated activities. Revenue from fees fluctuates from year to year as they are dependent on the timing, type and number of applications lodged by Titleholders. There were 704 applications in 2012–13 compared with 596 in 2013–14 and 625 in 2014–15, of which 378 attracted a statutory fee. Between July 2015 and February 2016, 249 applications have been submitted. There are also significant monthly variations ranging from 10 to 122 applications.

The volumes for 2016–17 were conservatively estimated at 355 applications based on the average number of applications submitted to NOPTA to date, adjusted for notable one-off exceptions where significant numbers of applications were received.

NOPTA reviews its resourcing requirements on an ongoing basis and makes use of short-term contractors where appropriate in order to reduce its exposure to the fluctuation in numbers of applications.

The remaining 2016–17 budget to be cost recovered through fees is estimated at \$2,742,500. This does not necessarily represent the total cost of assessing applications listed below, due to seasonal variations in the number and type of applications. Therefore some costs are recovered through levies. Fees were last reviewed in September 2013 as part of an initial transition towards reducing the level of cross-subsidy with levies. As a result some new application fees were introduced (Suspension and extension; variation; exemption, Declaration of a Location, Access Authority, Transfers and Dealings) in November 2013. It was recognized at that time that a further adjustment would be required at a later time in order to complete the transition.

Following a comprehensive review of activities and rates, a flat fee structure of \$7,500 per application was established, due to the fact that similar effort was required to assess the different types of applications. This represents the average cost of assessing each application type submitted to NOPTA. There may be some variation within each fee item, however as the same, few numbers of Titleholders submit these applications, the outcome is the same for them, with lower regulatory burden through a single fee. Applying a flat rate across all applications submitted to NOPTA would provide a transparent, simple and consistent approach for all Titleholders.

Fees have been determined on the estimated cost, based on management estimates of the level of effort required. The fee rates were calculated by dividing the estimated cost to be recovered for each type of application, by the estimated number of applications.

The revenue from application fees recovers approximately 17% of NOPTA's total budget expenditure in 2016–17.

Table 7: Application fees revenue estimate 2016–17

Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011 Schedule 6: Application – Part 1 (petroleum)

Item and type of application	No. of applications	Fee	Fee Amount	Outputs funded
101 Work-bid petroleum exploration permit	30	\$7,500	\$225,000	1, 2
102 Special petroleum exploration permit	NA	\$7,500	-	1, 2
103 Cash-bid petroleum exploration permit	2	\$7,500	\$15,000	1, 2
104 Renewal of petroleum exploration permit (all types)	5	\$7,500	\$37,500	2
105 Petroleum retention lease (all types)	5	\$7,500	\$37,500	5
106 Renewal of petroleum retention lease (all types)	5	\$7,500	\$37,500	5
107 Petroleum production licence over a surrendered block	NA	\$7,500	-	6
108 Petroleum production licence over an individual block	NA	\$7,500	-	6
109 Petroleum production licence (other than in items 107 and 108)	2	\$7,500	\$15,000	6
110 Renewal of petroleum production licence (all types)	1	\$7,500	\$7,500	6
111 Infrastructure licence	NA	\$7,500	-	7
112 Pipeline Licence	NA	\$7,500	-	8
113 Variation of pipeline licence, s226	2	\$7,500	\$15,000	8
114 Petroleum special prospecting authority; Access authority	40	\$7,500	\$300,000	9

Item and type of application	No. of applications	Fee	Fee Amount	Outputs funded
Suspension and extension; variation; exemption (per title), made under Part 2.11	100	\$7,500	\$750,000	3
Declaration of location	5	\$7,500	\$37,500	4
Transfer	40	\$7,500	\$300,000	10
Dealing	118	\$7,500	\$885,000	10
___ Acceptance of field development plan	NA	\$7,500	-	6
___ Variation of field development plan	NA	\$7,500	-	6
___ Approval to undertake recovery of petroleum without accepted field development plan	NA	\$7,500	-	6
___ Approval of rate of recovery of petroleum from a petroleum pool in a licence area	NA	\$7,500	-	6
___ Variation of a location (by adding a block)	NA	\$7,500	-	3
___ Variation of an infrastructure licence	NA	\$7,500	-	7
___ Consent to surrender a title	NA	\$7,500	-	3

Item and type of application	No. of applications	Fee	Fee Amount
201 Work-bid greenhouse gas assessment permit	1	\$7,500	\$7,500
202 Cash-bid greenhouse gas assessment permit	NA	\$7,500	\$7,500
203 Renewal of greenhouse gas assessment permit	NA	\$7,500	-
204 Greenhouse gas holding lease (all types)	1	\$7,500	\$7,500
205 Renewal greenhouse gas holding lease	1	\$7,500	\$7,500
206 Greenhouse gas injection licence	1	\$7,500	\$7,500
207 Greenhouse gas search authority	1	\$7,500	\$7,500
208 Greenhouse gas site closing certificate	1	\$7,500	-
___ Declaration of an identified greenhouse gas storage formation	1	\$7,500	\$7,500
___ Variation of declaration of an identified greenhouse gas storage formation	1	\$7,500	\$7,500
___ Grant of a greenhouse gas search authority	1	\$7,500	\$7,500
___ Greenhouse gas special authority	1	\$7,500	\$7,500
___ Variation, suspension, extension and exemption of a greenhouse gas title	1	\$7,500	\$7,500
<b>Fees Estimate</b>			<b>\$2,745,000</b>

## **4 RISK ASSESSMENT**

The overall risk rating of the cost recovered activity has been assessed by NOPTA as medium using the cost recovery risk assessment template, mainly 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, however no significant issues have been raised upon consultation.

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 per cent 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. NOPTA is resourced on a 'steady state' basis, with no significant growth or reduction in the offshore petroleum activities, and will work with industry to agree on appropriate actions in order to limit any significant fluctuations in rates of the annual levy and fees.

For significant fluctuations in industry activity, NOPTA will use short-term contractors as appropriate.

The structure for the annual Levy is relatively easy to calculate, involving a fixed rate per title for an Exploration Permit or an Infrastructure Licence, a fixed rate multiplied by a known number of kilometres or part thereof for a Pipeline Licence, and a fixed rate multiplied by a known number of blocks for a Production Licence or retention Lease.

The application fees are also calculated by applying a fixed rate to the type of application submitted.

The structure of both levies and fees were last reviewed in September 2013 as part of an initial transition towards reducing the level of cross-subsidy with levies. It was recognized at that time that a further adjustment would be required at a later time in order to complete the transition to improve transparency and equity among Titleholders. A comprehensive review of activities and rates was completed in December 2015.

NOPTA also contributed to the Industry, Innovation and Science portfolio charging review in 2015, in accordance with the Australian Government Charging Framework. The Department of Industry, Innovation and Science did not recommend any amendments to NOPTA's charging arrangements as a result of this review.

The financial value of each activity is not considered material, and as charges are for a specific industry, the offshore oil and gas sector, and involves ongoing consultation with industry representatives, this is not considered sensitive.

NOPTA continues to monitor the cost recovery arrangements to ensure that they remain cost effective and equitable among Titleholders.

## **5 STAKEHOLDER ENGAGEMENT**

NOPTA consults with its key stakeholders on a regular basis, and conducted its inaugural stakeholder survey in May 2015, through a third party, KPMG. Approximately 80% of

Titleholders responded to this voluntary survey, along with Commonwealth/State/Territory Government representatives and industry bodies.

The key findings reported by KPMG on 29 May 2015 were:

*“Overall, this survey indicated a high level of satisfaction with NOPTA’s performance, role and function. Stakeholders engage with staff frequently, and consider them to be competent and professional. Its information is seen as useful, accessible and timely, and the organisation is considered to be collaborative and demonstrate commitment to continuous improvement. Stakeholders strongly consider that the creation of NOPTA, and the way it operates, have improved the offshore petroleum regulatory framework and reduced unnecessary burden on the industry to a large extent, and almost all stakeholders consider that the introduction of NOPTA has reduced duplication of effort between agencies administering the offshore petroleum regulatory framework.”*

NOPTA consulted with key stakeholders between December 2015 and February 2016 regarding the continuation of the transition that commenced in November 2013 to align the annual administration levy and application fees to reflect inasmuch as possible the level of effort required to regulate and administer different types of titles. NOPTA also sought input on its proposal to establish a standard application fee.

A document entitled “NOPTA Review of Cost Recovery Arrangements - For Consultation by 29 February 2016<sup>12</sup>” was emailed to stakeholders on 22 December 2015, with reminders also sent on 9 February and 22 February 2016. The document was also published on NOPTA’s website.

NOPTA received 6 submissions that ranged from overwhelming support to concern that the timing of the proposed changes was inopportune when considered in the current climate. Overall it was acknowledged that the estimated cost increase to titleholders is not significant.

Two major titleholders supported the recommendations of the review and advised that “NOPTA provides a valuable service and that efforts made to date by the regulator to streamline and simplify the Petroleum Title administration processes ... have been effective”.

One major titleholder acknowledged that “NOPTA has been instrumental in streamlining titles administration and in our experience, provides industry with timely and considered advice regarding titles management”. While not opposed to cost recovery, the titleholder did not support the significant increase in fees in the current economic climate.

One titleholder expressed disappointment that “a strong case has not been made demonstrating NOPTA offers services that are ‘value’ for the money being charged.” The titleholder also acknowledged that “NOPTA has improved processes that were there before NOPTA was created” and encouraged NOPTA to demonstrate to industry how it continues to improve and increase efficiency.

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<sup>12</sup> [NOPTA Review of Cost Recovery Arrangements](#)



One titleholder supported the “lumping/simplification of fees and general re-alignment of relative costs”, and acknowledged that “NOPTA have improved the efficiency of the process it administers”. However the titleholder questioned the increases sought by NOPTA during a time when “the industry is in turmoil”.

The Australian Petroleum Production and Exploration Association (APPEA) sought confirmation on behalf of its Exploration Committee that “any additional costs imposed on the industry have a clear rationale, provide a demonstrable benefit and are essential in NOPTA meeting its legislated mandate.” APPEA also sought advice and information “to allow an informed view to be formed by industry”. APPEA raised several issues which were discussed at a meeting on 9<sup>th</sup> March 2016 between APPEA’s Deputy Chief Executive, Chair of Exploration Committee and Senior Policy Advisor and NOPTA’s General Manager, Legislative Compliance Manager and Business Manager. This was a productive meeting that confirmed the wide spectrum of views noting that while the estimated cost to titleholders is not significant, the timing was inopportune. NOPTA clarified the assumptions and misunderstandings around its role in resource management that caused APPEA’s Exploration Committee some concerns. NOPTA confirmed this was fundamentally a regulatory practice within NOPTA’s mandate. A formal response was sent to APPEA on 15<sup>th</sup> March 2016.

## 6 FINANCIAL ESTIMATES

Financial actuals and estimates are provided below in table 8. As these financial estimates change the CRIS will be updated accordingly.

Table 8: Summary of financial estimates

	<b>2015–16<sup>13</sup></b>	<b>2015–16</b>	<b>2016–17</b>	<b>2017–18</b>	<b>2018–19</b>	<b>2019–20</b>
	<b>Budget</b>	<b>Actuals</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Expenses	15,279 <sup>14</sup>	14,519 <sup>15</sup>	14,691	15,000	15,300	15,300
Revenue	11,000	10,687	16,080	16,080	16,080	16,080
Balance	(4,279)	(3,904)	1,461	1,080	780	780
Cumulative Balance	(4,400)	(4,025)	(2,564)	(1,484)	(704)	76

NOPTA aims to retain a cash reserve of approximately 10 per cent of its annual budget as a financially responsible measure to mitigate exposure to potential downturns in the offshore petroleum industry, meet its ongoing monthly expenses, asset replacements and potential unplanned expenditure. It is estimated that a cash balance of \$2M will be available at the end of each financial year.

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.

<sup>13</sup> Portfolio Additional Estimates Statements 2015–16 - Industry, Innovation and Science Portfolio

<sup>14</sup> This amount excludes expenses of \$2 Million relating to NOPTA’s implementation that are not cost recovered.

<sup>15</sup> This amount excludes expenses of \$1.2 Million relating to NOPTA’s implementation that are not cost recovered.

## 7 A) FINANCIAL PERFORMANCE

The following table 9 shows the historical financial performance of NOPTA since its inception on 1 January 2012.

Table 9: Summary of financial performance 1 January 2012 to 30 June 2015

	2011–12 \$000	2012–13 \$000	2013–14 \$000	2014–15 \$000
Expenses	4,046	8,003	10,067	12,405
Revenue	2,848	9,737	11,438	10,377
Balance	(1,198)	1,734	1,371	(2,028)
Cumulative Balance	(1,198)	536	1,907	(121)

## B) NON-FINANCIAL PERFORMANCE

NOPTA's performance measures were last reviewed in the first quarter of 2015 and a new Corporate Plan 2015–2017<sup>16</sup> was released in March 2015. The Corporate Plan lists various performance measures adopted by NOPTA and includes Key Performance Indicators as part of the Regulatory Performance Framework.

A key element in performance measurement is the annual survey of key stakeholders.

The inaugural Stakeholder Survey was completed in May 2015.<sup>17</sup> The key findings included:

*“Overall, this survey indicated a high level of satisfaction with NOPTA’s performance, role and function. Stakeholders engage with staff frequently, and consider them to be competent and professional. Its information is seen as useful, accessible and timely, and the organisation is considered to be collaborative and demonstrate commitment to continuous improvement. Stakeholders strongly consider that the creation of NOPTA, and the way it operates, have improved the offshore petroleum regulatory framework and reduced unnecessary burden on the industry to a large extent, and almost all stakeholders consider that the introduction of NOPTA has reduced duplication of effort between agencies administering the offshore petroleum regulatory framework.”*

<sup>16</sup> NOPTA Corporate Plan 2015–2017.

<sup>17</sup> KPMG Stakeholder Survey Report – National Offshore Petroleum Titles Administrator 29 May 2015.

NOPTA will continue to survey its stakeholders and report on its Key Performance Indicators:

KPI 1	NOPTA does not unnecessarily impede the efficient operation of Titleholders.
KPI 2	Communication with Titleholders is clear, targeted and effective.
KPI 3	Actions undertaken by NOPTA are proportionate to the regulatory risk being managed.
KPI 4	Compliance and monitoring approaches are streamlined and coordinated.
KPI 5	NOPTA is open and transparent in its dealings with Titleholders.
KPI 6	NOPTA actively contributes to the continuous improvement of regulatory frameworks.

A fresh annual survey of key stakeholders is scheduled for April 2016. The outcome of the annual survey will be reported on NOPTA’s website.

## 8 KEY FORWARD DATES AND EVENTS

Key dates and events for the cost recovered activity include:

30 Sep 2016	Update financial data.
31 Jan 2017	Update financial data.

## 9 CRIS APPROVAL AND CHANGE REGISTER

Date of CRIS change	CRIS change	Approver	Basis for change
April 2016	Certification of the CRIS	Minister	Implementation of new rates following review of cost recovery arrangements.